

**ANNUAL REPORT**  
**2006-07**



**PAWAN HANS HELICOPTERS LIMITED**

**OUR AIM**

***MAXIMISE  
FLYING WITH  
TOTAL  
SAFETY  
AND  
ECONOMY***

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## BOARD OF DIRECTORS



**R.K. Tyagi**  
Chairman-cum-Managing Director



**Raghu Menon**  
Additional Secretary  
& Financial Advisor  
Ministry of Civil Aviation



**K. Gohain**  
Director General of Civil Aviation



**Arun Mishra**  
Joint Secretary,  
Ministry of Civil Aviation



**N.K. Mitra**  
Director (Off-shore)  
Oil & Natural Gas Corporation Ltd.



**Air Cmde G.S. Cheema**  
Principal Director (T&H)  
Air Headquarters



## MANAGEMENT TEAM

Chairman Cum Managing Director	Shri R.K. Tyagi
Chief Vigilance Officer	Shri Bhawesh Kumar Singh, IPS
General Manager (Personnel & HRD)	Shri G.P. Srivastava
General Manager (Finance & Accounts)	Shri Sanjiv Bahl
General Manager (Engineering)	Shri Deepak Kapoor
General Manager (Operations)	Major (Retd.) H.S. Sandhu
Deputy General Manager (Administration & Materials)	Air Cmde. (Retd.) V. Ramesh
Company Secretary & Dy. General Manager (Legal)	Shri Sanjiv Agrawal
Deputy General Manager (Marketing)	Shri Sanjay Kumar
Deputy General Manager (I.T.)	Shri Sanjiv Takru
General Manager (Officiating) (Western Region)	Shri Subir Kumar Das
General Manager (Officiating) (Northern Region)	Shri Sanjiv Takru

### *Registered office*

Safdarjung Airport  
New Delhi-110 003

### *Regional offices*

*Western Region*  
Juhu Aerodrome  
S.V. Road  
Vile Parle (West)  
Mumbai-400 056

### *Northern Region*

Safdarjung Airport  
New Delhi-110 003

### *Auditors*

M/s. V.K. Verma & Co.  
Chartered Accountants  
New Delhi

### *Branch Auditors*

M/s. R.B. Jain &  
Associates  
Chartered Accountants  
Mumbai

### *Bankers*

Vijaya Bank



## NOTICE

**ALL SHAREHOLDERS,  
PAWAN HANS HELICOPTERS LIMITED.**

NOTICE is hereby given that the 22<sup>nd</sup> Annual General Meeting of the Company is scheduled to be held on 31<sup>st</sup> December, 2007 at 12.30 PM at Corporate Office of the Company at Safdarjung Airport, New Delhi to transact the following business:-

### **ORDINARY BUSINESS**

1. Adoption of Accounts

To receive, consider and adopt the audited Balance Sheet as on 31.3.2007, the audited Profit & Loss Account for the year ended on 31st March 2007, along with the Auditors' Report, comments of C&AG thereon and Directors' Report.

2. Declaration of Dividend

To consider and if thought fit, to pass with or without modification the following resolution as ordinary resolution:-

"RESOLVED THAT dividend amounting to Rs.9,10,12,800/- (including interim dividend of Rs.9,10,12,800/-) @ 8% on the paid-up capital of Rs.113.766 crores is hereby declared for the financial year 2006-07 to the shareholders of the Company."

By the Order of the  
Board of Directors of  
Pawan Hans Helicopters Limited

(Sanjiv Agrawal)  
Company Secretary

New Delhi  
December 06, 2007

### NOTES:

- a) A member entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a member of the Company to attend and vote instead of himself.
- b) Proxies in order to be effective must be deposited at the registered office of the Company not less than 48 hours before the meeting. A blank Proxy Form is enclosed.



## DIRECTORS' REPORT

*The Shareholders,*

Gentlemen,

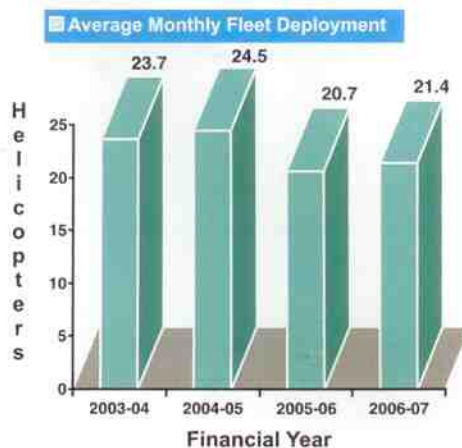
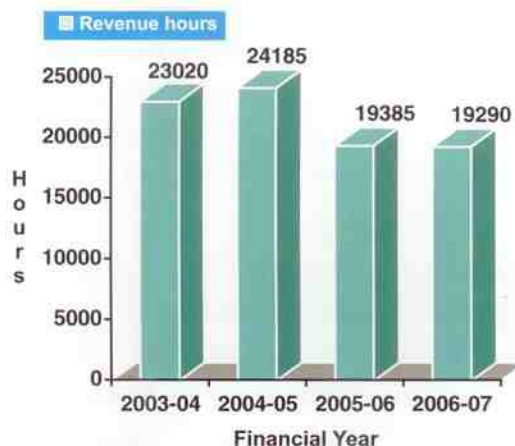
Your Directors have immense pleasure in presenting the Twenty Second Annual Report of the Company together with the audited accounts and the Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2007.

### I. Operations

#### a) Operational results

The Company was able to secure long term contracts with Institutional clients mainly in the Oil Industry and Government Sector.

The revenue hours and average monthly deployment of helicopters was as under:-



Due to the torrential rains and flooding at Mumbai on 26/27 July, 2005, 10 Dauphin and 1 Mi-172 helicopters, large number of inventory items, aero engines, ground support & test equipments, office furniture, computers and documents were submerged in water and damaged. In addition to the above one Dauphin N-3 helicopter belonging to Government of Karnataka which was parked in the hangar had also got damaged. The flood had severely affected serviceability/ deployment of helicopters to ONGC which adversely impacted the fleet utilization, revenue and profitability of the Company during 2005-06. The Company had on emergency basis taken steps to repair the water ingressed components in-house as well as dispatched them on priority to various repair agencies abroad. Urgent procurement of rotables, equipments and other spares on standard exchange or ex-stock purchase basis were also initiated for early recovery of the damaged helicopters. The Company was able to recover and deploy the damaged helicopters in a phased manner. Claim has been lodged with the Insurance Company for damages to the helicopters and other assets. The impact of flood also affected financial performance of the Company during the financial year 2006-07 and major expenditure on account of repair/overhaul of water ingressed components has been accounted for during 2006-07.

The performance during the financial year 2006-07 was lower than previous year due to lower fleet serviceability and number of helicopters under major structural repairs including AS4 fitment. Further, MI-172 helicopter had remained unserviceable after major overhaul in Russia.



*Dauphin Helicopter at ONGC off-shore Rig*

The Dauphin helicopter VT-ELB was partially damaged while taking off at Rajoha helipad in Punjab on 12.9.2006. Further, the Dauphin N3 helicopter registration No.VT-PHP operating for Lakshadweep Administration made a crash landing at Kavaratti on 27.9.2007 while returning from Kochi to Kavaratti. While there was no casualty, the helicopter suffered extensive damage. The Company has lodged claims in both cases with the Insurance Company. The final damage assessment is being carried out after obtaining necessary clearance from DGCA.

*b) Fleet Profile*

The Company's operational fleet profile as on 31.3.2007 has been as follows :-

Helicopter type	No. of helicopters
Dauphin SA365N	17
Dauphin AS365N-3	7
Bell-407	4
Bell 206L4	3
MI-172	2
<b>Total</b>	<b>33</b>

*c) Fleet deployment*

As on 31.3.2007, the Company had on contract

9 Dauphin helicopters with ONGC for their off-shore task. The Company provided one Dauphin helicopter each to State Governments viz. Arunachal Pradesh, Punjab, Meghalaya and Lakshadweep. The Company provided two Dauphin helicopters to the Administration of Andaman & Nicobar Islands and one Dauphin helicopter each to Ministry of Home Affairs and Hardy Oil Exploration.

One Bell 206 L4 helicopter was deployed with State Government of Sikkim. One Bell 407 helicopter was deployed with the State Government of Tripura and one with GAIL. The Company continued to operate helicopter services for the Kedarnath Shrine during the season May-June, 2006 and September-October, 2006.

*d) Fleet Augmentation*

- i) The Company had exercised option for purchase of one Bell 407 helicopter during 2005-06 which was delivered in April, 2006.
- ii) The Company had signed agreement for purchase of two Dauphin N3 helicopters on 5.12.2005 which were delivered in July/August, 2006.





iii) The Company has acquired one second hand Dauphin N3 helicopter from Government of Karnataka against open tender in July, 2006.

iv) For purchase of two additional Dauphin N3 helicopters, agreement was signed in May, 2006 with the manufacturer of the helicopter. The fully AS-4 compliant helicopters were delivered in September/October, 2007 and were reassembled and made serviceable with Certificate of Air Worthiness in the shortest possible time period.

With the above acquisitions, the total fleet size of the Company has been enhanced to 35 helicopters at present.

e) *Mid-Life upgrade programme of Dauphin fleet.*

With a view to meet the requirements of DGCA and ONGC contract, Retrofit programme for the full Dauphin fleet is being undertaken in a phased manner which is likely to be completed by September, 2008. This will lead to better safety and improved serviceability of Dauphin fleet in view of on-time monitoring of all dynamic components and engines by the technical personnel of the Company. The first Dauphin N helicopter was received after retrofitment at France in December, 2006. Subsequently, two more Dauphin N helicopters were retrofitted (the second helicopter was retrofitted by the French Team and the third helicopter was retrofitted by PHHL engineers under supervision of French team). Subsequently PHHL has completed retrofitment on more helicopters and has provided the 12 number of AS-4 complied Dauphin N/N3 helicopters by end December, 2007 to ONGC.

## II. Finance

### a) Financial Results

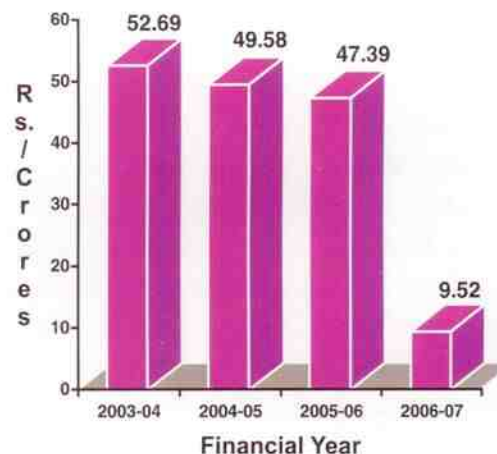
Financial performance during the financial years 2006-07 and 2005-06 was as under :

(Rupees/Crores)		
Particulars	2006-07	2005-06
<b>I. Operating Revenue</b>		
- Revenue from Operations	182.02	164.73
- Incidental Revenue	26.81	4.02
<b>Total (I)</b>	<b>208.83</b>	<b>168.75</b>
<b>II. Operating Expenditure</b>		
- Operating Expenditure	180.38	142.71
- Depreciation	25.67	21.27
<b>Total (II)</b>	<b>206.05</b>	<b>163.98</b>
<b>III. Net Operating Profit (I-II)</b>	<b>2.78</b>	<b>4.77</b>
<b>IV. Interest Income</b>	<b>24.96</b>	<b>30.33</b>
<b>V. Prior Period/Extraordinary Adjustments</b>		
- Extraordinary Items	( 8.82)	30.87
- Prior Period Adjustments	( 0.31)	(1.37)
<b>VI. Profit before Tax</b>	<b>18.61</b>	<b>64.60</b>
<b>VII. Taxes</b>		
- Provision for Taxation	0.40	12.00
- Deferred Tax Liability	8.26	4.52
- Fringe Benefit Tax	0.43	0.69
<b>VIII. Net Profit after Tax</b>	<b>9.52</b>	<b>47.39</b>

Operating Revenue



Net Profit





*b) Dividend*

Your Directors have recommended that in view of the lower Net profit after tax of Rs.9.52 crores only, the interim dividend of Rs.9.10 crores already paid by the Company may be treated as final dividend. Accordingly the dividend recommended amounts to Rs.9.10 crores @ 8% (previous year @ 20% Rs.22.75 crores) on the paid up equity capital of Rs.113.766 crores for the financial year 2006-07. The Corporate tax on dividend to be borne by the Company during 2006-07 would be Rs.1.28 crores (Previous Year :Rs.3.19 crores).

*c) Claim of Government of India*

In respect of pending issue of Government of India claim, a revised proposal was submitted by the Ministry of Civil Aviation in 2005 which inter-alia included reduction in the rate of interest from 18% pa to 9% pa on the principal amount and other issues as covered by its previous proposal dated 23.4.2003 submitted by the Ministry of Civil Aviation. However, the Ministry of Finance has not agreed to the reduction in the rate of interest from 18% pa to 9% pa. Subsequently in May, 2006 the Ministry of Civil Aviation had submitted another proposal to settle the long outstanding dues as one time final payment of Rs.298.49 crores comprising of principal amount of dues of Rs.130.91 crores and interest @ 9% pa upto 31.3.2001 of Rs.167.58 crores. The proposal is under consideration of the Government. Subsequent to the close of the financial year under audit, the Company has submitted a proposal to Ministry of Civil Aviation in June, 2007 that the Government may reconsider the claim by Ministry of Finance and waive off the total amount claimed from the Company so that the existing funds could be utilized for fleet expansion and other capital outlay programmes which are essential for the survival of the Company under the

competitive environment prevailing in the Civil Aviation industry in India.

The Company had earlier made provision of Rs.339.31 crores upto 31.3.2001 during the financial years 1999-2000, 2000-01 and 2002-03 towards interest and other charges as claimed by the Ministry of Finance and the same is being carried forward.

*d) Foreign Exchange*

During the year the foreign exchange receipt was Rs. 19.52 lakhs (previous year :Rs. 6.53 lakhs) and outgo on account of foreign exchange payment for purchase of helicopters, spares & equipments, repairs & other charges and advance to suppliers for Retrofit of Dauphin fleet / purchase of helicopters amounted to Rs.191.55 crores (previous year Rs.143.59 crores).

*III. Engineering / Maintenance Activities*

The Company has established state-of-the-art maintenance facilities in Mumbai & Delhi approved by DGCA for maintenance of its fleet of helicopters. Meticulous maintenance checks on helicopters are carried out and extensive workshops with in-house facilities provide the back up. Maintenance capability has been upgraded to carry out major 'G' Inspections on Dauphin helicopters totally in-house without any foreign assistance which leads to saving of foreign exchange on account of lower cost of repairs/inspections. The scope of approval of maintenance facilities at Mumbai have been extended to include 'G' inspection (Airframe overhaul at 6000 hours) on Dauphin N3 helicopters during the year under review. A total of 23 inspections consisting of T/2T/5T(600 hrs./1200 hrs./3000 hrs.) inspection and 3 'G' inspections (5400 hrs.) on Dauphin N and 1<sup>st</sup> 'G' Inspection on Dauphin-N3 helicopters were carried out by the Company from within its resources.



*Bell 206L4 helicopter*

Retrofitment of 9 Dauphin N/N3 helicopters have been completed in-house by end December 2007 at PPHL facilities to meet ONGC contract requirements.

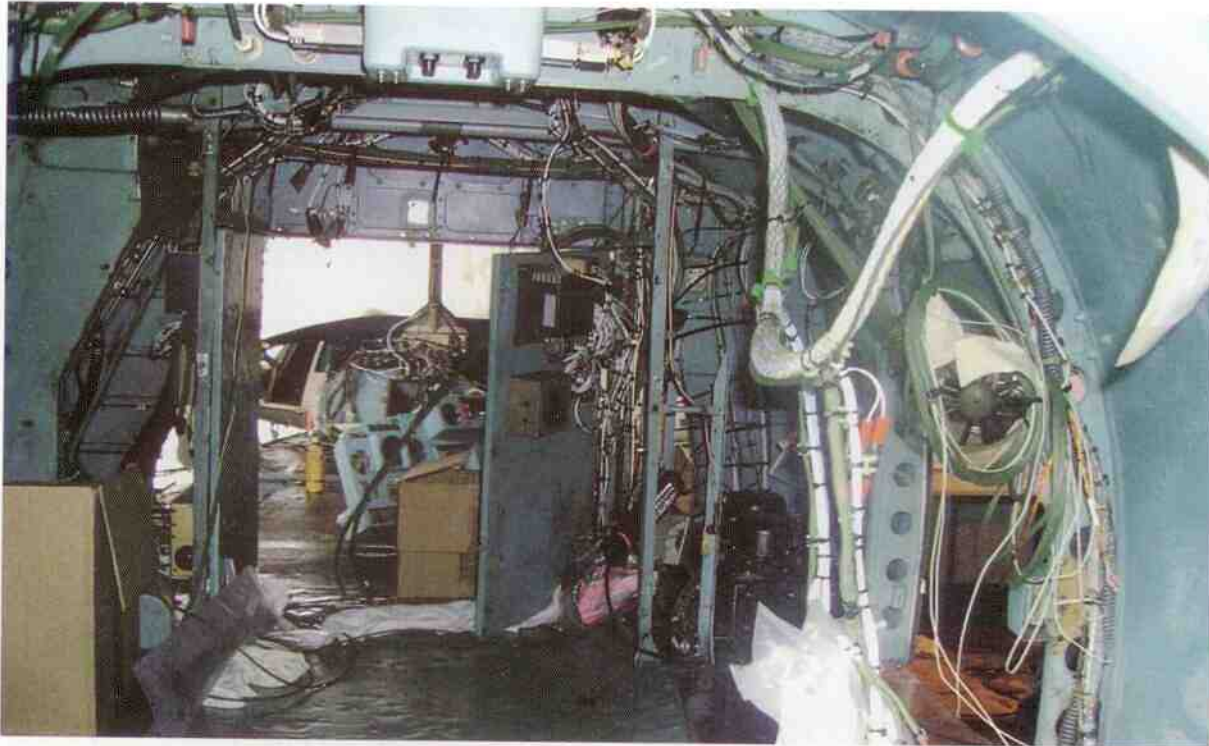
The enhancement in workshop facilities is a continuous process with every extension in scope a milestone. During the year in addition to extension in scope to cover 'G' inspections on the Dauphin N3

helicopters, the workshop facilities have extended scope to cover some of the Dauphin N3 instruments for bench check. Further, major maintenance inspections and major component changes of the Bell helicopters at Bases was also continued during the year.

