

DIRECTORS' REPORT

The Shareholders,

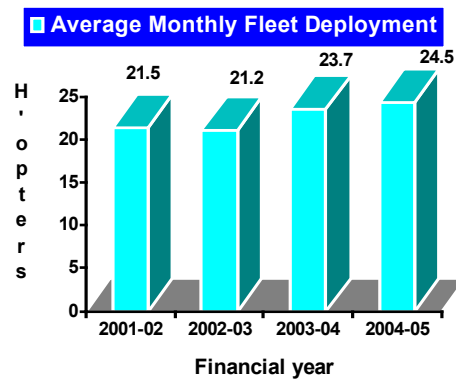
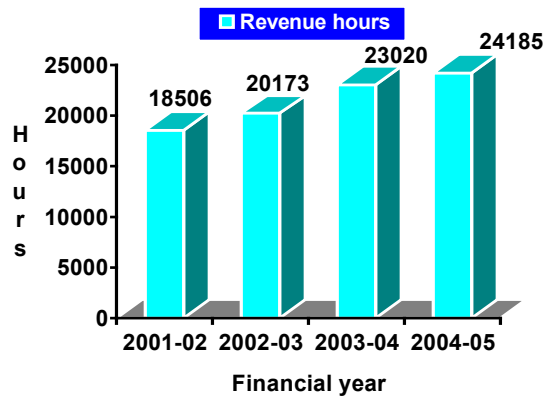
Gentlemen,

Your Directors have immense pleasure in presenting the Twentieth 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, 2005.

I. Operations

a) Operational results

The Company was able to secure good long-term contracts with Institutional clients mainly in the Oil Industry and Government Sector which resulted in continues improvement in revenue hours and average monthly deployment of helicopters.



b) Fleet Profile

The Company's operational fleet profile as on 31.3.2005 has been as follows :-

Helicopter type	No. of helicopters
Dauphin AS365N	17
Dauphin AS365N-3	4
Bell-407	3
Bell 206L4	3
MI-172	3
Robinson R-44	2
Total	32

c) Fleet deployment

As on 31.3.2005, the Company has on contract 11 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 Andaman & Nicobar Islands Administration and one Dauphin helicopter each to Ministry of Home Affairs and Hardy Oil Exploration.

One Mi-172 helicopter was deployed with ONGC for their off-shore task and the other with Government of Arunachal Pradesh for air maintenance.

One Bell 206 L4 helicopter each was deployed with State Government of Sikkim and NHPC. One Bell 407 helicopter was deployed with the State Government of Tripura. One Robinson R-44 helicopter was utilized for charter purposes. The Company had also provided helicopters during elections in the Country. The Company continued helicopter services for Kedarnath during the season i.e. May-June, 2004 and September-October, 2004.

The Company has undertaken Operation and Maintenance contracts of helicopters belonging to Government of Karnataka.

Dauphin SA 365N helicopter bearing registration no.VT-EKZ which was flying from Guwahati to Shillong met with accident near Barapani in Meghalaya's Ri-bhio Distt., Shillong on 22nd September, 2004 in which 8 passengers and 2 pilots died. The Company has received the insurance claim.

d) Fleet Augmentation

The Company had signed an agreement for purchase of two new Dauphin AS365N3 helicopters in August, 2003. The first helicopter was delivered in August, 2004 and the second in November, 2004. The Company had also signed agreement in August, 2004 for purchase of one new Bell 407 helicopter which was delivered in December, 2004. Further, the Company has exercised option for purchase of one more Bell 407 helicopter which is likely to be delivered by end March, 2006. The Company has also signed agreement for purchase of two Dauphin N3 helicopters on 5.12.2005 which are likely to be delivered by May/June, 2006.

e) Events subsequent to close of financial year.

One Robinson R-44 registration no.VT-PHC deployed with Oil India Ltd. at Guwahati met with accident on 4.4.2005. The helicopter has been considered beyond economical repairs and insurance claim was preferred. In an incident of fire at ONGC's off-shore platform BHN at Bombay High on 27th July, 2005, the Company lost one MI-172 helicopter registration no.VT-ASM on contract with ONGC as also two of its crew members. The Company has received the Hull insurance claim. In the torrential rains and flooding at Mumbai on 26/27 July, 2005, 10 Dauphin / 1 Mi-172 helicopters, large number of stores and inventories items, Aero engines & modules, ground support & test equipments, office furniture, computers and documents were damaged. In addition to the above one Dauphin N-3 helicopter belonging to Government of Karnataka also got damaged. The flood had severely affected serviceability/ deployment of helicopters to ONGC. The Company on emergency basis taken steps for inspection and repair of the helicopters, spares engines, modules, rotables and other equipments through in-house repair as well as dispatch on priority to various repair agencies abroad. Procurement on priority of the rotables, equipments and other spares on standard exchange or ex-stock purchase basis were initiated. The manufacturer agreed to inspect/bench check and expedite repair of affected rotables. Actual assessment of loss and settlement of insurance claim thereof is likely to take 6 to 12 months period. This has also been explained in the Notes to Accounts.

