

ANNUAL REPORT 2011-12



PAWAN HANS LIMITED

(Name Changed from Pawan Hans Helicopters Ltd. w.e.f. 14.01.2013)

OUR AIM

*MAXIMISE
FLYING WITH
TOTAL
SAFETY
AND
ECONOMY*

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BOARD OF DIRECTORS



Anil Srivastava
Chairman-cum-Managing Director



S. Machendranathan
Additional Secretary & Financial Advisor
Ministry of Civil Aviation



Arun Mishra
Director General of Civil Aviation



G. Asok Kumar
Joint Secretary
Ministry of Civil Aviation



P.K. Borthakur
Director (Off-shore)
Oil & Natural Gas Corporation Ltd.



P.N. Pradhan
ACAS (Ops. & T&H)
Air Headquarters



MANAGEMENT TEAM

Chairman Cum Managing Director	Shri Anil Srivastava, IAS
Chief Vigilance Officer	Shri Samir Sahai, I.F.S.
Executive Director	Shri Sanjiv Bahl
General Manager (Engineering)	Shri Deepak Kapoor
General Manager (Finance & Accounts)	Shri Dharendra Sahai
General Manager (Operations)	Air Cmde (Retd) Alok Kumar
Company Secretary & General Manager (Legal)	Shri Sanjiv Agrawal
General Manager (Marketing)	Shri Sanjay Kumar
General Manager (Planning & HRD)	Shri R.B. Kushwaha
General Manager (Infocom Services, Personnel & Administration)	Shri C.P. Singh
Deputy General Manager (Materials)	Shri S.K. Sharma
General Manager (Western Region)	Shri Subir K. Das
General Manager (Northern Region)	Shri M.P. Singh

Registered office

Safdarjung Airport
New Delhi –110 003

Corporate office

C-14, Sector-1,
NOIDA-201301

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. S. Chaturvedi & Associates
Chartered Accountants
New Delhi

Branch Auditors

M/s. Lakhani & CO.
Chartered Accountants
Mumbai

Bankers

Vijaya Bank
State Bank of India
Punjab National Bank



NOTICE FOR 27th ANNUAL GENERAL MEETING

ALL SHAREHOLDERS, PAWAN HANS HELICOPTERS LIMITED

NOTICE is hereby given that the 27th Annual General Meeting of the Company is scheduled to be held on Thursday, the 27th December 2012 at 4.30 PM at Registered 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 31.03.2012, the audited Profit & Loss Account for the year ended on 31st March 2012, along with the Auditors' Report, comments of C&AG thereon and Directors' Report.

SPECIAL BUSINESS

2. CHANGE IN NAME OF THE COMPANY FROM "PAWAN HANS HELICOPTERS LIMITED" TO "PAWAN HANS LIMITED"

If deemed fit, to pass with or without modification, the following special resolutions for change in Name of the Company:-

"RESOLVED THAT pursuant to Section 21 and other applicable provisions of the Companies Act, 1956 the name of the Company is changed from "Pawan Hans Helicopters Limited" to "Pawan Hans Limited".

FURTHER RESOLVED THAT in Clause No. 1 of the Memorandum of Association, in the definition Clause as contained in the Articles of Association, and at other places the words "Pawan Hans Helicopters Limited" is substituted by the words "Pawan Hans Limited" and the Company Secretary is authorized to complete all the required formalities for change in Name of the Company"

BY THE ORDER OF THE
BOARD OF DIRECTORS OF
PAWAN HANS HELICOPTERS LIMITED

(Sanjiv Agrawal)
Company Secretary

NEW DELHI.
November 26, 2012

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. Proxies in order to be effective must be deposited at the registered office of the Company not less than 48 hours before the meeting.
- (b) For special business regarding change in name, explanatory statement is attached.

Registered Office:

Safdarjung Airport,
New Delhi-110003.

Corporate identity Number (CIN) : U62200DL1985GOI022233



CHAIRMAN'S SPEECH TO THE MEMBERS

Dear Shareholders,

I take great pleasure in welcoming you to the 27th 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 ₹10.35 crores as against Net Profit after tax of ₹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 ₹229.95 crores from ₹239.76 cr. The secured loan taken by the Company increased from ₹64.10 crores in the previous year to ₹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 gaining 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. 1st 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 28th 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. ₹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 ₹223.86 crores as against ₹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 ₹16.33 crores against ₹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.