The Company has always considered energy saving and technology absorption as an



*Dauphin helicopter operating in North East*



*Helicopter under AS-4 Retrofitment*

important goal and high priority has been accorded to the same during the year under review.

#### *IV. Materials Management*

Material management directive for better control relating to non-moving inventories

was issued. Further by fixing of inventory levels all procurements have been made based on joint review by Engineering and Material Departments and spares are ordered on forecasted projections. During the year the Material Management functions have gone online through integrated



*Dauphin Helicopters undergoing maintenance at PPHL hanger in Juhu Aerodrome, Mumbai*



*Bell 206L4 helicopter*

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*Dauphin helicopter operating in North East*



computerization. Processing of demand and supply has become efficient. Data has become transparent and available to users across the network in all regions and bases. Inventory management through timely alerts has enhanced the efficacy of supply chain management.

#### *V. Information System & Technology Plan*

In order to implement Information System & Technology Plan in the critical functional areas of Operations, Engineering, Materials & Finance, agreement for crucial integrated software development signed with M/s.Tata Consultancy Services Ltd. would enhance efficiency, effectiveness and customer satisfaction. The development work has reached an advance stage and process of implementation have commenced in certain functional areas.

#### *VI. ISO 9002 Certification*

The Company has completed the process of transitioning its Quality Management Systems from ISO 9000:1994 to the new standard ISO 9001:2000 and has been awarded ISO 9001:2000 up to 2010.

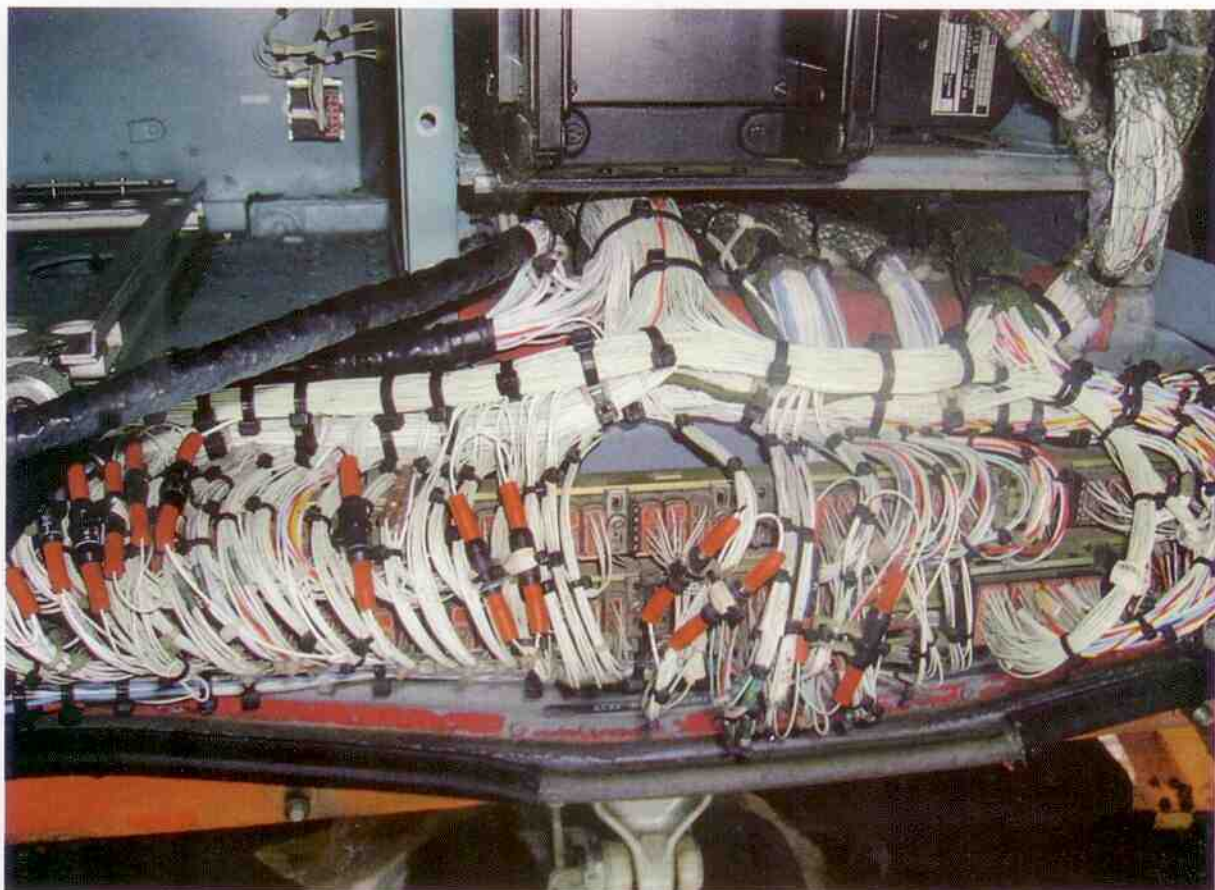
#### *VII. Human-Resources Development*

##### *a) Manpower*

The staff strength as on 31<sup>st</sup> March, 2007 was 711 (including 179 contractual employees) as against 745 (including 186 contractual employees) as on 31<sup>st</sup> March 2006.

##### *b) Industrial Relations*

Industrial relation during the period continued to be cordial and regular meetings with employee's representative bodies were held. The issues concerning employees were resolved through discussion.



*Extensive Wiring done on the Helicopter for AS-4 Equipment fitment*



### c) Training

Training of all employees i.e. Executives, Pilots, Engineers, Technicians and Support staff continued to receive high priority. Lectures on different subjects of Managerial Skills have been conducted regularly. The Company has also been nominating employees to specialized training programmes and in-house training. The resources of Aviation Training School were utilized for conducting various refresher courses for Pilots, Engineers and Technicians on regular basis. Due to a large number of retirement / resignation of pilots, action has been taken for recruitment of experienced and young pilots.

### VIII. Board Of Directors

The Board of Directors held six meetings during the year. The Board consists of the following members presently as well as during the financial year 2006-07 :-

<b>At present</b>	
Shri R.K. Tyagi	Chairman-cum- Managing Director (from 18.5.07)
Shri Raghu Menon	Addl. Secretary & FA, MOCA (from 17.11.06)
Shri Arun Mishra	Joint Secretary, MOCA (from 13.3.2007)
Shri K. Gohain	Director General of Civil Aviation (from 31.3.06)
Shri N.K. Mitra	Director off-shore, ONGC (from 9.9.2004)
Air Cmde.G.S. Cheema	Principal Director T&H, Air Force (from 28.3.2007)
<b>Ceased to be Directors</b>	
Shri R.K. Singh	Chairman-cum- Managing Director (from 30.6.06 to 18.5.07) and Joint Secretary, MOCA (upto 13.3.07)
Shri Nagar V.Sridhar	Chairman-cum- Managing Director (upto 30.6.06)
Shri P.K. Mishra	Special Secretary & FA, MOCA (upto 30.10.06)
Air Cmde.S.P. Singh	Director T&H, Air Force (upto 14.1.2007)

The Board places on record its appreciation of the valuable services rendered by Shri R.K. Singh, Shri Nagar V. Sridhar, Shri P.K.Mishra, and Air Cmde. S.P. Singh during their tenure on the Board.

None of the Directors of your Company is disqualified as per provision of Section 274 (1) (g) of the Companies Act, 1956.

### IX. Directors' Responsibility Statement

Pursuant to provision of Section 217(2AA) of the Companies Act, 1956, in respect of the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2007, your Directors have:-

- followed in the preparation of Annual Accounts, the applicable accounting standards and proper explanation relating to material departure if any, have been incorporated.
- 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 at the end of financial year and of Profit of the Company for that period.
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and
- prepared the Annual Accounts on a going concern basis.

### X. Corporate Governance

In compliance to Section 292(A) of the Companies Act, the Board of Directors had constituted an Audit Committee on 24.5.2001 comprising of its Chairman and two members. During the year, the Audit Committee has held meetings on 29.11.2006, 21.12.2006 and 21.3.2007.



*Bell 407 helicopter at Kedarnath*

Presently the Audit Committee comprise of Shri Raghu Menon, Additional Secretary & Financial Advisor, Ministry of Civil Aviation as Chairman of the Audit Committee, Shri Arun Mishra, Joint Secretary, Ministry of Civil Aviation and Air Cmde. G.S. Cheema, Principal Director (T&H), Air Headquarter as Members.

The Company has also adopted Guidelines on Corporate Governance issued by DPE on 6.7.2007. Accordingly, efforts are being made for compliance of the Guidelines.

#### *XI. Auditors' Report*

The observations made by the Statutory Auditors in respect of the Annual Accounts for the financial year 2006-07 together with replies thereto are appended as Annexure-A. (Refer to page 55 to 64).

The Report of Comptroller and Auditor General of India in pursuance of Section 619(4) of the Companies Act, 1956, and replies thereto are appended as Annexure-B. (Refer to page 65 to 67).



*Dauphin Helicopter operating in Lakshdweep*





*MI-172 Helicopter*

### *XII. Particulars of the employees*

Pursuant to section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Amendment Rules, 1988, the required information is appended to this report as Annexure-'C' (refer to page 68).

### *XIII. Official Language Policy*

During the year under review, the Company has made significant progress towards implementation of various provisions of Government's Official Language Policy by celebrating Hindi Day/Week, holding Hindi workshops, granting monetary incentives and issuing bilingual advertisements and compliance to Section 3(3) of Official Language Act, 1963.

### *XIV. Employment of Persons with Disabilities.*

The Company has been following the law regarding Persons for Disabilities Act.

### *XV. Vigilance*

The Company has an independent Vigilance department headed by a Chief Vigilance Officer. Regular inspections, greater

interface with the staff and periodic counseling has helped in streamlining procedures and imparting greater transparency and accountability in decision making. A sincere attempt at preventive vigilance has also exerted a healthy influence in promoting ethical work culture, imparting better control and discipline within the system, and in motivating the honest and committed employees. Conscientious functioning of the Vigilance department has added to the efficiency and image of the organization as well as to the code of accountability.

### *XVI. Emerging Scenario*

In the emerging scenario, the Company has opportunities and challenges before itself to be competitive, qualitative and cost effective. Pawan Hans is the largest helicopter Company in India and its operating and maintenance standards are of a high order. The Company's relentless pursuit continued in achieving excellence by effecting all round improvement in safety and performance. It is time for the Company to capitalize on its strength and skills achieving its aim to become a market



leader in Asia, in helicopter operations as well as globally competitive in the repair & overhaul of aviation products.

*XVII. Acknowledgements*

The Board of Directors deeply appreciates the continued co-operation, guidance and support received from the various Ministries of the Government of India, particularly, the Ministry of Civil Aviation and the Director General of Civil Aviation.

The Board expresses its thanks for the confidence reposed by the Oil & Natural Gas Corporation Ltd. and other customers in the operations of the Company.

The Board also places on record its appreciation of the sincere and devoted services rendered by the employees at all levels for the progress of the Company.

For & on behalf of the  
Board of Directors

**(R.K. Tyagi)**  
Chairman cum Managing Director

Place : New Delhi

Date : 31<sup>st</sup> December, 2007



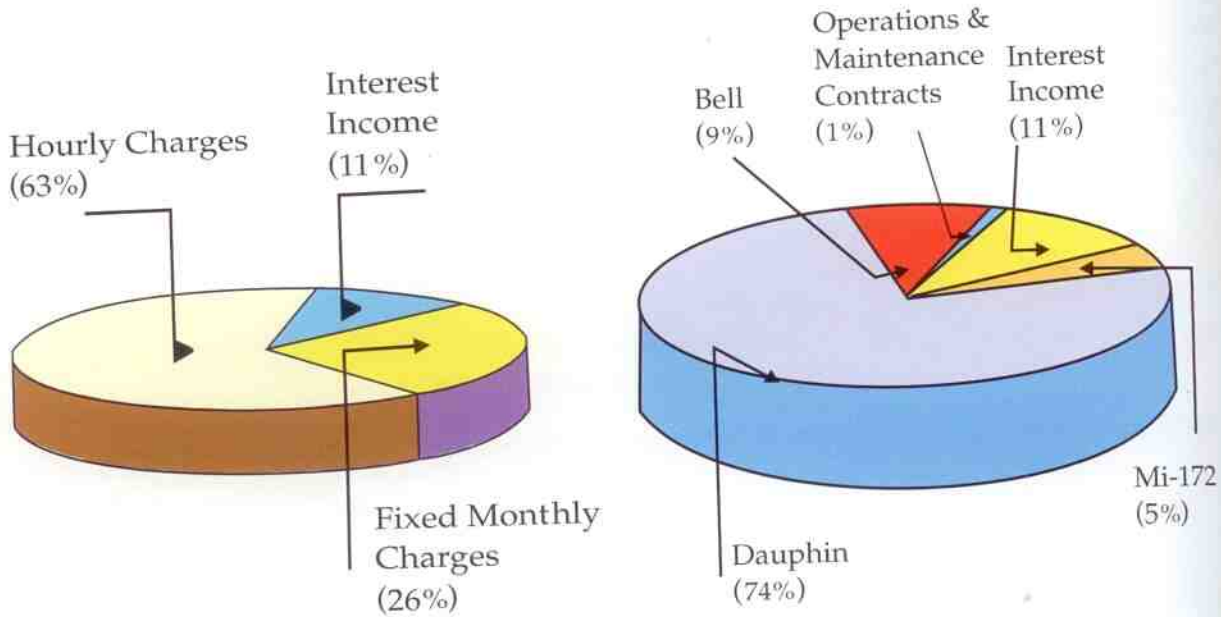
*Bell 206L4 Helicopter*



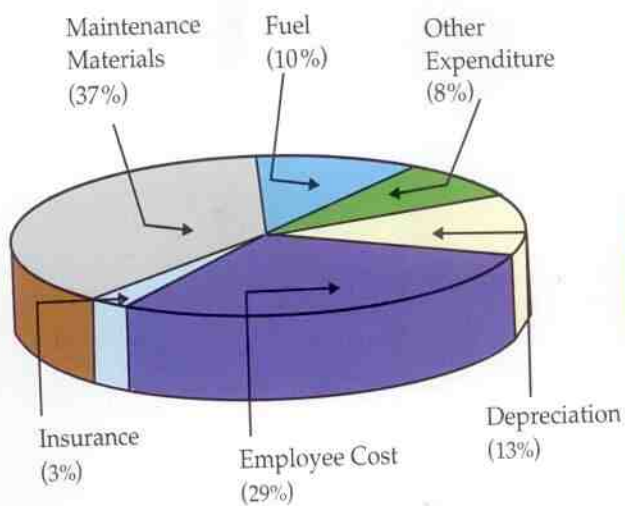
## FINANCIAL HIGHLIGHTS

(For 2006-07)

