

**PAWAN HANS HELICOPTERS LIMITED**  
**(A Government of India Enterprise)**

**CHAIRMAN'S SPEECH TO THE MEMBERS**

Dear Shareholders,

I take great pleasure in welcoming you to the 27<sup>th</sup> Annual General Meeting of your Company. The Annual Report for the financial year 2011-12 has been circulated and with your permission I take it as read.

Financial year 2011-12 had been a year of challenges, total flying hours were 31,240 against 33,670 hours in previous year. Our operations in North East Region were suspended by DGCA from 01.05.2011 to 06.06.2011 after fatal accidents of a Mi-172 on 19.04.2011 and an AS 350 B3 on 30.04.2011 in Arunachal Pradesh. Governments of Meghalaya and Arunachal Pradesh cancelled their contracts after accidents and services to Sikkim, Tripura and MHA(NE) were suspended for nearly three months. Average monthly deployment of helicopters during the year ended 31.03.2012 was 31 out of the fleet size of 42 helicopters. During 2011-12 Net Loss after tax was Rs.10.35 crores as against Net Profit after tax of Rs.18.50 crores in previous year. Reasons for these are suspension of services in the North East, higher staff cost on account of provisioning for pension and arrears of pay revision of employees after the wage settlements, enhanced insurance premium rates due to two major accidents & new acquisitions, increase in depreciation and interest on loan. Due to this Reserves and surplus came down to Rs.229.95 crores from Rs.239.76 cr. The secured loan taken by the Company increased from Rs.64.10 crores in the previous year to Rs.232.83 crores on account of loan for acquisition of 5 more new Dauphin N3 helicopters. But if we analyse financial data of last 10 years, the picture emerges that the Company was having similar kind of figures but profit figures varied because of other reasons.

After accidents, the Company has undertaken Safety Initiatives by implementing Safety Management System (SMS) for its operations and maintenance activities as per ICAO/DGCA guidelines and has already implemented two phases of SMS out of four. A new Safety Oversight department has been created and a Voluntary Reporting System and Hazard Reporting System has been introduced in the company. The company has introduced FOQA (Flight Operations Quality Assurance) system in its operations to analyse and monitor operation of helicopters. Safety Policy of the company has also been revised to include Safety as a core activity.

Around 85% of total operating revenue of the Company comes from contracts through competitive tenders. The vintage condition of 5 years for requirement of helicopters imposed by ONGC is spreading among other oil companies as well as State Govts. specially N-E States. On this issue Board of Directors of your Company have viewed that since inception ONGC has been using mixed fleet of old and new helicopters and now this clause of vintage of helicopters upto 5 years favours mainly new entrants in the industry. The existing Dauphin N helicopters have been made fully Aviation Standard-4 compliant in the year 2007 by installations of Safety Equipments at substantial capital cost. The airworthiness of helicopters is approved by DGCA. Accordingly, this issue has been taken up with ONGC/Ministry of Petroleum & Natural Gas through MoCA. The 5 years vintage condition has major implication on pricing due to impact of interest and depreciation on new helicopters. Due to prevailing low charter rates for helicopters in Oil Exploration & Production Sector in India. Foreign operators are not bidding for offshore tenders. There is a shortage of qualified pilots specially Pilots in command on Dauphin (AS-4 qualified) and Mi-172 helicopter fleet in the market and efforts are being made for training of the pilots and help them in gain required flying experience.

The Company is gradually regaining its position in the market, and has secured tenders with British Gas, Govt. of Meghalaya, Govt. of Mizoram and GAIL from 16.06.2012, 26.07.2012, 14.08.2012 and 21.07.2012 respectively. The Company has been awarded contract for next 3 years by the Shrine Board of Mata Vaishnodeviji w.e.f. 1<sup>st</sup> April 2011 as also for helicopter services for Shri Amarnathji Yatra for 2012 and 2013 on Pahalgam-Panjtarni sector. The Company has started helicopter passenger services from Delhi to Vrindavan by deploying a Bell 206 L4 helicopter on 28<sup>th</sup> Nov. 2012.

The Company has already deployed one Mi-172 helicopter with Govt. of Odisha on long term basis for carrying out anti naxalite operations. The Company has recently been awarded a Contract by the State Govt. of Himachal Pradesh for providing a Mi-172 helicopter for a period of 5 years and Company has also got Contract from the State Govt. of Arunachal Pradesh also of one Mi-172 helicopter.

A decision has been taken to venture into Sea Plane Operations in West Bengal, Lakshadweep and Kerala. The Company also plan its entry into small fixed wing aircrafts, State Govt. of West Bengal has issued LOI for starting fixed wing aircraft services. The Company is also planning small fixed wing services for Cochin-Agati in Lakshadweep. In view of expansion of helicopter, services in the North East and Eastern Region, the Company has decided to create Eastern Region with headquarter at Guwahati.

The Company has finalised construction plan of a Heliport near Rohini in New Delhi and it has created basic Helipad facilities at Rohini. The Company has been assigned the task to develop a Helicopter Training Academy cum Heliport at Hadapsar in Pune. Project has been approved by Ministry of Civil Aviation. The construction work of the Helipads and Hangar is in advance stage and expected to be completed by January 2013.

For improvement in the Physical & Financial Performance of the Company, cost reduction measures were initiated which have resulted in financial savings of approx. Rs.4.54 crores during the period April to September 2012 by way of improved control over overtime, strict monitoring of expenses on advertisement, business promotion, hired taxies, travelling to bases, TA//DA and strict control of time schedule for ONGC helicopter deployment to avoid delay in provisioning helicopters. During the first six months period (April-September) of the financial year 2012-13 the total flying hours improved to 16,253 hours as against 16,022 hours during the corresponding period of previous year. Similarly operating revenue for the first six months period (April-September) of 2012-13 improved to Rs.223.86 crores as against Rs.213.48 crores in the corresponding period of the previous year. The operating profit for first six months period (April-September) of 2012-13 improved to Rs.16.33 crores against Rs.7.69 crores in the corresponding period of the previous year.

The Company has adopted Guidelines on Corporate Governance issued by DPE and industrial relations during the period continued to be cordial and regular meetings with employee's representative bodies were held.

I take this opportunity to thank you all for the confidence reposed in the management. I am also grateful for the support and guidance of the Government of India and its various agencies in efficient management of the Company. I deeply appreciate the confidence reposed by ONGC, GAIL, British Gas, Ministry of Home Affairs the State Governments of Meghalaya, Mizoram, Arunachal Pradesh, Himachal Pradesh and other customers in the Company and also services rendered by its employees towards Company's growth.

Dated : 27.12.2012

(Anil Srivastava)  
Chairman cum Managing Director