During the incident of fire at ONGC off-shore platform BHN at Bombay High on 27th July, 2005, the Company's two Dauphin helicopters parked at Mumbai High Offshore platforms of ONGC reached the site for search and rescue operations and did commendable job in guiding the rescue boats to save persons who were in water near BHN platform and carried ONGC officials to various unmanned platforms connected to BHN and NQ complexes for emergency closing of wells and to take other safety measures. ONGC has appreciated performance of PHHL during rescue mission.

II. Finance

a) Financial Results

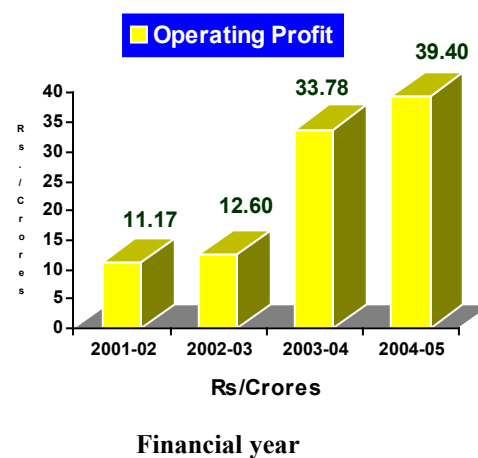
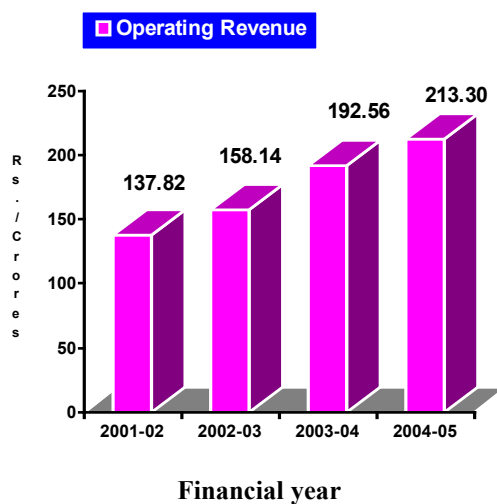
Financial performance during the financial years 2004-05 and 2003-04 was as under :

(Rupees/Crores)

Particulars	2004-05	2003-04
II.Operating Revenue		
-Revenue from Operations	209.56	184.73
-Incidental Revenue	3.74	7.83
Total (I)	213.30	192.56
II. Operating Expenditure		
-Operating Expenditure	154.71	143.52
-Depreciation & Obsolescence Reserve on Operating Fleet	19.19	15.26
Total (II)	173.90	158.78
III.Net Operating Profit (I-II)	39.40	33.78

IV. Interest Income	28.55	31.44
V. Prior Period/Extraordinary Adjustments		
- Extraordinary Items	16.17	12.41
- Prior Period Adjustments	- 0.26	0.21
VI. Profit before Tax	83.86	77.84
VII. Taxes		
- Provision for Taxation	19.10	20.00
- Deferred Tax Liability	15.18	5.15
VIII. Net Profit after Tax	49.58	52.69

The Company was able to achieve improved financial performance as compared to previous year on account of better charter rate structure with higher revenue yield, increased utilization of helicopters through improved serviceability of fleet and measures taken for cost control and cost reduction.



b) Dividend

Your Directors are pleased to recommend dividend amounting to Rs.22.75 crores @ 20% (previous year @ 15.38% Rs.17.50 crores) on the paid up equity capital of Rs.113.766 crores for the financial year 2004-05. The Corporate tax on dividend to be borne by the Company during 2004-05 would be Rs.3.19 crores (Previous Year :Rs.2.29 crores).

c) Dues to the Government of India

The Ministry of Civil Aviation submitted a proposal on 23rd April, 2003 to Ministry of Finance with a view to arrive at a mutually acceptable solution so as to settle the long pending dispute relating to settlement of Government of India dues in connection with purchase of Westland and Dauphin helicopters during 1986-88 by the Company. The proposal envisage (a) total amount of interest @ 18% p.a. along with other charges due on Dauphin and Westland fleet till 31.3.2001 aggregating Rs.339.31

crores be paid by the Company (b) interest on these dues from 1.4.2001 till date be written-off and (c) dues of the Government on account of the principal amount aggregating Rs.130.91 crores be converted into equity of the Govt. in the Company. The Ministry of Finance had agreed in principle to the said proposal of Ministry of Civil Aviation. Subsequently, Ministry of Civil Aviation submitted a revised proposal which interalia included reduction in the rate of interest from 18% p.a. to 9% pa on the dues and other issues as covered by its earlier proposal dated 23.4.2003 remained unchanged. The Ministry of Finance have not agreed to the reduction in the rate of interest from 18% pa to 9% pa. The matter is under consideration of the Ministry of Civil Aviation for seeking approval of the Government. 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 earnings from helicopter services and other receipts was Nil (previous year : Rs.3.99 crores) and outgo on account of payment for import of helicopter, spares & equipment and payment of repairs & other charges amounted to Rs.144.48 crores (previous year Rs.63.36 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 (Airframe overhaul at 5,000 hours) on Dauphin helicopters totally in-house without any foreign assistance which leads to foreign exchange saving on account of lower cost of repairs/inspections. During the year under review a total of 31 inspections consisting of T/2T/5T(500 hrs./1000 hrs./2500 hrs.) inspection and 3 'G' inspections (5000 hrs.) on Dauphin helicopters were carried out by the Company's from within its resources.