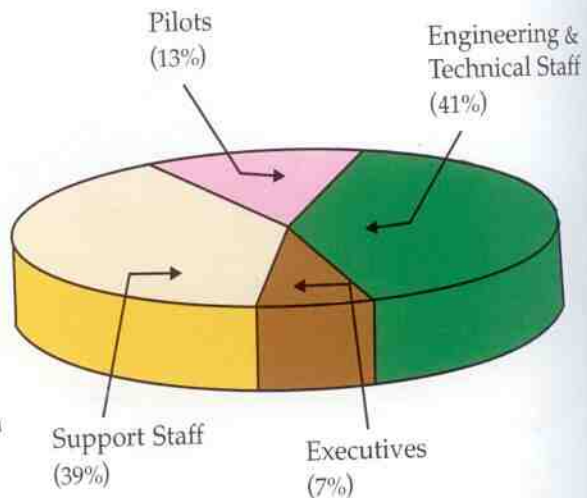
### Source of Income



### Cost Structure

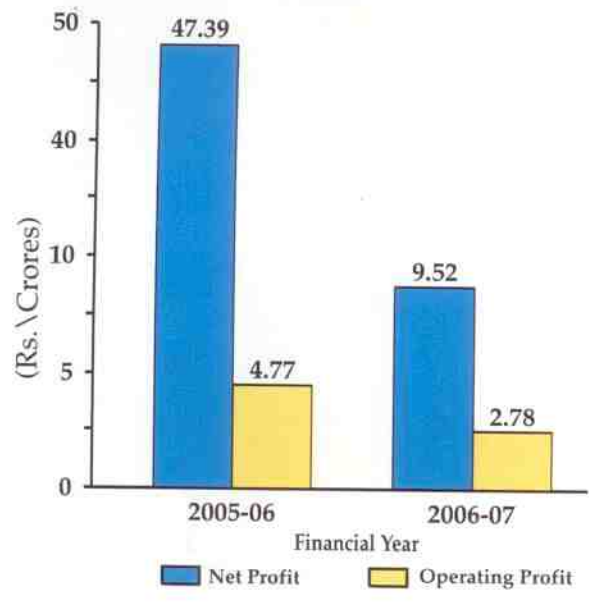


### Manpower Profile

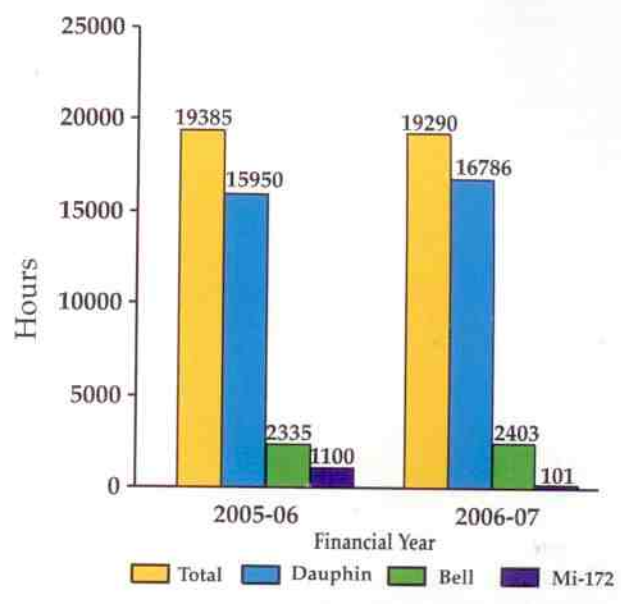




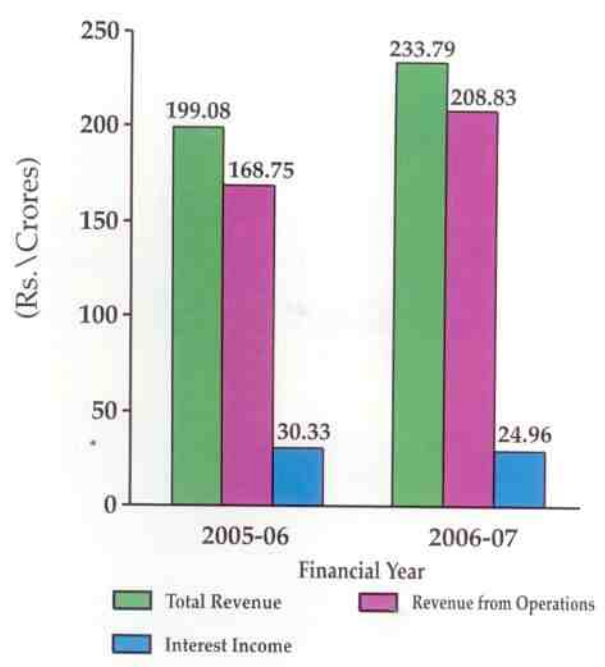
### Net Profit & Operating Profit



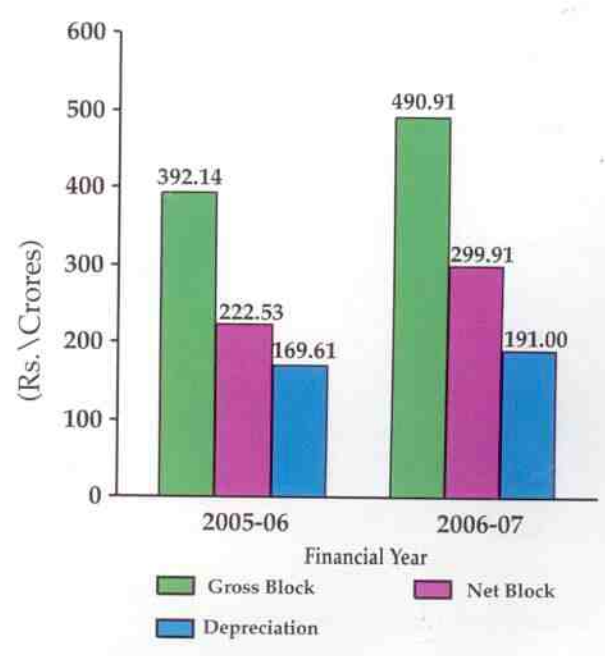
### Flying Hours



### Revenue



### Fixed Assets

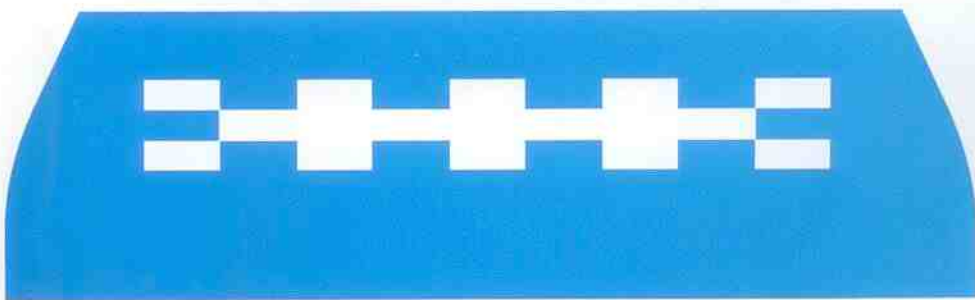


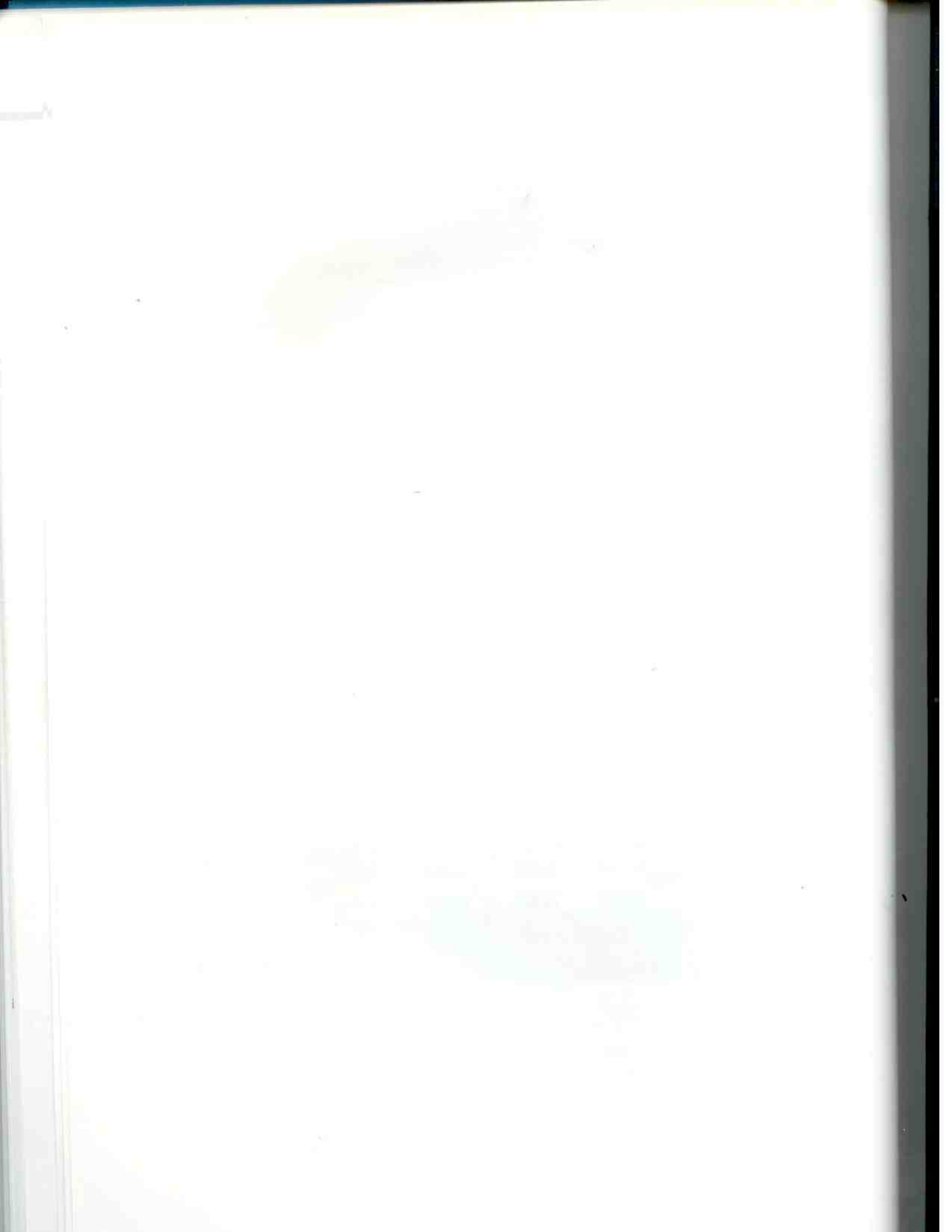


## SUMMARISED ACCOUNTS

		(In Rs./Crores)			
		2006-07	2005-06	2004-05	2003-04
<b>RESOURCES</b>		279.79	280.64	259.28	235.55
Net Worth		47.48	39.22	34.71	19.53
Deferred Tax Liabilities		<u>327.27</u>	<u>319.86</u>	<u>293.99</u>	<u>255.08</u>
<b>Total</b>					
<b>UTILISATION OF RESOURCES</b>		546.25	431.43	385.60	318.84
Fixed Assets (Including Capital wip)		191.00	169.61	156.60	146.44
Less : Depreciation		<u>355.25</u>	<u>261.82</u>	<u>229.00</u>	<u>172.40</u>
Net Fixed Assets		(27.98)	58.04	64.99	82.68
Net Working Capital		<u>327.27</u>	<u>319.86</u>	<u>293.99</u>	<u>255.08</u>
<b>Total Capital Employed</b>					
<b>EARNINGS</b>		208.83	168.75	213.30	192.56
Revenue from Operations		24.96	30.33	28.55	31.44
Interest Income		<u>233.79</u>	<u>199.08</u>	<u>241.85</u>	<u>224.00</u>
<b>Total</b>					
<b>OUTGOINGS</b>		59.03	46.78	46.74	44.16
Employee Cost		5.42	5.29	6.39	5.96
Insurance		77.32	54.33	64.78	61.88
Maintenance & Materials		21.24	20.49	22.61	17.40
Fuel		17.37	15.82	13.27	14.12
Other Expenditure & Provisions		25.67	21.27	20.11	15.26
Depreciation		<u>206.05</u>	<u>163.98</u>	<u>173.90</u>	<u>158.78</u>
<b>Total</b>		27.74	35.10	67.95	65.22
Profit for the year before Extraordinary/ Prior period Adjustments		(9.13)	29.50	15.91	12.62
Prior period/Extraordinary adjustments		<u>18.61</u>	<u>64.60</u>	<u>83.86</u>	<u>77.84</u>
Profit before tax		0.40	12.00	19.10	20.00
Provision for Taxation		0.43	0.69	-	-
Fringe Benefit Tax		8.26	4.52	15.18	5.15
Deferred Tax Liability		<u>9.52</u>	<u>47.39</u>	<u>49.58</u>	<u>52.69</u>
Net Profit after Tax		9.10	22.75	22.75	17.50
Dividend Paid					
<b>Significant Ratios</b>					
a) Net Profit Ratio	$\frac{\text{Net Profit after Tax}}{\text{Total Revenue}}$	4.1%	23.08%	20.5%	23.05%
b) Return on Investment	$\frac{\text{Net Profit after Tax}}{\text{Capital Employed}}$	2.9%	14.8%	16.9%	20.7%
c) Return on Net Worth	$\frac{\text{Net Profit after Tax}}{\text{Net Worth}}$	3.4%	16.9%	19.1%	22.4%
d) Debt Collection Period (months)	$\frac{\text{Operational debtors}}{\text{Avg. monthly Period Rev.}}$	3.6	4.0	3.5	2.9
e) Inventory Turnover (month)	$\frac{\text{Year end Inventory}}{\text{Avg. monthly Op. Rev.}}$	2.0	2.1	1.3	1.3
f) Current Ratio	Current Assets : Current Liabilities	0.94:1	1.1:1	1.1:1	1.2:1

# ACCOUNTS







## SIGNIFICANT ACCOUNTING POLICIES

### 1. FIXED ASSETS / DEPRECIATION

- a) Fixed Assets are stated in the Balance Sheet at actual cost less depreciation.
- b) Cost of mid-life up-gradation programme (including type certification costs) / major retrofit of the helicopter fleet is capitalized.
- c) Depreciation is provided on straight line basis at the rates prescribed under Schedule XIV of the Companies Act, 1956 unless the useful life of the asset warrants higher rate of depreciation. In case of acquisition of second hand helicopters and aero-engines, depreciation is provided at a rate so as to write off 95% of the cost of such assets over the balance specified life. In the case of MI-172 helicopters, taking into consideration the life limitation of 7,000 hours or 15 years, whichever occurs first, depreciation is provided at the minimum rate of 6.33% per annum, for upto 466 flying hours each year and for additional hours flown depreciation is charged on the basis of actual hours flown in excess of 466 hours multiplied by the hourly rate computed by dividing 95% of the original cost by 7,000 hours for each helicopter.
- d) Depreciation on Airframe and Aero-engine equipment-Rotables and cost of mid-life upgradation programme (including type certification costs) /major retrofit of the Helicopters is computed on straight line basis in a manner so as to write-off the 95% of the amount thereof over the remaining useful life of the principal asset (type of helicopters) to which they pertain, subject to a minimum charge as per the statute rate. In respect of Mi-172 helicopters the depreciation on airframe and aero engine rotables is derived on the basis of annual

average maintenance flying hours of the fleet and the remaining useful life in flying hours of the least flown helicopter at the commencement of the financial year. For this purpose, the remaining useful life of the last batch of helicopters (in case of Dauphin N since these constitute significant strength of the fleet) or latest helicopter (in the case of other fleet) is considered. Effective from the financial year 2006-07, the useful life of helicopters is enhanced to 30 years or 25000 hours, whichever is later (other than Mi-172 helicopters for which there is a life limitation as explained above) based on technical estimates and the disposal policy evolved by the Company. Hitherto, the useful life of helicopters was considered as 20 years or 16,000 hours, whichever is later. Items scrapped under these heads are written off on FIFO basis. Rotables related to Westland Helicopters fleet continue to be classified as "inventory" as the full book value has been provided.

- (e) Cost of leasehold land is amortized over the period of lease. Similarly the cost of residential flats constructed under joint development agreement with AAI is amortized over the period of right to possess the property as per the terms of such agreement.
- (f) Translation differences relating to liabilities in foreign exchange for acquisition of fixed assets are adjusted to the original cost of the asset and depreciation on the revised un-amortized depreciable amount is provided prospectively over the residual specified period of the asset.
- (g) Assets of material value retired from active use and held for disposal are stated at the lower of their net book





value or net realizable value (wherever available) and disclosed separately in the Accounts. No depreciation is provided on such assets (including Westland helicopters and related items w.e.f. financial year 1995-96).

- (h) Depreciation in respect of additions or deletions of helicopters / spare aero engines is made on a pro-rata basis, effective from / to the date of acquisition ( being the date of Certificate of Airworthiness in India for helicopters) / disposal. Depreciation in respect of all other fixed assets is reckoned on a pro-rata basis. The effective date for the purpose of such other assets is taken as the first day of the month following the month of purchase of the item. Likewise, in respect of deletions, last day of the preceding month of the deletion of such an asset is considered for providing pro-rata depreciation. Gains and Losses arising from the retirement or disposal of assets are credited/ charged to the Profit and Loss Account.
- i) Assets having unit value of Rs. 5,000 or less are depreciated @ 100 % in the year of purchase.

## 2. INVESTMENTS

Investments are stated at cost less interim payments, if any, received. However, in respect of investments whose redemption value is different than the acquisition cost, the difference between the acquisition cost and redemption value of the investment is amortised on time basis over the period from the acquisition date to the redemption date. The amortised amount for the year is shown as "Profit Loss on investments" with corresponding adjustment in the cost of such investments.

## 3. TRANSACTION IN FOREIGN CURRENCIES

- a) Transactions in foreign currency relating to purchase of fixed assets,

goods and services are accounted for at the rate of exchange prevailing on the date of transaction as provided by the principal banker of the Company. Similarly, transactions in foreign currency relating to services provided by the Company are accounted for at the rate of exchange prevailing on the date of transaction which in this case is considered as the last date of the respective month.

- b) At the year-end, monetary assets and liabilities are translated at the year end exchange rate whereas non-monetary items are reported at historical rates.
- c) Losses or gains due to exchange fluctuations arising due to restatement of monetary assets or liabilities or on settlement of foreign exchange transactions are transferred to the Profit and Loss Account of that year except those relating to acquisition of fixed assets which are adjusted to the carrying cost of the relevant assets.