(Anil Srivastava)
Chairman cum Managing Director

Dated : 27.12.2012



MoU (2012-13) Documents signing by Secretary MoCA & CMD Pawan Hans



DIRECTORS' REPORT

The Shareholders,

Gentlemen,

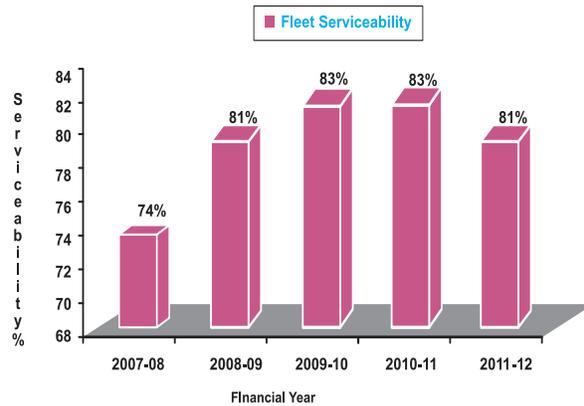
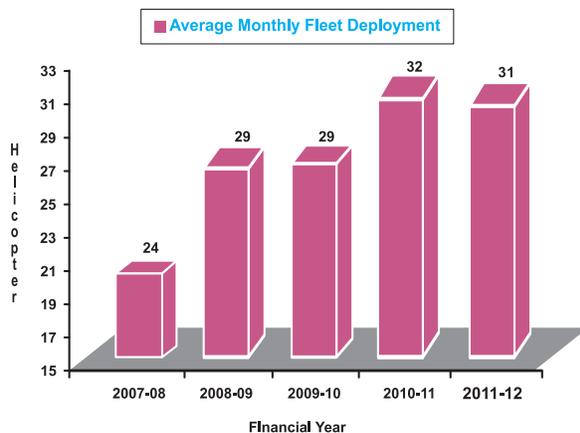
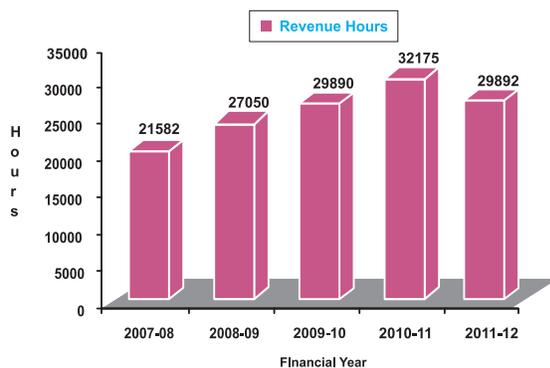
Your Directors have immense pleasure in presenting the Twenty Seventh Annual Report of the Company together with the audited accounts and the Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2012.

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:-



Average monthly deployment of helicopters during the year ended 31.03.2012 was 31 helicopters out of the fleet size of 42 helicopters (excluding 3 new Dauphin N3 helicopters registered at the end of March 2012). Average fleet serviceability during the year was 81% as against 83% in the previous year. Total flying hours were 31,240 hours as against 33,670 hours in previous year. The main reason for lower flying hours was that Operation in NE Region was suspended by DGCA from 01.05.2011 after the fatal accident of 1 no Mi-172 on 19.04.2011 and 1 no AS 350 B3 on 30.04.2011 at Arunachal Pradesh. DGCA permitted resumption of services from 06.06.2011, subject to compliance to safety requirements. Services to Sikkim commenced from 22.06.2011, Tripura from 25.07.2011 and MHA(NE) from 27.09.2011. Governments of Meghalaya and Arunachal Pradesh had cancelled the contracts after the accidents.



Dauphin Helicopters Fleet ready for Off-Shore operations at Juhu Aerodrome, Mumbai

b) Fleet Profile

The Company's operational fleet as on 31.03.2012 comprises of the following:-

Helicopter type	No. of helicopters
Dauphin SA365N	18
Dauphin AS365 N3	17
Bell-407	4
Bell 206L4	3
AS 350 B3	2
MI-172	1
Total	45

As on 31.3.2012 the Company had Operation & Maintenance Contracts of 5 Dhruv helicopters owned by BSF (MHA) with M/s. HAL. These Dhruv helicopters are being used by BSF for Anti-Naxal activities. The Company had also provided one Dhruv helicopter taken on lease from HAL to Government of Maharashtra for Anti-Naxal activities at Gadcharoli, Maharashtra for a short period.