The process for enhancement in workshop facilities in respect of a large number of MI-172 avionics equipments was initiated during the financial year 2004-2005 and was approved subsequent to the close of financial year. This would lead to savings in foreign exchange. The new system of recording of flight time for maintenance planning as introduced in the financial year 2003-04 in respect of Dauphin fleet after approval by the manufacturers and DGCA not only reduced the repair/overhaul/ inspection costs but also reduced the number of helicopters under major maintenance, component replacement etc. and in turn increased the availability of helicopters for flying during the financial year 2004-05. Similar approval was received with respect to Bell helicopter fleet during 2004-05. The Company has adopted such engineering flight time for creating of provision for maintenance cost in its books since the financial year 2003-04.

During the year serviceability of helicopter and on time dispatch have shown remarkable improvement. In-house major maintenance of Bell 206L4 helicopters Allison engines is being carried out instead of sending engines to foreign Repair agencies. Further major maintenance inspections and major component changes of Bell 206L4 helicopter at Bases such as Sikkim, Agartala and Itanagar was also continued during the year.

The Company has always considered energy saving and technology absorption as an important goal and high priority has been accorded to the same during the year under review.

IV. Materials Management

During the year procurement of Mi-172 spares have been streamlined by having agreement for product support with the manufacturer of the helicopters. 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. Quantum of slow moving inventory has been reduced considerably over the years by utilizing such items during major inspections. Air Consolidation Services were streamlined by combining freight, forwarding, custom clearance and door delivery of consignment which resulted in improvement in procurement process.

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. which 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 December, 2006.

VII. Human-Resources Development

a) Manpower

The staff strength as on 31st March, 2005 was 788 (including 206 contractual employees) as against 789 (including 176 contractual employees) as on 31st March 2004.

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. Further after having long term wage settlement with workmen, engineers & executives, wage settlement with line pilots was also completed.

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 five meetings during the year. The Board consisted of the following members during the financial year 2004-05 :-

Shri Nagar V.Sridhar	Chairman-cum- Managing Director
Shri P.K. Mishra	Additional Secretary & FA, MOCA
Shri Satendra Singh	Director General of Civil Aviation
Shri N.K. Mitra	Director off-shore, ONGC
Shri R.K. Singh	Joint Secretary, MOCA (from 11.11.2005)
Air Cmde.S.P. Singh	Director T&H, Air Force (from 15.7.2005)
Shri V. Subramanian	Addl.Secretary&FA,MOCA(upto 1.12.04)
Shri Sanjay Narayen	Joint Secretary, MOCA (upto 11.11.2005)
Shri A.K.Upadhyay	Joint Secretary, MOCA (upto 8.1.2005)
Air Cmde.Arun Gopinath	Director T&H, Air Force (upto 15.7.2005)

The Board places on record its appreciation of the valuable services rendered by Shri V. Subramanian, Shri Sanjay Narayen, Shri A.K.Upadhyay and Air Cmde.Arun Gopinath during their tenure on the Board.

None of the Directors of your Company are 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 31st March, 2005, your Directors have:-

- a) followed in the preparation of Annual Accounts, the applicable accounting standards and proper explanation relating to material departure if any, have been incorporated.
- b) 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.
- c) 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
- d) 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 15.4.2004, 6.9.2004, 28.9.2004 and 16.3.2005.

Presently the Audit Committee comprise of Shri P.K. Mishra, Additional Secretary & Financial Advisor, Ministry of Civil Aviation as Chairman of the Audit Committee, Shri R.K. Singh, Joint Secretary, Ministry of Civil Aviation and Air Cmde. S.P. Singh, Director (T&H), Air Headquarter as Members.

XI. Auditors' Report

The observations made by the Statutory Auditors in respect of the Annual Accounts for the financial year 2004-05 together with replies thereto are appended as Annex-A. (Refer to page___).

The report of Comptroller and Auditor General of India in pursuance of Section 619(4) of the Companies Act, 1956, is appended as Annexure-B. (Refer to page).

Errata of certain corrections in figures in respect of schedule 4 relating to Fixed Assets and schedule 14 relating to Contingent Liabilities & Notes to Accounts is appended as Annex C (refer to page___).

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-'D' (refer to page).

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 advertisements bilingually and compliance of Section 3(3) of Official Language Act, 1963.

XIV. 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.

XV. 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.

XVI. 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 and 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

(Nagar V.Sridhar)
Chairman cum Managing Director

DATE: 31st December, 2005
PLACE: NEW DELHI.