## 4. INVENTORIES

- a) Inventory consisting of helicopter spares and consumable stores are stated at cost using the moving weighted average method. Items of spares and stores lying on the shop floor at the year end are also considered as part of closing inventory.
- b) Loose/test tools are valued at cost less financial write-offs. Loose tools/test tools are amortised equally over a period of 3 financial years including the year of purchase and stated accordingly. Items scrapped under these heads are written off on FIFO basis.
- c) Stores and Spares the landed unit value of which, is less than Rs.1,000 and all items of consumables, oil, greases, lubricants are expensed in the year of purchase.



- d) Goods despatched by the suppliers by 31<sup>st</sup> March of each year but not received by the Company are accounted for as Goods in transit. However, the repair/overhaul charges in respect of Goods in transit being returned after repairs are accounted for by a corresponding debit to the "Maintenance expenditure into Profit & Loss Account " in the year itself.
- e) Provision is made in the accounts on moving weighted average basis for non-moving items of stores, spares and consumables (other than ground support and test equipments, and maintenance tools) which have not been issued for actual use for three consecutive years from the date of last transaction.

#### 5. LIABILITIES

- a) Provision is made in the accounts for all known liabilities existing on the date of balance-sheet. Liabilities not known or liabilities whose amount cannot be determined with any reasonable degree of accuracy are not provided for. Further, liability for goods or repairs/overhaul charges is made in the accounts for goods despatched by the suppliers by 31<sup>st</sup> March of each year but not received by the Company as at the year end, based on manufactures advice/ engineering estimates.
- b) Claims on suppliers/outside parties are accounted for on acceptance by such parties. Claims of suppliers/outside parties/customers are accounted for on settlement basis.
- c) No provision for accrued expenses/ liabilities is made in the accounts where the individual transaction is less than Rs. 5,000.

#### 6. PREPAID EXPENSES

Prepaid expenses which are individually less than Rs. 5,000 are not accounted for.

#### 7. MAINTENANCE EXPENDITURE OF HELICOPTERS

- a) Effective from F.Y 2006-07 Maintenance expenditure of helicopters is accounted as on incurred basis. Hitherto upto 31/03/2006, the following accounting policy had been followed:
- b) Provision for Maintenance Cost is created on accrual basis for the actual hours of operation of the helicopters during the year on the basis of technical estimates (except MI-172 helicopters) of the foreign exchange cost of repairs / overhaul per flying hour for that year. In respect of MI-172 helicopters, the provision for Maintenance Cost is created at an hourly rate derived on the basis of the terms of firm rate contracts for repair / overhaul with a foreign agency prevailing upto January, 2000. This foreign exchange cost is translated into the reporting currency on a monthly basis at the monthly average rates of foreign exchange and custom duty derived on the basis of actual monthly payments / monthly mid-rate of Principal Bank's selling rate where no actual payments are made during the month.
- c) Repairs & overhaul / maintenance expenditure including cost of life extension of components and related expenditure for the year as also stores consumed during the year and loose / test tools and training materials written off during the year are debited to the Provision Account
- d) The foreign exchange component of the above provision as at the year end is derived and translated at the year end foreign exchange rate with a view to restate the closing balance of the Provision for Maintenance Cost.
- e) In case of a total loss or constructive total loss of a helicopter in an accident, Provision for Maint-



enance Cost created in respect of it (which is no longer required) after adjusting proportionate amount of repair expenditure charged till then on flying hours basis is written back in the year of accident as an extraordinary item in the Profit & Loss Account. Similarly, balance available in respect of each helicopter which has undergone major inspection (like G Inspection) is written back to Profit & Loss Account upon completion of such inspection.

- f) Adjustments to the Provision for Maintenance Cost arising due to material revision of technical estimates of the foreign exchange cost of repairs/overhaul per flying hour for any type of helicopter will be carried out retrospectively as an Extraordinary item in the Profit and Loss Account.

#### 8. REVENUE RECOGNITION

- a) Revenue from helicopter operations is recognized on accrual basis as per the terms of the contract.
- b) Income from engineering and other services is recognized when the corresponding services are completed.
- c) Revenue from Sale of scrapped Assets/Stores is recognized on actual realization.

#### 9. INTEREST/INCOME FORM INVESTMENTS

Interest/yield accruing on Deposits/Investments with banks/others is accounted for on proportionate basis upto the end of the financial year at the applicable interest/yield rates.

#### 10. FUEL

Expenditure on Aviation Turbine Fuel is fully charged to Profit and Loss Account in the year of purchase and no cognizance is taken of stock, if any, of fuel in helicopters as at the end of the financial year.

#### 11. INSURANCE / INSURANCE CLAIMS

- a) The Company has opted for separate schemes of Self Insurance in respect of Technical Personnel. A Self-Insurance reserve for Rs.40 lacs was created in this regard. Any compensation payable under the schemes is charged to expenditure for the year with a corresponding transfer from the Self-Insurance reserve to the Profit and Loss Account.
- b) Insurance Claims other than those relating to the helicopters and inventory are accounted for on cash basis and recognised as income except where payable to any third party.
- c) All helicopter and inventory related claim recoveries other than the total loss are accounted for in the year of lodging the final claim upon establishing the virtual certainty of admittance of claim by the insurance surveyor/insurance company at the estimated/ finally assessed value which is known before the close of Books of Accounts of such financial year, otherwise in the year of admittance of the claim. The actual expenditure on repairs as also the total Insurance claim realized are accounted for in Profit & Loss Account and the assets are carried forward at their book values.
- d) In the case of total loss of helicopter, adjustment is made in the year of event taking place by reducing the written down value of the helicopter from the fixed assets and reflecting the same as "Insurance Claim Receivable Account" and appropriate adjustment is made to the "Profit/Loss on Insurance Claim on destruction of Assets", when the value of claim is admitted/settled by the insurance company.



## 12. GRATUITY

Gratuity is accounted for on actuarial valuation basis and the amount due for the year is transferred to a separate recognised Gratuity Trust.

## 13. INTANGIBLE ASSETS

- a) All training expenses/ acquisition cost of training material are written off in the year of expenditure in compliance with AS 26 issued by ICAI.
- b) Costs of software purchase/ developed in-house exceeding Rs. 5 lacs each is amortized over a period of 60 months on straight line basis from the date of successful commissioning of the software, subject to review at each financial year end. Software costing upto Rs. 5 lacs each are charged off to Revenue in the year of purchase.

## 14. LEAVE SALARY

Provision for Leave salary benefit is accounted for on the basis of actuarial valuation.

## 15. PRIOR PERIOD ADJUSTMENTS

Amounts pertaining to income or expenditure which arise in the current period that could have been reasonably estimated in earlier years but remained unaccounted due to errors or omissions are reflected as prior period items.

## 16. SUNDRY DEBTORS/ACCOUNTS RECEIVABLE

- a) Debts recoverable from outside parties and outstanding for more than three years are considered doubtful and provided for unless specifically known to be doubtful prior to this period.
- b) Unadjusted/unclaimed credit balances relating to outside parties

and outstanding for more than three years are written back and treated as income.

## 17. BORROWING COSTS

- a.) Borrowing cost that is directly attributable to acquisition, construction or production of qualifying assets is capitalized upto the time the asset gets ready for its intended use.
- b). Borrowing cost other than stated above is treated as period cost and changed to the Profit & Loss Account.

## 18. TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Additional demands of Income Tax raised in the Assessment are provided in the year of finality of Assessments. Accordingly, the interest on Income Tax refunds is accounted for in the year of finality of Assessments or actual receipt whichever is later. The deferred tax charge or credit due to timing differences between the Book Profits and Tax Profits is recognized using the rates and laws that have been enacted or substantially enacted as on the Balance Sheet date. Deferred Tax assets are recognized only to the extent there is reasonable certainty of realization in future. Such assets are reviewed as at each Balance Sheet date to reassess realization. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets supported by convincing evidence.

## 19. CASH FLOW STATEMENT

Cash Flow Statement is prepared under the indirect method prescribed under "Accounting Standard 3 on Cash Flow Statement" issued by The Institute of Chartered Accountants of India.



## BALANCE SHEET

### As at 31st March, 2007

	Schedule	31st March, 2007	31st March, 2006
<i>(In Rupees)</i>			
<b>I SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Capital	1	1,13,76,60,000	1,13,76,60,000
Reserves & Surplus	2	<u>1,66,02,21,394</u>	<u>1,66,87,86,535</u>
		2,79,78,81,394	2,80,64,46,535
<b>2. Deferred Tax Liability (Net)</b>	3	47,48,44,030	39,22,44,713
<b>Total (I)</b>		<u>3,27,27,25,424</u>	<u>3,19,86,91,248</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
<b>A. Assets under Active Use</b>			
Gross Block		4,90,90,68,996	3,90,01,84,464
Less : Depreciation Fund		<u>1,90,99,61,896</u>	<u>1,67,49,40,164</u>
Net Block		2,99,91,07,100	2,22,52,44,300
<b>B. Assets retired from Active Use and held for disposal/Impaired Assets</b>			
Gross Block		68,97,48,701	65,44,07,929
Less : Depreciation Fund		54,74,53,990	55,17,46,679
Less : Provision for loss on disposal/ Impairment		<u>14,22,94,711</u>	<u>10,26,61,250</u>
Net Block		-	-
Capital Work in Progress (Including Advances on account of Capital goods)		<u>55,34,14,592</u>	<u>39,29,98,850</u>
		3,55,25,21,692	2,61,82,43,150
<b>2. Current Assets, Loans, and Advances</b>	5		
Inventories		34,48,53,241	30,14,03,232
Sundry Debtors		61,94,75,648	55,90,05,211
Cash & Bank Balances		3,00,85,35,359	4,25,35,11,276
Loans & Advances		<u>1,07,61,24,193</u>	<u>94,48,90,923</u>
		5,04,89,88,441	6,05,88,10,642
Less:			
<b>Current Liabilities &amp; Provisions</b>	6		
Liabilities		5,21,90,21,099	5,05,75,09,837
Provisions		<u>10,97,63,610</u>	<u>42,08,52,707</u>
		5,32,87,84,709	5,47,83,62,544
Net Current Assets		(27,97,96,268)	58,04,48,098
<b>Total (II)</b>		<u>3,27,27,25,424</u>	<u>3,19,86,91,248</u>

**Contingent Liabilities & Notes to Accounts** 14

Statement on Significant Accounting Policies and the Schedules referred to above form an integral part of the Accounts. As per our report of even date attached.

For V.K.Verma & Co.  
Chartered Accountants

R.K.Tyagi  
Chairman-Cum-Managing Director

Raghu Menon  
Director

V.Kumar  
Partner  
(M.No.- 503826)

Sanjiv Agrawal  
Company Secretary & DGM (Legal)

Sanjiv Bahl  
General Manager ( F&A)

Place : New Delhi.  
Dated : 15<sup>th</sup> November, 2007



## PROFIT AND LOSS ACCOUNT

### For the year ended 31st March, 2007

	Schedule	31st March , 2007	31st March , 2006
<i>(In Rupees)</i>			
<b>I INCOME</b>			
Helicopter Hire Charges		1,83,24,68,313	1,67,88,09,633
Less: Deduction for non-provision of Helicopters(AOG)		<u>1,23,18,649</u>	<u>3,15,09,979</u>
		1,82,01,49,664	1,64,72,99,654
Interest Income	7	24,96,35,063	30,32,88,228
Other Income	8	26,80,80,233	4,02,36,735
<b>Total</b>		<u>2,33,78,64,960</u>	<u>1,99,08,24,617</u>
<b>II EXPENDITURE</b>			
Helicopter Maintenance Expenditure		64,18,55,918	45,00,04,725
Helicopter Operational Expenditure	9	34,37,61,683	30,76,30,077
Employees' Remuneration & Other Benefits	10	59,03,10,439	46,77,52,130
Insurance		5,41,65,917	5,29,02,784
Depreciation	4	25,66,67,762	21,26,58,196
Other Expenses	11	17,36,65,378	14,88,42,019
<b>Total</b>		<u>2,06,04,27,097</u>	<u>1,63,97,89,931</u>
<b>III Profit for the year before extraordinary/ Prior Period Items</b>		27,74,37,863	35,10,34,686
Extraordinary Items	12	(8,82,16,756)	30,85,84,427
Prior Period Adjustments	13	(30,74,586)	(1,37,33,865)
<b>Profit for the year before Tax</b>		18,61,46,521	64,58,85,248
Provision for Taxation/MAT ( including Wealth Tax )		40,00,000	12,00,00,000
Fringe Benefit Tax		43,35,000	68,67,000
Deferred Tax Liability		8,25,99,317	4,51,53,360
<b>Net Profit After Tax</b>		9,52,12,204	47,38,64,888
Profit brought forward from the previous year		1,45,97,86,535	1,28,61,52,076
<b>Profit available for appropriation</b>		<u>1,55,49,98,739</u>	<u>1,76,00,16,964</u>
<b>Appropriations</b>			
Proposed Dividend		9,10,12,800	22,75,32,000
Corporate Tax on Dividend		1,27,64,545	3,19,11,400
Excess/short Provision for Taxation		-	37,029
Transferred to General Reserve		-	4,00,00,000
Self Insurance Reserve		-	7,50,000
Profit Carried over to Balance Sheet		<u>1,45,12,21,394</u>	<u>1,45,97,86,535</u>
		<u>1,55,49,98,739</u>	<u>1,76,00,16,964</u>
Earnings Per Share (Basic & Diluted) ( Face value Rs.10,000/- each)		837	4,165

**Contingent Liabilities & Notes to Accounts** 14

Statement on Significant Accounting Policies and the Schedules referred to above form an integral part of the Accounts.  
As per our report of even date attached.

For V.K.Verma & Co.  
Chartered Accountants

R.K.Tyagi  
Chairman-Cum-Managing Director

Raghu Menon  
Director

V.Kumar  
Partner  
(M.No.- 503826)

Sanjiv Agrawal  
Company Secretary & DGM (Legal)

Sanjiv Bahl  
General Manager ( F&A)

Place : New Delhi.  
Dated : 15<sup>th</sup> November, 2007



## SCHEDULE 1 CAPITAL

	31st March , 2007	(In Rupees) 31st March , 2006
<b>AUTHORISED CAPITAL</b>		
1,20,000 Equity Shares of Rs. 10,000/- each	1,20,00,00,000	1,20,00,00,000
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
1,13,766 Equity Shares of Rs. 10,000/- each, fully paid-up	1,13,76,60,000	1,13,76,60,000
<b>Total</b>	<b>1,13,76,60,000</b>	<b>1,13,76,60,000</b>

## SCHEDULE 2 RESERVES & SURPLUS

	31st March , 2007	(In Rupees) 31st March , 2006
<b>1. Self Insurance Reserve</b>		
Opening Balance	40,00,000	40,00,000
Add: Addition during the year	-	7,50,000
	<u>40,00,000</u>	<u>47,50,000</u>
Less: Utilised during the year	-	7,50,000
	<u>40,00,000</u>	<u>40,00,000</u>
<b>2. General Reserve</b>		
Opening Balance	20,50,00,000	16,50,00,000
Add: Addition during the year	-	4,00,00,000
Less: Utilised during the Year	20,50,00,000	20,50,00,000
	<u>20,50,00,000</u>	<u>20,50,00,000</u>
<b>3. Profit &amp; Loss Account</b>	<u>1,45,12,21,394</u>	<u>1,45,97,86,535</u>
<b>Total</b>	<b>1,66,02,21,394</b>	<b>1,66,87,86,535</b>



### SCHEDULE 3 DEFERRED TAX LIABILITY

	31st March , 2007	31st March , 2006
<b>1. Deferred Tax Liability</b>		
Tax Arising on Account of Timing Difference		
- Accumulated Depreciation	57,20,70,752	45,44,78,827
<b>Gross Deferred Tax Liability</b>	<b>57,20,70,752</b>	<b>45,44,78,827</b>
<b>2. Deferred Tax Assets</b>		
Tax Arising on Account of Timing Difference		
- Provision for Leave Encashment	3,69,46,431	2,21,12,188
- Provision for Slow moving/ Non-moving Inventories	2,65,82,586	2,46,76,104
- Provision for impairment of Assets	1,33,40,624	31,14,223
- Provision for doubtful debts/advances	78,62,600	73,65,715
- Interest accrued on Deposit provided for as doubtful	7,21,286	49,65,884
- Provision for revision of Pay & Allowances	1,17,73,195	-
<b>Gross Deferred tax Assets</b>	<b>9,72,26,722</b>	<b>6,22,34,114</b>
<b>Net Deferred Tax Liability</b>	<b>47,48,44,030</b>	<b>39,22,44,713</b>





## SCHEDULE 4 FIXED ASSETS

### GROSS BLOCK

Sl. No.	Particulars	Balance as at 1st April, 2006	Additions during the year	Deletions / Adjustments during the year	As at 31st March, 2007
<b>A. Assets Under Active Use</b>					
1	Land - Leasedhold	58,90,935	-	-	58,90,935
2	Buildings	31,64,30,726	75,58,324	-	32,39,89,050
3	Helicopters & Aero-Engines	2,43,47,60,608	86,72,26,034	-	3,30,19,86,642
4	Airframe & Engine Equipment Rotables	92,92,63,222	15,53,52,033	5,55,91,070	1,02,90,24,185
5	Workshop & Ground Support Equipment	14,35,20,693	2,00,01,263	3,38,426	16,31,83,530
6	Training Aid Equipment	21,01,983	-	-	21,01,983
7	Air Conditioning	61,59,818	2,34,200	-	63,94,018
8	Electrical Installations	74,46,403	33,647	87,824	73,92,226
9	Furniture & Fixtures	1,56,19,828	7,59,890	8,490	1,63,71,228
10	Office Equipment	82,79,939	5,40,689	52,261	87,68,367
11	Vehicles	94,07,788	2,000	14,53,273	79,56,515
12	Computers	1,92,04,362	16,22,185	(30,500)	2,08,57,047
13	Capitalised Software	-	1,30,55,111	-	1,30,55,111
14	Communication Equipment	20,98,159	-	-	20,98,159
<b>Grand Total</b>		<b>3,90,01,84,464</b>	<b>1,06,63,85,376</b>	<b>5,75,00,844</b>	<b>4,90,90,68,996</b>
<b>Previous Year</b>		<b>3,83,37,44,017</b>	<b>24,47,25,938</b>	<b>17,82,85,491</b>	<b>3,90,01,84,464</b>
<b>B. Assets Retired from Active Use and held for Disposal/Impaired Assets</b>					
1	Helicopters & Aero-Engines	58,65,77,624	-	-	58,65,77,624
2	Airframe & Engine Equipment Rotables	2,10,25,107	-	(3,38,87,498)	5,49,12,605
3	Workshop & Ground Support Equipment	3,14,75,933	-	-	3,14,75,933
4	Training Aid Equipment	41,25,207	-	-	41,25,207
5	Electrical Installations	6,67,996	-	-	6,67,996
6	Furniture & Fixtures	34,06,217	-	-	34,06,217
7	Office Equipment	29,92,051	-	-	29,92,051
8	Vehicles	-	-	(14,53,274)	14,53,274
9	Computers	41,37,794	-	-	41,37,794
<b>Grand Total</b>		<b>65,44,07,929</b>	<b>-</b>	<b>(3,53,40,772)</b>	<b>68,97,48,701</b>
<b>Previous Year</b>		<b>62,19,56,547</b>	<b>2,11,83,342</b>	<b>(1,12,68,040)</b>	<b>65,44,07,929</b>

Note: Previous year figures have been regrouped in respect of Assets retired from active use and held for disposal.