The Company has received two new Mi-172 helicopters in end August 2012 thereby making the total operational fleet to 47 helicopters.

c) Fleet deployment

Pawan Hans has been providing helicopter support for offshore operation of ONGC for carrying its men and vital supplies round the clock to drilling rigs situated in Bombay off-shore platforms. Pawan Hans operates to ONGC's Rigs (mother platforms and drilling rigs) and production platforms (wells) within a radius of 130 nm. from the main land at Mumbai. As on 31.03.2012, the Company had on contract 14 Dauphin N/N3 helicopters with ONGC for their off-shore task. At present 10 Dauphin N3 helicopters are on contract with ONGC out of which 2 Dauphins are stationed overnight at the main platforms in addition to a dedicated Night Ambulance to meet any emergency evacuation.



The Company is providing helicopter services to several State Governments namely, Meghalaya, Mizoram, Maharashtra, Tripura, Assam, Sikkim, Odisha, Ministry of Home Affairs, Administration of Andaman & Nicobar Islands and Lakshadweep Islands. The Company is also providing helicopter services to NTPC, Oil India Limited, GAIL, GSPC, British Gas, etc.

Pawan Hans runs the helicopter services from Phata to the Holy Shrine of Kedarnath during the May-June and September-October seasons every year. Pawan Hans has also been awarded contract by Shri Amarnath Shrine Board for operating "Helicopter services for the Shri Amarnathji Yatra 2012 and 2013" on Pahalgam-Panjtarni sector and started services during season w.e.f. 25th June 2012 with 2 Bell 407 helicopters. The Company has been successfully operating helicopter services at Mata Vaishno Deviji from Katra to Sanjhichat under competitive conditions from April 2008 onwards. The Company has again been awarded contract for next 3 years by the Shrine Board of Mata Vaishnodeviji w.e.f. 1st April 2011 under significant competitive environment after being declared the lowest bidder.

Pawan Hans introduced Seaplanes for first time in India for promoting heli tourism in A&N Islands on 50:50 Profit/(Loss) sharing basis with an Amphibian Seaplane taken on wet lease for a Pilot Project initially from January 2011 till April 2011.

d) Fleet Augmentation

The Company had signed agreements with the Helicopter manufacturers for purchase of 10 Nos. Dauphin N3, 3 Nos. AS350B3 and

2 Nos. Mi-172 helicopters with an estimated project cost of ₹ 635 crores. The Company had acquired 5 Nos. Dauphin N3 and 3 Nos. AS350 B3 helicopters till 31.03.2011. Subsequently, 5 more new Dauphin N3 helicopters were delivered by the manufacturer during the financial year 2011-12. The 2 Mi-172 helicopters have been received in end August 2012 and are being made operational after obtaining Certificate of Airworthiness.

e) Funding for Acquisition of New Fleet.

The Company has funded the acquisition of 3 AS350 B3 helicopters with its internal resources and the remaining new Helicopters on a debt- equity basis of 80:20. The Company had signed agreement with ONGC on 13.08.2010 for term loan of ₹ 275 crores being 80% of the estimated cost for purchase of 07 new Dauphin N₃ helicopters. The loan is repayable in 60 monthly installments from the date of drawal of loan for each helicopter. Under the aforesaid loan agreement ONGC has funded ₹ 261 crores, being 80% cost of 7 numbers Dauphin N3 helicopters. ONGC has subsequently converted part of this loan (₹ 95.85 crores) into paid up equity capital in the Company. NTPC has funded the cost of ₹ 52 crores of one Dauphin N3 helicopter with long term charter lease of the new helicopter for 10 years. The Company had appointed M/s. SBI Capital Services Ltd. as Advisors and Arrangers for Loan Syndication from EXIM Bank and Vijaya Bank and the Company availed term loan of ₹ 90.82 crores from EXIM Bank for financing 80% cost of 2 Dauphin N3 received in February 2012 and would avail term loan of ₹ 95.18 crores (approx.) from Vijaya Bank for financing 80% cost of 2 Mi-172 helicopters with



tenor of 10 years, which has been delivered in end August, 2012. The Company had also got sanctioned fund based limits of ₹ 40 crores from Vijaya Bank for working capital requirements which can be availed in the next one year. The Company has got credit rating from Fitch on the term loans of “Ind A” (stable).