DEPRECIATION

NET BLOCK

Upto 31st March,2006	For the Year	Deletions / Adjustments	As at 31st March,2007	(In Rupees)	
				W.D.V. as at 31st March,2007	W.D.V. as at3 31st March,2006
10,44,590	65,455	-	11,10,045	47,80,890	48,46,345
5,87,39,278	1,19,01,753	-	7,06,41,031	25,33,48,019	25,76,91,447
1,08,99,95,121	14,23,75,640	(18,00,301)	1,23,41,71,062	2,06,78,15,580	1,34,47,65,487
44,31,02,852	8,81,82,298	2,19,86,992	50,92,98,158	51,97,26,027	48,61,60,370
4,42,83,131	71,03,861	3,28,896	5,10,58,096	11,21,25,434	9,92,37,562
12,17,014	97,588	-	13,14,602	7,87,381	8,84,971
25,68,333	2,98,703	-	28,67,036	35,26,982	35,91,485
57,63,210	1,61,849	21,897	59,03,162	14,89,064	16,83,193
80,63,459	7,32,865	66,032	87,30,292	76,40,936	75,56,370
38,55,551	4,28,202	22,838	42,60,915	45,07,452	44,24,387
62,46,359	5,98,438	9,54,645	58,90,152	20,66,363	31,61,428
96,41,148	22,84,574	-	1,19,25,722	89,31,325	95,63,215
-	22,71,842	-	22,71,842	1,07,83,269	-
4,20,118	99,663	-	5,19,781	15,78,378	16,78,040
1,67,49,40,164	25,66,02,731	2,15,80,999	1,90,99,61,896	2,99,91,07,100	2,22,52,44,300
1,56,60,57,969	21,26,58,196	10,37,76,001	1,67,49,40,164	2,22,52,44,300	
51,07,05,633	-	-	51,07,05,633	7,58,71,991	7,58,71,991
1,46,88,230	65,031	22,75,480	1,24,77,781	4,24,34,824	63,36,877
1,32,58,038	-	-	1,32,58,038	1,82,17,895	1,82,17,895
18,90,720	-	-	18,90,720	22,34,487	22,34,487
6,67,996	-	95,294	5,72,702	95,294	-
34,06,217	-	2,61,766	31,44,451	2,61,766	-
29,92,051	-	12,23,835	17,68,216	12,23,835	-
-	-	(8,52,380)	8,52,380	6,00,894	-
41,37,794	-	13,53,725	27,84,069	13,53,725	-
55,17,46,679	65,031	43,57,720	54,74,53,990	14,22,94,711	10,26,61,250
52,57,90,846	2,11,83,342	(47,72,491)	55,17,46,679	10,26,61,250	



## SCHEDULE 5 CURRENT ASSETS, LOANS & ADVANCES

(In Rupees)

31st March , 2007

31st March , 2006

### Current Assets, Loans & Advances

#### A. Current Assets

##### I) Inventories

(Certified and valued by Management)

##### a) At Cost

Stores & Spares	43,69,41,205		41,38,36,128
Less:(i) Provision for Non moving Stores & Spares	(7,89,73,816)		(7,33,09,875)
(ii) Provision for Impairment in value	(4,68,46,043)		(4,68,46,043)
	31,11,21,346		29,36,80,210
Goods in Transit		3,19,18,585	57,88,334

##### b) At Cost Less Written Off

Repairables & Rotables	15,75,56,671		15,75,56,671
Less:(i) Obsolescence Reserve	(14,36,26,262)		(14,36,26,262)
(ii) Provision for Impairment in value	(1,39,30,409)		(1,39,30,409)

Gem Modules	5,01,37,213		5,01,37,213
Less: (i) Obsolescence Reserve	(4,47,21,331)		(4,47,21,331)
(ii) Provision for Impairment in value	(54,15,882)		(54,15,882)

Test Tools Equipment	2,72,39,690		2,86,12,700
Less: Written Off	(2,54,26,380)		(2,66,78,012)
	18,13,310		19,34,688

Training Material	27,17,193		27,17,193
Less: Written Off	(27,17,193)		(27,17,193)

<b>Sub Total (I)</b>	34,48,53,241		30,14,03,232
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\$ Inventories include Westland items aggregating Rs.27.32 crores ( P.Y.Rs.27.32 crores) at cost, book value Rs. 6.47 crores (P.Y. Rs.6.47 crores), retired from active use and held for disposal against which the Company is carrying a corresponding provision towards impairment in value as stated above in order to reflect the inventories at lower of cost or net realisable value.( Refer Note No.4 of the Notes to Accounts).

##### II) Sundry Debtors (Unsecured)

Debts Outstanding for more than six months

a) Considered Good	17,01,68,397		21,12,24,182
b) Considered Doubtful	1,73,88,490		1,80,34,176
Other Debts, Considered Good	44,93,07,251		34,77,81,029
	63,68,64,138		57,70,39,387
Less: Provision for Doubtful Debts	(1,73,88,490)		(1,80,34,176)

<b>Sub Total (II)</b>	61,94,75,648		55,90,05,211
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Contd.....



	31st March , 2007	31st March , 2006
<i>(In Rupees)</i>		
<b>III) Cash &amp; Bank Balances</b>		
Cash in Hand	10,68,096	7,85,959
Balances with Scheduled Banks		
(i) Current Accounts	6,56,44,643	4,70,68,739
(ii) Deposit Accounts	2,82,17,44,556 *	4,05,68,61,511
* (Including under lien Rs. 26.23 crores P.Y. Rs. 30.71 crores )		
Interest Accrued on Deposits	12,00,78,064	14,87,95,067
<b>Sub Total (III)</b>	<u>3,00,85,35,359</u>	<u>4,25,35,11,276</u>
<b>Total (A)</b>	<u>3,97,28,64,248</u>	<u>5,11,39,19,719</u>
<b>B. Loans &amp; Advances</b>		
( Unsecured unless otherwise stated)		
<b>Advances Recoverable in cash or in kind or for value to be received</b>		
i) Considered Good *	1,03,74,40,394	91,12,60,620
ii) Considered Doubtful	59,70,394	38,48,520
	<u>1,04,34,10,788</u>	<u>91,51,09,140</u>
Less:Provision for Doubtful Advances	59,70,394	38,48,520
	<u>1,03,74,40,394</u>	<u>91,12,60,620</u>
* ( Including Loans & Advances to staff secured by Assets Rs. 8,10,99,689 ; P.Y. Rs.9,05,84,693)		
<b>Loans to Public Sector Undertakings</b>		
i) Considered Good	-	-
ii) Considered Doubtful	12,25,00,000	14,75,00,000
	<u>12,25,00,000</u>	<u>14,75,00,000</u>
Less:Provision for Doubtful Loans	12,25,00,000	14,75,00,000
	<u>12,25,00,000</u>	<u>14,75,00,000</u>
Interest accrued on deposits with PSUs/Public Financial Institutions	21,42,857	1,47,53,072
Less: Provision for doubtful debts	21,42,857	1,47,53,072
	<u>21,42,857</u>	<u>1,47,53,072</u>
Prepaid Expenses	2,59,24,609	2,68,98,459
Security Deposits	1,27,59,190	67,31,844
<b>Sub Total (B)</b>	<u>1,07,61,24,193</u>	<u>94,48,90,923</u>
<b>Total (A+B)</b>	<u>5,04,89,88,441</u>	<u>6,05,88,10,642</u>



## SCHEDULE 6 CURRENT LIABILITIES & PROVISIONS

	31st March , 2007	31st March , 2006
<i>(In Rupees)</i>		
<b>Current Liabilities &amp; Provisions</b>		
<b>A. Current Liabilities</b>		
Amount claimed by Central Government		
- Principal Amount	1,30,91,03,140	1,30,91,03,140
- Interest/Other Charges	3,39,31,18,827	3,39,31,18,827
	4,70,22,21,967	4,70,22,21,967
Sundry Creditors	22,68,30,426*	18,96,63,325*
Advance from Customers	1,04,11,124	1,63,19,000
Other liabilities	27,95,57,582	14,93,05,545
	51,67,99,132	35,52,87,870
<b>Sub Total (A)</b>	5,21,90,21,099	5,05,75,09,837
* Amount due to SSI units: Nil		
<b>B. Provisions</b>		
Maintenance Cost	-	18,67,29,331
Proposed Dividend	9,10,12,800	22,75,32,000
Less: Interim Dividend Paid	9,10,12,800	9,10,12,800
	-	13,65,19,200
Corporate Tax on Dividend	-	3,19,11,400
Leave Encashment	10,97,63,610	6,56,92,776
<b>Sub Total (B)</b>	10,97,63,610	42,08,52,707
<b>Total (A+B)</b>	5,32,87,84,709	5,47,83,62,544

## SCHEDULE 7 INTEREST INCOME

	31st March , 2007	31st March , 2006
<i>(In Rupees)</i>		
Interest Income from Deposits with Banks/ Public Financial Institutions [ TDS Rs. 5,24,67,582 ; P.Y.Rs.6,43,52,920]	24,61,84,537	29,86,14,346
Interest on Loans to Employees	32,57,350	41,04,729
Other Interest Income	1,93,176	5,69,153
<b>Total</b>	24,96,35,063	30,32,88,228



## SCHEDULE 8 OTHER INCOME

	31st March , 2007	(In Rupees) 31st March , 2006
Operations & Maintenance Contracts	1,80,16,458	39,82,899
Provisions No Longer Required [Refer Note No.7.3 of Notes to Accounts]	23,87,04,905	1,73,08,499
Profit on Sale of Assets	-	6,752
Exchange Rate Fluctuations	-	1,62,90,058
Miscellaneous Income	1,13,58,870	26,48,527
<b>Total</b>	<b>26,80,80,233</b>	<b>4,02,36,735</b>

## SCHEDULE 9 HELICOPTER OPERATIONAL EXPENDITURE

	31st March , 2007	(In Rupees) 31st March , 2006
Fuel Expenses	20,24,10,169	19,30,91,775
Landing, Parking and other Expenses	99,61,328	1,18,66,503
Liquidated Damages	3,05,44,904	3,90,43,670
Other Operating Expenses	4,35,09,370	50,83,425
Freight,Transportation & Cartage	25,03,032	31,87,012
Storage, Handling Charges & Demurrage	43,50,754	37,22,809
Rotables, Stores & Spares Written Off	1,23,71,477	2,50,50,912
Provision for Non-Moving Inventory/ Life expired/Excess/Shortage of Spares	1,63,95,259	1,72,26,705
Exchange Rate Fluctuations	69,82,388	-
Provision for impairment of Assets	1,47,33,002	92,51,999
Provision for Loss in Transit of spares	-	1,05,267
<b>Total</b>	<b>34,37,61,683</b>	<b>30,76,30,077</b>



## SCHEDULE 10 EMPLOYEES' REMUNERATION & OTHER BENEFITS

	31st March , 2007	(In Rupees) 31st March , 2006
Salaries,Wages & Other Benefits	49,69,03,542	37,92,19,174
Staff Welfare	68,94,580	69,36,790
Provident & Gratuity Funds	3,36,07,052	2,83,31,248
Other Staff Expenses	5,29,05,265	5,32,64,918
<b>Total</b>	<u>59,03,10,439</u>	<u>46,77,52,130</u>

## SCHEDULE 11 OTHER EXPENSES

	31st March , 2007	(In Rupees) 31st March , 2006
Repairs and Maintenance		
Building	30,30,466	40,49,322
Equipment	10,16,659	14,67,970
Others	1,35,89,616	32,24,866
	<u>1,76,36,741</u>	<u>87,42,158</u>
Rent	3,04,45,881	2,73,10,514
Travelling & Conveyance	6,73,96,052	6,22,56,093
Staff Training	71,70,973	15,60,291
Bank Charges	57,24,509	68,28,047
Electricity & Water	65,10,763	72,93,590
Telephone, Telex & Postage	69,51,568	78,03,002
Advertisement & Publicity	55,53,315	37,81,471
Printing & Stationery	18,63,191	24,91,270
Vehicle Running & Maintenance	16,76,018	18,74,434
Auditors Remuneration - Audit Fees ( including Service tax)	3,55,464	3,15,002
Rates and Taxes	55,21,428	56,46,733
Miscellaneous Expenses	1,41,60,596	93,61,294
Amount Written Off	3,120	13,870
Loss on Sale of Assets	79,737	10,561
Donation to P.M.National Relief Fund	-	25,66,063
Provision for Doubtful Debts & Advances	26,16,022	9,87,626
<b>Total</b>	<u>17,36,65,378</u>	<u>14,88,42,019</u>



## SCHEDULE 12 EXTRAORDINARY ITEMS

	31st March , 2007	(In Rupees) 31st March , 2006
<b>A. Credits</b>		
Residual Balance of Maintenance Cost Written Back on Completion of Major Inspection/overhaul of Helicopters	-	23,56,02,259
Residual Balance of Maintenance Cost Written Back on total loss of helicopters	-	12,05,03,988
Surplus on Settlement of Insurance Claim in respect of loss of Helicopters	-	11,36,25,491
Other Hull Insurance Claim (Flood)	8,43,19,805	2,95,84,193
<b>Total</b>	8,43,19,805	49,93,15,931
<b>B. Debits</b>		
Expenditure on repairs and overhaul/ Stores & Spares consumed for recovery of helicopters damaged in flood and flood related expenditure ( Net of credit/transfer)	15,63,81,494	17,87,31,504
Provision for Impairment of Assets (flood affected)	1,61,55,067	-
Deductibles under Hull Insurance Claims	-	1,20,00,000
<b>Total (B)</b>	17,25,36,561	19,07,31,504
<b>C. Net Credit/(Debits) (A-B)</b>	(8,82,16,756)	30,85,84,427

## SCHEDULE 13 PRIOR PERIOD ADJUSTMENTS

	31st March , 2007	(In Rupees) 31st March , 2006
<b>A. Credits</b>		
Interest on Deposits of Earlier Years	-	4,63,400
Other Items	28,05,467	31,483
<b>Total (A)</b>	28,05,467	4,94,883
<b>B. Debits</b>		
Provision for Maintenance Cost	-	1,16,00,153
Billing /Claim on customer of earlier years	8,96,084	-
Depreciation	18,00,301	12,44,664
Travelling Expenses	49,902	3,16,415
Other Items	31,33,766	10,67,516
<b>Total (B)</b>	5,880,053	1,42,28,748
<b>C. Net Credit/(Debits) (A-B)</b>	(3,074,586)	(1,37,33,865)





## SCHEDULE 14

### CONTINGENT LIABILITIES AND NOTES TO ACCOUNTS

(Annexed to and forming part of the accounts for the year ended 31st March 2007)

1. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs.113.88 crores (P.Y. Rs. 118.05 crores).
2. *Contingent Liabilities*
  - a) Counter guarantees given to Bank Rs.14.69 crore (P.Y.Rs. 0.88 crores).
  - b) Outstanding letters of credit Rs.71.50 crores (P.Y. Rs. 83.94 crores).
  - c) Claims against the Company not acknowledged as debt:
    - i) Income tax demand for earlier years contested by the Company and under appeal Rs.53.78 Crores (P.Y.Rs. 55.07 Crores) against which the Company has deposited under protest/adjusted against refund due from Tax department up to 31.03.07, in aggregate Rs.77.48 Crores (P.Y. Rs.69.24 Crores) relating to that period. Amounts deposited with Tax Department, (net of tax provision) have been shown as advances recoverable.
    - ii) Court cases/ cases under Arbitration : Rs. 6.72 crores (P.Y. Rs. 4.38 crores).
    - iii) Other matters : Rs. 3.89 crores (P.Y. Rs. 3.27crores)
  - d) Other moneys for which company may be contingently liable Rs. 1.33 Crores (P.Y. Rs. 1.33 Crores).
3. *Claim of Government of India*
  - 3.1 The Government had decided in June, 1986 to provide full amount as Equity Capital towards the project cost for acquisition of 42 numbers Westland and Dauphin helicopters.

However, as the budgetary support received by the Company was significantly lower than the project cost, it was unable to settle the GOI dues. The Ministry of Finance claimed interest @ 18% p.a. on the outstanding dues which presently are Rs.130.91 crores (principal amount). The Ministry of Civil Aviation had earlier requested the Ministry of Finance to waive off such interest and other charges.

- 3.2 The Ministry of Civil Aviation submitted a proposal to the Ministry of Finance in March,2001 for settlement of claims of Government of India which inter alia provided (a) complete waiver of Westland loan and interest claim and (b) payment of balance Dauphin loan along with accumulated interest based on reduced rate of interest @ 9% p.a. against 18% p.a. claimed by Ministry of Finance. However, Ministry of Finance did not accede to the proposal of Ministry of Civil Aviation and advised vide letter dated 31.8.2001 that the Company should make payment aggregating Rs.430.91 crores comprising of principal amount of Rs. 130.91 crores and accumulated Interest of Rs. 300 Crores upto 31.3.2001. This includes interest at 18% p.a. on Dauphin Rs. 171.73 Crores and interest dues on Westland restricted to Rs.128.27 crores (against earlier claim of Rs. 167.58 crores, thereby agreeing to write off interest dues of Rs. 39.31 crores). It was also stated that the interest claim beyond 31.3.2001 on Westland and Dauphin account are also waived provided the Company makes repayment of Government dues within a month of CCEA decision. The Ministry of



Finance reiterated this position vide letter dated 31.1.2002 on the request of the Ministry of Civil Aviation for review of its decision of 31.8.2001

3.3 During the Financial year 2003-04, a revised proposal was submitted by the Ministry of Civil Aviation to Ministry of Finance which envisaged payment by the Company of total amount of interest and other charges claimed on Dauphin and Westland fleet till 31.3.2001 aggregating Rs.339.31 crores (interest on dues from 1.4.2001 till date be written off) and the Principal amount of Rs.130.91 Crores be converted into equity of the Government in the Company. The proposal was agreed by Ministry of Finance. The Company had accordingly made provision of Rs. 339.31 crores upto 31.3.2001 during the financial years 1999-2000, 2000-01 and 2002-03 towards interest and other charges as claimed by the Ministry of Finance and the same is being carried forward.

3.4 The Ministry of Civil Aviation had submitted a revised proposal to Ministry of Finance in 2005 which sought reduction in the interest rate from 18% p.a to 9% p.a on the principal amount of Rs. 130.91 crores along with conversion of the principal amount of Rs. 130.91 crores in equity and freezing of interest liability as on 31.3.2001. Ministry of Finance has not agreed for reduction in the rate of interest from 18% p.a to 9% p.a. Subsequently in May 2006, the Ministry of Civil Aviation had submitted another proposal to settle the long outstanding claim of the Government of India as one time final payment of Rs. 298.49 crores comprising of principal amount Rs.130.91 crores and interest @9% p.a upto 31.03.2001 of Rs. 167.58 crores. The proposal is under consideration of the Government.

3.5 Subsequent to the close of financial year under audit, the Company has submitted a proposal to Ministry of Civil Aviation in June,2007 that the Government may reconsider the claim by Ministry of Finance and waive off the total amount claimed from the Company so that the existing funds could be utilized for fleet expansion and other capital outlay programmes which are essential for the survival of the Company under the competitive environment prevailing in the Civil Aviation industry in India.

#### 4. *Disposal of Westland assets*

4.1 The Government conveyed its decision on 18th January 1993 that the entire Westland fleet, together with the related inventory may be offered for sale through global tender and that the sale proceeds may be made available for utilization on poverty alleviation programmes in mutual consultation between the Governments of India and UK. However, consequent to an unfavorable response to such global tender, the Government permitted the Company on 12th May 1994 to dispose off the Westland assets through negotiations with parties which may be interested in their purchase. The Government also appointed a Steering Committee to oversee the disposal of Westland assets.

4.2 Pending disposal of the Westland helicopters (including one damaged helicopter) and the related inventory, these assets were stated at their book value aggregating Rs. 22.39 crores. The Company had in the earlier years, as a matter of abundant caution, made a provision of Rs.22.39 crores equivalent to the book value against possible losses on disposal of Westland assets. After adjusting the book value of Rs.7.23 crores relating



to disposal of such assets in 1999-2000, the residual provision of Rs.15.16 crores is being carried forward.

- 4.3 During the financial year 1999-2000, the Company had entered into an agreement with a UK firm with Government approval for sale of Westland assets as a package deal for a lump sum price of Pounds Sterling 9,00,000. It was agreed that the entire package should be lifted in not more than two consignments with payments corresponding to the approximate value of the consignment shipped. The first shipment was dispatched in December 1999 and the Company had realized sale consideration of Pounds Sterling 4,50,000 (Rs.3.22 crores) in January 2000, which was immediately deposited with the Government of India as per directions of the Administrative Ministry. The shipment also included some essential components of Westland helicopters, which are presently in custody of the Company. The second shipment could not be dispatched in view of dispute created by the Buyer. The Company has initiated Arbitration proceedings against the Buyer in terms of the agreement for specific performance and recovery of damages for violation of various contractual obligations.

It has also come to light that the Buyer has been ordered to be wound up by order of the Court in U.K. The Company has been legally advised that despite such winding up order, the Arbitration proceedings should be continued. Pending settlement, the Company has not accounted for such dues and the same will be accounted for as and when realized / settled.

- 4.4 Necessary accounting adjustment relating to the Westland assets sold

(Cost Rs. 51.46 Crores, W.D.V. Rs. 7.23 crores) during the financial year 1999-2000 was passed in the Books of Accounts of that year, treating the transactions carried out under first shipment as a completed sale. In the absence of complete quantitative details of inventory items sold and those lying at the Warehouse in Mumbai (refer Para 4.5 below), the figures have been considered on provisional basis, subject to further reconciliation. The cost of inventory items sold is computed on FIFO basis. As the contract for sale of Westland assets is on lump-sum price basis, the loss on disposal of such items has been determined by deducting the aggregate written down value of the 9 helicopters, test bed and inventory items sold under first shipment from the sale consideration of Pounds Sterling 4,50,000/- (Rs.3.22 crores) in the absence of item-wise sale price and the same was accounted for during the financial year 1999-2000.

- 4.5 Part of the Westland inventory items while under transfer during the financial year 1999-2000 from the Delhi office to Mumbai office of the Company by the appointed transporter of the Buyer were diverted under the instructions of the Buyer and are presently lying in the custody of the Warehouse at Mumbai. The estimated initial acquisition cost of Westland inventory including capital items lying at Warehouse is Rs.32.50 crores (written down value- Rs.4.50 crores). The Company has initiated necessary legal action against the Buyer (refer para 4.3 above) for such diversion. The Warehouse has claimed Rs 2.96 crores (P.Y Rs.2.96 crores) which in term of the Agreement is required to be settled directly by the Buyer. The Company has obtained an interim injunction



from the Delhi High Court restraining the Warehousing company from disposing of the goods for settling its claim. Further, as an abundant caution, the claim is shown under Contingent Liabilities. Such items along with the remaining inventory items lying with the Company (which are kept in sealed boxes but not physically verified during the year) together forming part of the second shipment have been carried forward as per the book value (Rs.6.47 crores) though fully provided as per para 4.2 above.

5. *Residential Flats/Quarters*

- 5.1 The Company had purchased 42 nos. of residential flats in the year 1991 for employees from Lokhandwala Construction Industries Limited, Mumbai. The Board of Directors of the Company have approved, after the close of the financial year, in principle to explore the feasibility for leasing out these flats to Public Sector Undertakings.
- 5.2 The Company had purchased 6 nos. residential flats for the employees from MHADA, Mumbai in May, 1998. Although the possession was taken based on the letter of allotment, the Company had on provisional basis made provision for stamp duty and registration charges and the same is subject to final payment on the execution of the appropriate conveyance deed in favour of the society. Some of the Societies have gone into litigation against MHADA in Mumbai High Court on the issue of differential pricing. The amount cannot be determined at this stage.
- 5.3 The Company had constructed and capitalized 242 flats during 2002-03 at a cost of Rs. 22.76 crores on land given on lease by Airport Authority of India (AAI) for a period of 25 years. The Company has allotted

50 flats out of 242 flats to AAI as per Joint Development Agreement in lieu of lease rentals for the said land and the cost of construction of these 50 flats as estimated by the project architect amounts to Rs. 5.95 Crores.

6. *Loans to Public Sector Undertakings*

The Company had made unsecured inter-corporate loans in the earlier years 1991 - 1992 to 3 Central PSU's each with interest rate of 20% p.a compounded / payable quarterly. The balance principal amount aggregates to Rs. 14.75 crores comprising of Rs.5.00 crores with Instrumentation Ltd., Rs. 2.50 crores with Hindustan Antibiotics Ltd.(HAL) and Rs.7.25 crores with Hindustan Photo Films Mfg. Co. Ltd.(HPF). However these companies were unable to meet their contractual obligation to repay the loans with interest in view of adverse financial conditions. These Companies are declared sick and registered with BIFR. The Company has filed its claim with BIFR for protection of its dues from all the 3 PSUs. In respect of Instrumentation Ltd, BIFR had finalized rehabilitation scheme with full waiver of interest and repayment of loan in two instalments during 2000-2001 and 2001-2002. However, no payment was made by it. A revised rehabilitation proposal is under consideration with BIFR. As regards HPF, in January, 2003 BIFR has issued winding-up recommendations, against which HPF and its administrative Ministry have preferred an appeal before AAIFR. In respect of HAL a revised rehabilitation scheme was submitted to BIFR with full waiver of interest dues and repayment of principal amounts. After necessary Government approvals, HAL refunded the Principal amount of Rs. 2.50 Crores during the financial year 2006-07 with full waiver of interest dues upto the date of repayment. Pending settlement, the Company has not accounted for interest income from other two loans for the year under review and the same will be



accounted for as and when settled/ realized. Accordingly, the profit for the year is lower by an amount of Rs. 2.53 crores (P.Y. Rs. 2.89 crores).

As a matter of abundant caution, the Company has also made provision of Rs.14.75 crores against the aggregate principal amount in the earlier years, which was carried forward. In view of the settlement of the principal amount of Rs. 2.50 crores by HAL, the corresponding provision made earlier is written back as no longer required and provision against interest accrued amounting to Rs. 1.26 Crores (P.Y Rs. 1.26 Crores) written off during the year under review. Accordingly, the balance provision of principal amount of Rs. 12.25 Crores is being carried forward.

#### 7. *Provision for Maintenance Cost*

7.1 As per Accounting Policy No.7, Provision for Maintenance Cost was hitherto created on accrual basis for the actual hours of operation of the helicopters during the year on the basis of technical estimates (except MI-172 helicopters) of the foreign exchange cost of repairs / overhaul per flying hour for that year. In respect of MI-172 helicopters, the Provision for Maintenance Cost was created at an hourly rate derived on the basis of the terms of firm rate contracts for repair / overhaul with a foreign agency prevailing upto January, 2000. This foreign exchange cost was translated into the reporting currency on a monthly basis at the monthly average rates of foreign exchange and custom duty derived on the basis of actual monthly payments / monthly mid-rate of Principal Bank's selling rate where no actual payments are made during the month. Actual repairs & overhaul and other maintenance expenditure etc during the year is debited to the Provision Account.

7.2 During the financial year under review and in order to conform to

Accounting Standard- 29 issued by the Institute of Chartered Accountants of India, the Company has changed its Accounting Policy as stated above and has charged all the related expenditure incurred on Maintenance of helicopters during the year to Profit and Loss Account (instead of the Provision Account). Had the Accounting policy adopted in the previous year been followed, charge to the Profit & Loss Account through creation of Provision for Maintenance Cost on accrual basis in the current year would have been Rs. 44.02 Crores. However, the actual expenditure of Rs. 64.08 Crores Crores is being debited as Maintenance Expenditure to the Profit & Loss Account, resulting in additional charge for the Financial year of Rs. 20.06 Crores. There is however, a net deficit of Rs. 1.54 crores after considering balance of Rs. 18.52 Crores as on 31/03/2006 under Provision for Maintenance Cost that has been written back as on 01/04/2006 (Refer para 7.3 below). Such deficit in any case would have been charged to the Profit and Loss Account for the financial year under review as per the earlier Accounting Policy.

7.3 Consequent to the above change in Accounting policy, the opening balance of Provision for Maintenance Cost created upto 31/03/2006 amounting to Rs. 18.52 Crores has been written back to the Profit & Loss Account. Accordingly, there is no write back of residual balance in the Provision for Maintenance cost of helicopters that had undergone G-Inspection during the financial year under review as per the requirements of the earlier Accounting Policy. Had there been no change in such Accounting Policy during the financial year under review, the residual balance in the



Provision for Maintenance Cost written back in respect of such helicopters would have been Rs. 10.72 Crores .

8. *Fixed Assets*

(A) Midlife upgradation programme of Dauphin Fleet

8.1 With a view to conform to the Aviation Standard (AS 4) requirements of the new ONGC contract, Dauphin fleet of the Company is undergoing Mid Life Upgrade Programme, a major retrofit project which will improve the safety and quality of output, resulting in better availability of fleet to the customers. The Mid Life Upgrade Programme of the first helicopter was carried out by M/s. Eurocopter, the manufacturer of Dauphin fleet in France and next two helicopters are to be done under its supervision at Mumbai. M/s. Eurocopter will supply Retrofit Kits to the Company for the remaining Dauphin helicopters and the retrofit of these will be completed by the Company in a phased manner. In this respect the Company has entered into contracts with M/s. SOFEMA, France being the authorized representative of M/s. Eurocopter. The retrofit package that will form an integral part of the Dauphin Helicopter, is fully compliant with JAR OPS3 standards. Such betterment would upgrade the Company's Dauphin fleet to latest off shore standards and which in turn will extend the utilization period of this fleet resulting in future economic benefit to the Company.

During the financial year under review, Dauphin N helicopter with registration VT-ELD was made AS-4 compliant and inducted for ONGC operations under the new contract. Subsequent to the close of financial year under review, one more

Dauphin N helicopter with registration no. VT-ELT has also been made AS-4 compliant and inducted for ONGC operations.

8.2 Fixed Assets includes Rotables and Repairables (Gross Value) amounting to Rs. 13.01 crores (P/Y Rs.21.50 crores ) sent abroad for repairs but lying with repair agencies as at 31<sup>st</sup> March'2007 . However, most of the items have been received back by the company after 31<sup>st</sup> March 2007 duly repaired.

(B) Purchase of pre-owned Dauphin N3 helicopter.

8.3 The Company has purchased on "As is where is" basis, one pre-owned Dauphin N3 helicopter bearing Regn. No VT-SOK from Govt of Karnataka during the financial year under review. In view of the on-going major repairs & overhaul / replacements of components for making the helicopter operational, it has been shown as Capital work in progress as at the year end.

9. *Depreciation*

9.1 The Company had changed its Accounting Policy during the F.Y. 2003-04 in respect of Airframe & Aero engine - Rotables and depreciation charged thereof. The Rotables were reclassified as Fixed Assets and Depreciation charged whereas such items were hitherto classified as Inventory under the head Current Assets and Obsolescence Reserve charged thereon. The depreciation in respect of Rotables was linked to the remaining useful life of the principal assets to which they pertained i.e. the type of helicopters, subject to the minimum charge as per statute rate of depreciation. For the purposes of depreciation in respect of Rotables, the useful life of helicopters was extended to 20 years or 16000 hours, whichever is later and w. e. f. financial year 2006-07 to



30 years or 25000 hours, whichever is later. As a result of this extension in the useful life of helicopters, charge to the Profit and Loss Account for the year under review by applying the minimum rate as per Schedule XIV of the Companies Act, 1956 on Rotables is Rs. 1.03 Crores. Had the earlier policy been followed, then the charge to Profit and Loss Account would have been Rs.1.24 Crores and therefore the profit for the year is higher by an amount of Rs. 0.21 crore.

- 9.2 During the audit for financial year 2003-04, the Auditors were of the view that the Company's aforesaid revised Accounting Policy relating to Depreciation in respect of Rotables being linked to the extended useful life of helicopters beyond the specified period of 17 years under the Companies Act contravenes the provisions of such Act and Accounting Standard 10.