f) Heliport/Helipad in Delhi and adjoining areas

DDA has allotted 25 acres land near Rohini New Delhi in June, 2009 in the name of Ministry of Civil Aviation for construction of the Heliport. Pawan Hans has been assigned the task of Development of Rohini Heliport at a Project cost of ₹ 64 crores with funding by the Government towards the Land cost and 80% cost of development. The Ministry of Civil Aviation on 31.03.2010 has contributed further equity capital of ₹ 36 crores for project cost of ₹ 64 crores for Heliport at Rohini. The Company created basic Helipad facilities at Rohini for the CWG, 2010. The Environment clearance for the Rohini Heliport Project was issued by MoEF on 31.10.2011. Further, Architect cum Project Management Consultant (APMC) has been appointed for Heliport designing, planning & operations and tender for appointment of construction agency has been issued.

g) Training Academy and Heliport at Hadapsar, Pune

Pawan Hans was assigned the task to develop a Helicopter Training Academy cum Heliport at the existing Gliding Center at Hadapsar, Pune which is owned by DGCA. Project has been approved by Ministry of Civil Aviation and the DGCA has released an amount of ₹ 10 crores as GBS for the purpose. Pawan

Hans signed MOU with DGCA on 17th May, 2010 for using land and other infrastructural facilities for this purpose at the Gliding Centre, Pune on behalf of DGCA. The construction work of the Helipads and Hangar is expected to be completed by December 2012.

h) Increase in Equity Capital

The Company's authorized capital was increased from ₹ 120 crores to ₹ 250 crores on 03.12.2010. The paid up share capital of the Company was also increased to ₹245.616 crores comprising of ₹125.266 crores in the name of President of India (from ₹89.266 crores earlier) and ₹120.35 crores in the name of ONGC Ltd. (from ₹24.50 crores earlier) after equity shares allotted on 14.02.2011. Accordingly, the shareholding of the Government of India and ONGC in the Company stand changed from 78.46% and 21.54% respectively to 51% and 49% respectively.

i) Developments occurring after the close of financial year

After end of the financial year 2011-12, the following developments have taken place:-

- i. The tender for Production Task contract for providing 7 Nos. Dauphin N3 helicopters with vintage of 5 years was awarded to Pawan Hans by ONGC under International competitive bidding and all 7 Nos. Dauphin N3 helicopters deployed with ONGC between April to July 2012. Against the tender floated by the State Govt. of Himachal Pradesh for providing one large helicopter for a period of 5 years, Pawan Hans was L1. The LOI has been received on 14.09.2012 and contract has been signed for providing helicopter



from 1st January 2013. One Dauphin N3 helicopter has been deployed with Govt. of Meghalaya w.e.f. 16 July 2012 and one Dauphin N with Govt. of Mizoram w.e.f. 14 August 2012.

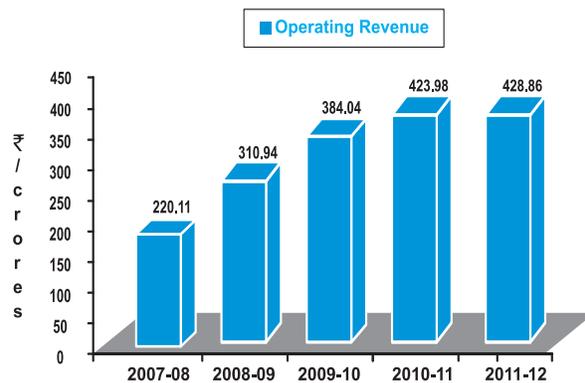
- ii. Pawan Hans has started services from Delhi to Vrindavan by deployment of Bell 206 L4 helicopter on 28th November, 2012.
- iii. Pawan Hans has planned in its 12th Five Year Plan (through funding by Pawan Hans IEBR) for acquisition of 2 Nos. Seaplanes. For starting Fixed Wing Aircraft services the State Govt. of West Bengal has recently issued LOI to Pawan Hans.