The Expert Advisory Committee of the Institute of Chartered Accountants of India (ICAI) has issued an opinion in June, 2006 on a reference made earlier by the Company with regard to the revised Accounting Policy of the Company and issues raised by the Auditors. The Expert Advisory Committee has opined that the Rotables are in the nature of general spares to be treated as Inventory and not as capital spares and that the useful life of helicopters cannot be more than the useful life determined by applying the Depreciation Rate prescribed under schedule XIV to the Companies Act. The Company has requested the Institute for review / reconsideration of the Expert Advisory Committee's opinion and have sought certain clarifications, keeping in view the generally accepted accounting practices being followed by various International Airlines in respect of

Rotables by treating them as Fixed Assets and Depreciation charged on them by linking it to the useful life of helicopters/aircrafts.

In light of the above, no accounting adjustments have been made by the Company pending receipt of clarifications from the Expert Advisory Committee of the ICAI.

10. *Inventories*

On a review of inventory of non-moving stores, spares and consumables, provision of Rs. 1.36 crores (P.Y. Rs. 1.72 crores) has been made during the year under review as per the Accounting Policy.

11. The Indian Oil Corporation (IOC) account in respect of purchase of ATF at Northern Region shows net balance of Rs.0.13 crore (debit); P.Y. Rs. 0.36 crore (debit) for ATF purchased in the earlier years. While doing a detailed reconciliation, it was observed that certain unlinked transactions stated to be pertaining to the Company were identified in IOC books for earlier as well as for the financial year under consideration i.e. difference in opening balance, supply not booked by IOC, unlinked payments in IOC books, payment not taken into account by IOC and unlinked supplies for which supporting documentation could not be furnished by IOC. The Company has, however, scrutinized the subsequent period till the finalization of Accounts to account for any outstanding IOC bills received since the year end and has also broadly reconciled its actual fuel consumption with the flying hours. Accordingly, no cognizance has been taken in respect of such outstanding entries in IOC statement for accounting action. Matter has been taken up by the Company with IOC at the highest level. Necessary rectification entries, if any, will be passed when requisite information is made available to the company by IOC.



The following entries are unreconciled in the books of PHHL and IOC respectively as on 31.03.2007: -

In PHHL books

Invoices booked by PHHL but not appearing in IOC books Rs. 0.31 Crore (P.Y. Rs. 0.37 Crore)

Payment made by PHHL but not appearing in IOC books Rs. 0.55 Crore (P.Y. Rs. 0.63 Crore)

In IOC's books

Invoices booked by IOC but not appearing in PHHL books Rs. 0.58 Crore (P.Y Rs.0.49 crore)

Payments appearing in IOC books only Rs. 0.27 Crore (P.Y. Rs. 0.49 crore)

12. Confirmation for balances as at 31<sup>st</sup> March 2007 from Sundry Debtors and Loans and Advances/ Deposits were circulated to some parties but response received was limited. However, in most of the cases the debts / advances, other than those provided for, have since been realized/ adjusted.

13. *Insurance Claims*

The following insurance claims were accounted for during the financial year under review:

- (a) The Company premise at Mumbai was flooded due to incessant rains on 26/7/2005. This resulted in extensive damage to 10 Dauphin helicopters parked in the hanger. The Hull Insurance claim has been assessed by the Insurance Company for Rs.13.38 Crores after the close of the financial year. As this has established a virtual certainty of the admittance of Insurance claim to that extent, the Company has accounted for a net sum of Rs. 8.43 Crores (P.Y Rs. 4.95 crores) towards final settlement of Hull Insurance claim as Insurance claim Receivable for the Financial year 2006-07. The Company has realised the Insurance claim in October 2007.

- (b) In respect of flood affected Repairables & Rotables, Stores & Spares covered under Spares Insurance Policy, the Company has accounted for the repair / overhaul charges aggregating Rs. 30.47 Crores in the current financial year in respect of items received after repairs including items for which repair estimates are available / provisionally estimated. Keeping in view that the actual hours of operations of the helicopters upto 26.7.2005 being the date of damages to inventory, a sum of Rs. 13.83 Crores being the amount equivalent to the repair/overhaul charges in respect of rotables and other items which are attributable to floods and forms basis of gross claim as per the terms of the Insurance Policy (in proportion to the residual flying hours against Time Before Overhaul (TBO) of each component wherever available / based on in-house estimation) has been transferred from Maintenance expenditure to Extraordinary items.

- (c) The incessant rains and floods on 26/7/2005 at Mumbai also resulted in extensive damage to Inventory, GSE , Workshop Equipment, Furniture & Office Equipment, Computers etc. as these assets were submerged in flood water. Accordingly the process of evaluation of damages including assessment of the financial implications is in progress . The gross cumulative value of the claims lodged (including items repaired and accounted for in the previous year) with the Insurance Company in respect of items received after repairs upto 31/03/2007 and after year end is Rs. 42.13 Crores. Further, certain items still lying with the Repair agencies has been estimated at Rs. 6.87 crores





comprising of repair/ overhaul charges and other allied expenses of the components for which provision has been made in the current year and claims will be lodged on receipt of such items. The insurance claim amount to be realized by the Company against claim lodged will be determined by the Insurance Surveyors after technical assessment of each claim as per the terms of the Insurance Policy, which is in progress.

The matter regarding realization of Insurance claims as per the terms of the Policy is being followed up with the Insurance Company.

- (d) One Dauphin – N helicopter bearing Registration no. VT-ELB was partially damaged while taking off at Rajoha helipad in Punjab on 12/09/2006 . The Company has informed the Insurance company about the same and a surveyor has been deputed by the Insurance Company. The estimate for repairs is not assessable at this stage as the Repair scheme from M/s. Eurocopter, France the manufacturer is under study by the Engineering Department.

#### 14. Income Tax

Assessment of income tax is presently in progress / under Appeal for certain previous years. Tax liabilities, if any, will be recognized on finalization of such assessments. Reconciliation of disputed statutory dues relating to Income Tax Assessments has been taken up with the Tax Department.

15. The Board of Directors of the Company have recommended Dividend at 8% (including interim dividend already paid @ of 8% Rs. 9.10 crores) of the paid-up capital, amounting to Rs. 9.10 crores (P.Y Rs. 22.75 crores).

#### 16. Expenses include the following :

	Rs./Crores	
	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006
I) Company - Staff Quarters		
a) Taxes	0.33	0.33
b) Repairs – Buildings/others	0.13	0.10
II) Leased Residential Accommodation		
a) Rent	0.34	0.39
b) Maintenance charges	0.03	0.04

#### 17. Interest Income

Interest income of Rs. 24.96 crores (P.Y. Rs. 30.33 crores) for the financial year under audit earned on deposits with Banks made with funds generated from operations which include funds for settlement of claim of the Govt. of India, the amount of which is pending finalization (Refer Note No. 3) and indeterminate at this stage.

18. The Company had no dues to Small Scale Industrial Undertaking outstanding for more than 30 days on the Balance Sheet date.

#### 19. Events Occuring after the Balance Sheet Date

One Dauphin N3 Helicopters bearing Registration No. VT-PHP was damaged while landing at Kavaratti on 27/09/2007. The Company has intimated the Insurance Company about the same and a surveyor is being deputed by the Insurance Company. The estimate for repairs of the damaged helicopter is not assessable at this stage.

#### 20. Intangible Assets

During the year under review, the Company has capitalized three out of four software modules, namely Operation, Engineering, Materials for Rs. 1.31 Crores (P.Y. NIL) which were fully developed by M/s. TCS and are being used in the organization. As per Accounting Policy No. 13 on Intangible Assets, the cost of the three software modules which are operational is being amortized over 60 months from the dates of commissioning of each software and the balance amount



of Rs.0.38 Crore pertaining to payments made for Finance module which is under development, is being carried forward as Capital Work in progress.

21. *Segment Reporting*

The Company is engaged in providing helicopter services business which is considered as one business segment.

Hence, Segment Reporting as per Accounting Standard 17 on Segment Reporting is not considered applicable to the Company.

22. In view of the revision of pay and allowances due w.e.f. 1/1/2007, an ad-hoc provision of Rs. 3.50 Crores (P.Y Nil) has been made for the period from 1<sup>st</sup> Jan, 2007 to 31<sup>st</sup> March, 2007.

23. *Provisions:*

(Fig. In Rs./Crores)					
Particulars	Opening Balance as on 01.04.06	Created during the year	Utilized during the year	Other Adjustments/ transfer/ Reversals	Closing/ Balance as on 31.03.07
Maintenance Cost	18.52	-	-	18.52	-
Doubtful Debts/Advance	18.41	0.26	1.26	2.61	14.80
Leave Encashment	6.57	6.20	0.83	0.97	10.97
Dividend	13.65	9.10	22.75	-	-
Corporate Taxes on Dividend	3.19	1.28	4.47	-	-
Slow moving/non moving inventories, etc.	7.33	1.89	-	1.32	7.90
Impairment of Assets including inventory	17.80	3.09	-	0.03	20.86
Provision for Revision of Pay & Allowances from 01/01/2007	NIL	3.50	-	-	3.50

24. *Related Party Disclosure*

Related party disclosures, as required by Accounting Standard-18 "Related Party Disclosures" issued by the ICAI are given below:

a. Key Management Personnel

- Shri N.V. Sridhar, Chairman & Managing Director from 28.6.2002 to 30.06.2006 as

Chairman & Managing Director. Shri R.K.Singh, Jt.Secy, MOCA took additional charge of the post of CMD w.e.f. 30/6/2006 (AN) till 18/5/2007(FN). No payment was made to Shri R.K. Singh.

b. Transactions

- \*Remuneration Rs. 2,26,134.25
- Loans Given NIL



25. Earning Per share has been computed as under:

	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006
• Net Profit after tax	Rs. 9,52,12,204/-	Rs. 47,38,64,888/-
• Weighted average number of Equity Share outstanding	113766	113766
• Earning per share (Basic and diluted)	Rs.837/-	Rs. 4165/-
Face Value of Rs.10,000/- per share		

26. Additional Information

a) Opening and closing stocks (after obsolescence reserve provision and other financial write offs)

	(In Rupees)	
	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March , 2006
i) Stores, Spares & Consumables(Net)	36,84,35,992	32,17,12,394
ii) Gem Modules	54,15,882	54,15,882
iii) Test Tool/Ground Support Equipment	18,13,310	19,34,688
iv) Goods-in-Transit (Net)	3,19,18,585	52,90,301
v) Goods under Inspection	-	2,62,21,468
<b>TOTAL</b>	<b>40,75,83,769</b>	<b>36,05,74,733</b>

b) Value of imports calculated on CIF basis:

	(In Rupees)	
	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March , 2006
i) Helicopters & Accessories	80,32,31,676	-
ii) Stores, Spares & Consumables	18,45,46,981	24,30,39,924
iii) Airframe & Aero Engine Equipments-Rotables	15,43,25,935	19,93,59,435
iv) Test equipment/Ground Support Equipment/Loose Tools	1,88,01,730	75,76,310
v) Goods-in-Transit	2,99,66,484	64,13,793
vi) Spare Aero Engine	-	2,16,37,916
vii) Capital Goods/Other Items	5,46,956	42,47,376
viii) Goods under Inspection		2,63,95,676
IX) Retrofit (Mid-life upgradation)	6,39,94,358	-
<b>TOTAL</b>	<b>1,25,54,14,120</b>	<b>50,86,70,430</b>



c) Expenditure in Foreign Currency during the financial year:

	(In Rupees)	
	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006
i) Helicopters & Accessories	80,26,99,373	-
ii) Stores, Spares & Consumables	17,72,46,595	23,69,17,890
iii) Airframe & Aero Engine Equipments-Rotables	15,27,95,936	19,75,10,243
iv) Test equipment/Ground Support Equipment/Loose Tools	1,83,39,766	73,49,300
v) Foreign Travelling/Foreign Training	58,97,384	9,00,575
vi) Goods in Transit	2,94,38,918	62,34,567
vii) Repair Charges	53,53,44,538	57,31,88,783
viii) Technical Assistance	-	47,37,037
ix) Operational/Maintenance expenditure ( Mi-172 helicopters)	6,25,76,370	18,01,788
x) Spare Aero Engine	-	2,14,42,093
xi) Capital Goods/ Other Items	7,67,380	33,31,214
xii) Goods under Inspection	-	2,60,62,206
xiii) Advance to suppliers for Retrofit of Dauphin fleet /purchase of helicopters	13,04,17,992	35,64,56,579
<b>TOTAL</b>	<b><u>1,91,55,24,252</u></b>	<b><u>1,43,59,32,275</u></b>

d) Value of consumption of imported and indigenous components and spare parts (including write off of loose tools and excluding capitals items ):

	VALUE (in Rupees)		PERCENTAGE	
	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006
Imported	14,57,35,952	13,54,53,210	96.70%	95.32%
Indigenous	49,60,331	66,53,815	3.30%	4.68%
<b>TOTAL</b>	<b><u>15,06,96,283</u></b>	<b><u>14,21,07,025</u></b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>

e) Earnings in Foreign Exchange during the financial year :

	(In Rupees)	
	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006
Liquidated damages recovery from Helicopter manufacturers	19,52,102	6,53,386
	<u>19,52,102</u>	<u>6,53,386</u>



f) Remuneration paid to Directors including Chairman & Managing Director

Remuneration paid to Chairman & Managing Director:

	(In Rupees)	
	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006
i) Salary	2,09,225	8,14,598
ii) Allowances & Perquisites	30,851	96,199
iii) Provident Fund/Gratuity	17,346	66,845

g) Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details:

Registration No.: 55/22233 State Code : 55  
 Balance Sheet Date : 31.03.2007

II. Capital Raised during the year ( Amount in Rs. thousands)

Public Issue : Nil Right Issue : Nil  
 Bonus Issue : Nil Private Placement : Nil

III. Position of Mobilization and Deployment of Funds (Amount in Rs. thousands)

Total Liabilities : 8601510 Total Assets : 8601510

a) Source of Funds:

Paid-up Capital : 1137660 Reserve & Surplus : 1660221  
 Deferred Tax Liability : 474844  
 Secured Loans : Nil Unsecured Loan : Nil

b) Application of Funds:

Net Fixed Assets : 3552522 Investments : Nil  
 (including Capital Work in Progress) (PSU Bonds)  
 Net Current Assets : (279796) Misc. Expenditure : Nil  
 Accumulated Losses : Nil

IV) Performance of Company (amount in Rs. thousands)

Turnover including Interest  
 & Other Income, Extraordinary  
 and other credits : 2425581  
 Total Expenditure including  
 Extraordinary and other Debits : 2239434  
 Profit before Tax : 186147  
 Profit after Tax : 95212  
 Earnings per Share : 837  
 Proposed Dividend : 8%

V.) Generic Name of Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) Not applicable  
 Product Description Helicopter Services



27. *Previous year figures have been re-grouped/recasted wherever necessary.*

R.K.Tyagi  
Chairman-Cum-Managing Director

Raghu Menon  
Director

Sanjiv Agrawal  
Company Secretary & DGM(Legal)

Sanjiv Bahl  
General Manager (F&A)

Place : New Delhi

Dated : 15<sup>th</sup> November, 2007



## Cash flow Statement for the Year ended 31st March, 2007

	31 <sup>st</sup> March, 2007	(In Rupees) 31 <sup>st</sup> March, 2006
<b>A. Cash flow arising from Operating Activities</b>		
Net Profit before Tax	1,851.65	6,458.86
Depreciation charge / Impairment of Assets	2,584.69	2,540.49
Interest Income	(2,496.35)	(3,032.88)
Profit/(loss) on sale of fixed assets	0.15	0.04
Fixed Assets Written off	340.41	3.38
Settlement of Insurance Claim (Loss of helicopters/Flood)	(843.20)	(1,462.10)
Payment through Self Insurance Reserve	-	(7.50)
<b>Operating profit/(loss) before working capital changes</b>	<b>1,437.35</b>	<b>4,500.29</b>
Working Capital changes		
Add/(less)		
Inventories	(434.50)	(691.78)
Sundry Debtors	(921.09)	14.80
Loans & Advances	79.41	673.99
Current liabilities	437.19	(3,047.94)
Provisions	(245.13)	(108.58)
Exceptional Items (Insurance Claims)	843.20	-
Increase in working capital	(240.92)	(3,159.51)
<b>Net Cash flow from Operating Activities (A)</b>	<b>1,196.43</b>	<b>1,340.78</b>
<b>B. Cash flow arising from Investing Activities</b>		
Purchase of Fixed Assets	(12,376.73)	(4,472.22)
Sale of Fixed Assets	-	0.07
Insurance claim received (Loss of Helicopters)	-	1,808.49
Capital work in progress	109.02	(1,685.08)
Interest Income	2,496.35	3,032.88
<b>Net Cash flow from Investing Activities (B)</b>	<b>(9,771.36)</b>	<b>(1,315.86)</b>
<b>C. Cash flow arising from Financing Activities</b>		
Dividend paid (including Corporate Tax)	(2,722.08)	(3,504.56)
<b>Net Cash flow from Financing Activities (C)</b>	<b>(2,722.08)</b>	<b>(3,504.56)</b>
<b>D. Taxes Paid</b>		
Income Tax (including wealth tax) paid	(1,152.75)	(1,947.50)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C+D)</b>	<b>(12,449.76)</b>	<b>(5,427.14)</b>
Cash and Cash Equivalents at the beginning of the year	42,535.11	47,962.25
Cash and Cash Equivalents at the end of the year	30,085.35	42,535.11

Notes: Figures in brackets indicate cash outgo

For V.K.Verma & Co.  
Chartered Accountants

R.K.Tyagi  
Chairman-Cum-Managing Director

Raghu Menon  
Director

V.Kumar  
Partner  
(M.No. - 503826)

Sanjiv Agrawal  
Company Secretary & DGM (Legal)

Sanjiv Bahl  
General Manager ( F&A)

Place : New Delhi

Dated : 15<sup>th</sup> November, 2007



## AUDITORS' REPORT

## Annexure 'A' to the Director's Report

### Management's Reply

To

The Members

PAWANHANS HELICOPTERS LIMITED

We have audited the attached Balance Sheet of PAWAN HANS HELICOPTERS LIMITED as at 31<sup>st</sup> March, 2007 and also the Profit & Loss Account for the year ended on that date annexed thereto and cash-flow statement for the year ended on that date, in which are incorporated the accounts of Western Region audited by Branch Auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### **We report that:**

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:





- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of accounts as required by law, have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branch not visited by us. The branch auditor's report dated 25-08-2007 And Subsequent letter dated 12/11/2007 have been forwarded to us and has been appropriately dealt with.
- c. The Balance Sheet, the Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account and with the audited returns from the branch.
- d. In our opinion, Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report complied with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e. As per the information & explanations given to us, in view of the general circular no. 8/2002 dated 22-03-2002 issued by Department of Company Affairs, the Govt. companies are exempt from applicability of the provisions of Section 274 (1) (g) of the Companies Act, 1956
- f. **Subject to our following observations:**
  - I. Refer Note No. 4.3, 4.4, 4.5 of Schedule 14 regarding disposal of Westland Assets:
    - i. Part of the inventory item transferred from Delhi to Mumbai during 1999-2000 was diverted by transporter of buyer to a warehouse at the instruction of buyer. The same are presently lying in the custody of warehouse. Quantitative details of such items are not available and have not been physically verified also. This has been explained in Note No.4.4 of Notes to Accounts Sch 14



- ii. Complete quantitative details of item lying with the company, which are kept in sealed boxes, are not available and further these items have not been physically verified during the year.
- This has been explained in Note No.4.5 of Notes to Accounts Sch 14.
- In view of point (i) and (ii) above, inventory carried at book value (though fully provided for) have been carried on provisional basis, not verifiable by us and are subject to further reconciliation and physical verification.
- II. Notes No. 5 of Schedule 14 regarding non-execution of title deeds of residential flats purchased at Mumbai for employees.
- This has been explained in Note No.5 of Notes to Accounts Sch 14.
- III. Note No. 11 of Schedule 14 regarding un-reconciled / unlinked entries with IOC. Financial impact will be ascertained only on final settlement.
- This has been explained in Note No.11 of Notes to Accounts Sch 14.
- IV. Note No. 12 of Schedule 14 regarding Sundry Debtors, Loans & Advances being subject to confirmation by the parties.
- This has been explained in Note No.12 of Notes to Accounts Sch 14.
- V. Loans and Advances included Rs. 77.48 crores relating to 11 financial years (Net amount of Income Tax paid/ TDS Rs. 267.12 crores less Income Tax provision Rs. 189.63 crores) and shown as loans and advances considered good can not be considered good, pending reconciliation as per note no. 2(c) (i) and the Company had sought permission from COD to proceed against Income Tax Department in Tribunal but COD deferred consideration of the matter based on submission made by the Ministry of Civil Aviation for all the years under dispute. Non-provision has resulted in over statement of Reserve and Surplus and loans and Advances by 77.48 crores.
- This has been explained in Note No2 ( c) (i) and Note No 14 of Notes to Accounts Sch.14. On the basis of legal and other submissions made by the Company/ Ministry of Civil Aviation, COD has deferred the matter for consideration and not rejected the plea to appeal before Income Tax Appellate Tribunal (ITAT).
- Additional demands of Tax raised in the Assessment are provided in the year of finality of Assessments. In terms of the opinion issued by the Expert Advisory Committee of ICAI, where a tax liability has been contested on bonafide and valid grounds on the basis of a judgment of a Higher Court, it is not necessary to provide for the tax liability but a disclosure thereof must be made by way of a Note to the Accounts. In the present case the Company has contested the demand of the Tax Department on the basis of a Supreme Court judgment on a similar matter. Accordingly, in line with the aforesaid opinion of ICAI, necessary disclosure about disputed tax amount has been made in Note No.2 (c) (i) and 14 of the Notes to Accounts.



**Attention is invited to the following observation made by the Branch Auditors of Western Region in their audit report dated 25.08.2007.**

Refer Note No 8(A) of Notes to Accounts of Schedule 14.

Rs. 6.39 crores paid for mid-life up-gradation of the Helicopters has been capitalized to the Helicopters Account to increase the cost of Asset. There is nothing concrete to accept the fact that there is an increase in the life of the helicopter except the management's submission and the manufacturer's confirmation. However, the matter being technical in nature, we have relied on submissions made by the management as well as manufacturer's confirmation of increase of life of helicopters after retrofitment. Notwithstanding the same, since in our opinion the useful life of the principal asset (Helicopter) is over, 95% of the value should have been depreciated in conformity with the Accounting Policy stated at para 1 (d) of Schedule 'M'. The effect of this is overstatement of the profit by Rs. 5.89 crores and overstatement of the assets by amount of Rs 5.89 crores.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

This has been explained in Note No 8.1 of Notes to Accounts - Schedule 14. Reference may also be made to Note Nos. 9.1 and 9.2 relating to Depreciation being charged over the remaining useful life (as extended) of helicopters in accordance with the Accounting Policy.

Cost of Mid-life Upgradation Programme of Dauphin fleet is capitalized as per Accounting Policy 1(b) in view of the probable future economic benefits in excess of those expected from the unmodified assets. M/s. Eurocopter, the manufacturers have confirmed that the Midlife Upgradation Programme of Dauphin fleet will improve safety and quality of output, resulting in better availability of fleet to the customer for operations. This would be done through on-time monitoring of dynamic components and engines. Such betterment would upgrade the Company's Dauphin fleet to latest off-shore standards and which in turn will extend its utilization period well beyond its present vintage of 20 years, resulting in enhanced future economic benefits to the Company. M/s. Eurocopter have advised that after the Mid Life Upgradation Programme, the utilization period of Dauphin fleet is expected to enhance from the past 20 years to at least 10 more years, subject to compliance to the laid down maintenance and inspection schedules and procedures. Accordingly, the useful life of the helicopters have been extended based on the manufacturer's advice.



- i) In the case of the Balance Sheet, of the state of Affairs of the Company as at 31<sup>st</sup> March 2007.
- ii) In the case of Profit & Loss Account, of the PROFIT of the Company for the year ended on that date.
- iii) In case of Cash-Flow statement, of the cash flows for the year ended on that date.

As the helicopters will be in commercial use even beyond its initial estimate of life/ specified period as per Companies Act, the cost of Mid-Life Upgradation Programme is depreciated as per Accounting Policy at para 1 (d) over the remaining useful life of the Helicopters, subject to a minimum charge as per statute rate.

FOR V.K. VERMA & CO.  
Chartered Accountants

(V. KUMAR)  
Partner,  
M.No. 503826

Place : New Delhi

Dated: 15<sup>th</sup> November, 2007



ANNEXURE TO THE AUDITOR'S REPORT

Management's Reply

PAWAN HANS HELICOPTERS LTD ,  
NEW DELHI

(Referred to in paragraph 1 of our audit report  
of even date)

I.

- |  |  |
|--|--|
| (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. At Western Region the branch auditors have reported that Situation / location of Fixed Assets have not been recorded in many cases.   | Fixed Assets Register records main situation / location of assets at each Region. Movement records for Rotables are being maintained by Materials / Engineering Departments of the Company for location of such assets. At Western Region the situation / location of fixed assets have now been recorded.       |
| (b) The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification. At Western Region the branch auditors have reported that since the process of identification of fixed assets is in progress, the assets so verified were not reconciled with book records. | The identification of Fixed Assets at Western Region is now complete. The process of reconciliation of the assets physically verified is being taken up with Book Records. The Branch Auditor has reported that till now no major discrepancy was observed on physical verification as compared to Book records. |
| (c) No substantial disposal of fixed assets has taken place during the year, which would have affected the going concern.  | No Comments  |

II.

- |   |   |
|---|---|
| (a) The inventory has been physically verified during the year by the management at reasonable intervals except for inventories of Westland Helicopters and inventories scrapped but not disposed off at Northern Region and Inventory lying out of Country for repairs/ maintenance. | Necessary instructions have been issued for disposal of scrapped inventory items lying at the Regions and action is in progress.<br>No comments |
|---|---|



- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business in respect of inventory verified. No comments
- (c) The company is maintaining proper records of inventory and discrepancies noticed on physical verification, which were not material, have been properly dealt with in the books of account. No comments
- III. According to the information and explanation given to us by the management and records produced, there are no parties covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly clauses iii (b), iii (c) and iii (d) are not applicable. No comments
- IV. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for hiring charges of helicopters. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control. No comments
- V. According to the information and explanations given to us by the management and record produced, there are no transactions in the company that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956. No comments
- VI. According to the information and explanations given to us, and as per our examination of records, the company has not accepted any deposits from the public and therefore, the directives issued by the Reserve Bank of India and provisions No comments



of section 58 A and 58AA of the Companies Act, 1956 and rules framed there under, are not applicable.

- |       |  |  |
|-------|--|--|
| VII.  | In our opinion, the company has an internal audit system which commensurate with its size and nature of the business.  | No comments  |
| VIII. | The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for the company.   | No comments  |
| IX.   | (a) The company is regular in depositing statutory dues like provident fund, income tax, sales tax, wealth tax, custom duty, cess and other material undisputed statutory dues with the appropriate authorities.                                     | No comments  |
|       | (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Statutory dues were in arrear, as at 31 <sup>st</sup> March, 2007 for a period of more than six months from the date they become payable. | No comments  |
|       | (c) The details of disputed statutory dues mainly relating to Income Tax Assessments as on 31 <sup>st</sup> March, 2007 was under reconciliation and not quantifiable (refer item no VI of main report).   | Reconciliation of disputed statutory dues relating to Income Tax Assessment has been taken up with the Tax Department. This has been explained in Note No.2(c ) (i) & 14 of Notes to Accounts Sch 14 |
| X.    | The clause relating to accumulated losses is not applicable  | No comments  |
| XI.   | The company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.  | No comments  |
| XII.  | According to the information & explanations given to us, and as per our examination of records, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.                 | No comments  |



- XIII. According to the information & explanations given to us, and as per our examination of records, the provisions of clause relating to Chit Fund or nidhi/ mutual benefit fund/ societies are not applicable to the company. No comments
- XIV. According to the information & explanations given to us, and as per our examination of records, the company has not dealt in or traded in shares, securities, debentures during the year. In respect of investments in the shape of fixed deposits with banks the company has maintained proper records of transactions and timely entries have been made therein. All such investments have been held by the company in its own name. No comments
- XV. According to the information and explanations given to us and records examined by us, the company has not given any guarantee for loans taken by others from banks or financial institutions. No comments
- XVI. According to the information & explanations given to us, and as per our examination of record, the company has not obtained any term loans. No comments
- XVII. According to the information & explanations given to us, and as per our examination of records, the company has not used funds raised on short terms basis for long terms investment and vice versa. No comments
- XVIII. The clause relating to preferential allotment of shares is not applicable. No comments
- XIX. The clause regarding issue of debentures is not applicable. No comments
- XX. The provisions of this clause relating to raising of money by means of public issue are not applicable. No comments





XXI. According to the information & No comments  
explanations given to us, and as per  
our examination of records, no fraud  
on or by the company has been noticed  
or reported during the year.

FOR V.K. VERMA & CO.  
Chartered Accountants

(V. KUMAR)  
Partner  
M.N. 503826

Place: New Delhi

Dated: 15<sup>th</sup> November, 2007



*Annexure 'B' to the Directors' Report*

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF PAWAN HANS HELICOPTERS LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007.**

The preparation of financial statements of Pawan Hans Helicopters Limited for the year ended 31 March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 15 November 2007.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of Pawan Hans Helicopters Limited for the year ended 31 March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

**A. COMMENTS ON FINANCIAL POSITION BALANCE SHEET**

**1. Fixed Assets (Schedule-4)**

**Net Block-Rs. 299.91 crore**

This is overstated by Rs. 7.01 crore due to short provision of depreciation on Rotables (Rs.6.83 crore) and Cockpit Voice Recorder (Rs.17.80 lakh) of Dauphin N Series helicopters. Consequently profit for the year and Reserves & Surplus are also overstated by Rs.2.19 crore and Rs.4.82 crore respectively.

*Management's Reply*

This has been explained in Note No. 9.1 and 9.2 of Notes to Accounts (Schedule 14).

The Company has referred the subject matter to the Institute of Chartered Accountants of India (ICAI) for their opinion/clarification, keeping in view the generally accepted accounting principles followed by various International Airlines in respect of Rotables by treating them as Fixed Assets and depreciation charged on them by linking it to the useful life of aircrafts/helicopters.

In the light of above, no accounting adjustments have been made pending receipt of clarifications from the ICAI.



**B. COMMENTS ON DISCLOSURE  
CONTINGENT LIABILITIES AND  
NOTES TO ACCOUNTS  
(SCHEDULE 14)**

**2 Contingent Liabilities**

The above does not include:

(a) Rs.7.73 crore being the amount of liquidated damages leviable by ONGC on account of non mobilisation of helicopters as per contract.

(b) Rs.70.69 crore being the cumulative interest payable on Government dues after 31 March 2001.

a) (a) The Company had accounted for liquidated damages amounting to Rs. 1.37 Crores actually recovered by ONGC in respect of delayed mobilization of the first AS 4 compliant Dauphin helicopter inducted under the new contract in December, 2006. This is in accordance with the Accounting Policy No. 5 (b) which states that the claim of customers are accounted for on settlement basis. However, in view of the audit observation necessary disclosure would be made in the subsequent period.

b) The matter has been explained in Note No. 3 of the Notes to Accounts (Schedule 14). Interest liability has been provided upto 31<sup>st</sup> March 2001 as claimed by the Ministry of Finance. The Audit has computed interest liability after that date, although there is no such demand against the Company. The issue regarding interest rate at which the GOI dues are payable is under consideration of the Government. Upon receipt of such decision, the quantum of repayment of GOI dues will be determined and amount paid. However, in view of the audit observation necessary disclosure would be made in the subsequent period. 3. The Company has introduced Post Retirement Medical Benefit Scheme in June 2006 with a fixed maximum benefit for the superannuated regular employees and their spouse under a Group Mediclaim Insurance policy with an outside Insurance Company. The Company's financial burden is restricted to the annual premium payment to the Insurance Company for the superannuated employees covered under such scheme. However, in view of the audit observation necessary disclosure and accrued actuarial liability, if any, would be made in the subsequent period.



### 3. Notes to Accounts

The fact that there exists post retirement medical benefit scheme has not been disclosed. The accrued actuarial liability for the scheme has also not been provided for as per the provisions of AS 15.

The Company has introduced Post Retirement Medical Benefit Scheme in June 2006 with a fixed maximum benefit for the superannuated regular employees and their spouse under a Group Medclaim Insurance policy with an outside Insurance Company. The Company's financial burden is restricted to the annual premium payment to the Insurance Company for the superannuated employees covered under such scheme. However, in view of the audit observation necessary disclosure and accrued actuarial liability, if any, would be made in the subsequent period.

(J. Wilson)

Principal Director of Commercial Audit  
Ex-officio Member, Audit Board-I  
New Delhi

Place : New Delhi

Dated : 28<sup>th</sup> December, 2007



*Annexure 'C' to the Directors' Report*

**STATEMENT OF PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTOR'S REPORT FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2007.**

Sl. No.	Name	Age	Qualification	Designation	Joining Date	Experience	Remuneration Received (Rs.)	Last Employment
1	2	3	4	5	6	7	8	9
<b>A. Employed throughout the year under review and were in receipt of remuneration aggregating not less than Rs. 24,00,000/- per annum</b>								
1.	Cdr. Y.S. Das	54	Ex-NDA	Sr. Cdr.	17-02-1997	10 Years	25,31,985	Indian Airforce
2.	Cdr. Shivakrishna	58	Ex-NDA	Sr. Cdr.	13-10-1988	18 Years	25,18,841	Ex. Defence
3.	Cdr. Ashok Khosla	60	S.S.C., Mil. Trg.	Sr. Cdr.	15-05-1987	20 Years	26,84,095	Ex. Defence
4.	Cdr. N.P. Sequeira	59	Ex-NDA	Sr. Cdr.	18-05-1989	17 Years	26,49,446	Ex. Defence
5.	Cdr. E. Samuel	51	H.S.C.	Sr. Cdr.	20-05-1988	18 Years	28,98,144	H.I.E.T. & IGRUA
6.	Cdr. M.V. Alexander	47	B.S.C.	Sr. Cdr.	14-06-1988	18 Years	25,27,956	IGRUA
<b>B. Employed for part of the year under review and were in receipt of remuneration aggregating not less than Rs. 2,00,000/- per month</b>								
	Capt. S.K. Varma*	60	B.A.	Captain	12-01-1989	18 Years	24,93,952	Ex. Defence

**NOTE:**

1. None of the above Employees are related to any of the Directors.
2. Remuneration includes Salary and Allowances, Medical Reimbursement, Company leased Accommodation, Conveyance Reimbursement etc., and related Arrears for earlier years.