II. Finance

a) Financial Results

Financial performance during the financial years 2010-11 and 2011-12 was as under :-

	(₹/Crores)	
Particulars	2010-11	2011-12
I. Operating Revenue		
- Revenue from Operations	413.03	413.54
- Incidental Revenue	10.95	15.32
Total (I)	423.98	428.86
II. Operating Expenditure		
- Operating Expenditure	330.19	362.29
- Depreciation	46.53	60.30
Total (II)	376.72	422.59
III. Net Operating Profit (I-II)	47.26	6.27
IV. Interest Income	6.49	9.29
Less interest charges on borrowings	(6.17)	(14.46)
V. Extraordinary Adjustments	1.85	21.34
VI. Profit before Tax	49.43	22.44
VII. Taxes /Deferred Tax Liability	30.93	32.79
VIII. Net Profit/Loss after Tax	18.50	(10.35)



Financial Year

The net operating profit declined from ₹47.26 crores in 2010-11 to ₹6.27 crores in the year 2011-12 mainly due to higher staff cost on account of provisioning for pension and arrears of pay revision of employees after the wage settlements (₹ 34.30 crores), increased competitive environment (including State Govts.) leading to low charter rates and reduced profit margin. The other reasons for net loss after tax were enhanced insurance premium rates by 57% since August 2011 and new acquisitions (increase from ₹9.30 crores to ₹18.00 crores i.e. by ₹8.70 crores over previous year) and increase in depreciation from ₹46.53 crores to ₹60.30 crores i.e. by ₹13.77 crores over previous year.

The interest income for the year 2011-12 was ₹9.29 crores as against ₹6.49 crores in the previous year. Further, interest charges on the borrowings was ₹14.46 crores in 2011-12 as compared to ₹6.17 crores in the previous year. During the year 2011-12 the Net Loss after tax was ₹10.35 crores as against Net Profit of ₹18.50 crores in the previous year. The Company has provided ₹4.50 crores towards provision for taxation as MAT (including wealth tax) in 2011-12 as against ₹9.97 crores in the previous year. Pawan Hans has provided ₹28.90 crores towards deferred tax liability primarily due to acquisition of new fleet for the financial year 2011-12 as compared to



Dauphin Helicopter performing off-shore task for ONGC

₹20.42 crores in the previous year. Reserves and surplus of the Company stands at ₹229.95 crores (P.Y. ₹239.76 crores) and secured loan ₹232.83 crores (Previous Year ₹64.10 crores).

Around 85% of total operating revenue of the Company comes from contracts through competitive tenders and the vintage condition of 5 years for requirement of helicopters is spreading among other oil companies as

well as State Govts. specially N-E States. This would have major implication on pricing as the charges for charter hire would significantly increase due to impact of interest and depreciation and the old helicopters may not have many customers. Due to prevailing low charter rates for helicopters in the Oil Exploration & Production Sector in India, even foreign operators are not bidding



AS 350 B3 Helicopter



Dauphin Helicopter under Maintenance in Mumbai

for offshore tenders. Non-availability of offshore AS-4 qualified pilots in the market is a major constraint and therefore, the pilots are being utilized upto FDTL/ FTL limits. Further, taking AS-4 compliant helicopters

with vintage of upto 5 years on lease from abroad will lead to higher charter rates due to impact of withholding tax on foreign lease charges and the same may not be competitive under Tenders.



Dauphin N Helicopter in North-East



b) Dividend

Your Directors have recommended that in view of significant requirements of funds for Company's growth and diversification, payment of dividend for the financial year 2011-12 may be skipped for utilization of the funds for the ongoing committed capital expenditure programmes and debt servicing against loan taken from ONGC for fleet acquisition. Therefore, no provision for Dividend has been made due to significant cash outflow for the Capital Projects, mainly acquisition of new helicopters and net loss for the year.

c) Claim to Government of India

In respect of pending issue of Government of India claim, the Ministry of Civil Aviation submitted a proposal to Ministry of Finance in December, 2007 that the Government may reconsider the claim by Ministry of Finance and waive off the total amount of ₹470.22 crores (Principal amount ₹130.91 crores and interest upto 31.03.2001: ₹339.31 crores) 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 Ministry of Finance has not agreed to this proposal and has advised that the Company be asked to deposit the said amount in Government Treasury. The Board of Directors of the Company in their 115th Meeting held on 21.08.2008 decided that the Company may pursue with the Ministry of Civil Aviation for full waiver of the claim of Ministry of Finance and appointed a Financial Advisor to examine the matter along with other related issues. The Financial Advisors submitted their Report on the impact of claim of GoI on valuation of the Company and recommended some options. According to this Report, payment of the amount claimed by Ministry of Finance is not a viable option for the Company. As per the decision of the Board of Directors, the Company has submitted in January, 2009 a draft Note for Committee of Secretaries to Ministry of Civil Aviation seeking waiver of the claim of GoI aggregating ₹470.22 crores from Pawan Hans.



Inaugural ceremony of deployment of Dauphin N3 by Hon'ble Chief Minister of Government of Maghalaya in the presence of CMD Pawan Hans.



Consequent to the meeting with Ministry of Finance held on 29.04.2012 regarding Settlement of MoF Claim, it was decided that a Business Plan for the Company be formulated for XII Five Year Period (2012-17) keeping in view the prevailing competitive conditions and ONGC requirement of 5 years vintage of Helicopters under Tenders and how the MoF claim of ₹470.22 Crores would be an impediment to the overall growth of the Company. SBI Capital Market Services Ltd. Report after its approval by Board was submitted to MoCA on 02.07.2012 for onward submission to Ministry of Finance. The matter is under consideration of the Government. The Company has considered the claim of GoI as Non-current liability under the Revised Schedule-VI.

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

d) *MOU with Ministry of Civil Aviation*

Pawan Hans signs MoU with the Ministry of Civil Aviation every year after Task Force negotiation meeting in Department of Public Enterprises.

III. Engineering / Maintenance Activities.

The Company has established state-of-the-art maintenance facilities in Mumbai and New 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 27 inspections consisting of T/2T/5T(600 hrs./1200 hrs./3000

hrs.) inspection and 3 'G' inspection (5400 hrs.) on Dauphin helicopters was carried out by the Company from within its resources.

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.

IV. Materials Management

Materials 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 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, the integrated software developed by M/s.Tata Consultancy Services Ltd. has enhance efficiency, effectiveness and customer satisfaction. Further integrated LAN/WAN infrastructure for NOIDA, Safdarjung Airport and Mumbai Offices has been implemented. An integrated Voice Communication for Corporate Office, Regional Offices and Detachments has also been implemented. The Company has also commenced e-ticketing in respect of its passenger services operations for Kedarnathji and Amarnathji. The Company's new website <http://pawanhans.co.in> has been launched.



VI. ISO 14001 and 18001 Certification

Pawan Hans has transited from its Quality Management Systems under ISO 9001:2008 standards to ISO 14001 and 18001 Certification which is known as Integrated Management System covering Environment and Safety aspects.

VII. Human-Resources Development

a) Manpower

The staff strength of regular and contractual employees as on 31st March 2012 was 967 as against 989 as on 31st March 2011.

b) Industrial Relations

Industrial relations 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. The new wage settlement due w.e.f. 01.01.2007 has been signed with AICAEU (non-technical union) as well as Technical Employees union.

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. The Company has set up in September, 2009 DGCA approved Helicopters Training Institute at Mumbai conducting DGCA approved Basic Aircraft Maintenance Engineering Licence preparatory course for the purpose of acquiring AME licence. The Company has also undertaken Simulator training for 40 pilots in the last one year at M/s. Helisim, France for Dauphin fleet. Due to a number of retirement / resignation of pilots as well as to meet requirement of fleet expansion, action has been taken for recruitment of experienced and young pilots and their training.

VIII. Safety measures

Helicopter accidents during the financial year 2011-12 and Safety measures undertaken by the Company are summarized as follows :-

- i) One Mi-172 helicopter VT-PHF had crashed on 19.04.2011 at Tawang, Arunachal Pradesh while landing at the Helipad in which 19 persons (including 3 crew members, namely, 1 pilot, 1 engineer and 1 flight attendant) died. The Committee appointed by DGCA has completed inquiry, the accident was caused "because the helicopter undershoot the helipad by about 27 meters and sunk below the height of helipad by about a meter. The forward movement and slow rate of decent caused the left oleo leg to shear off. This gave a slight left bank to the helicopter. Around this time the collective was increased to 13.8° in order to increase the rotor thrust. The slight bank and increase in rotor thrust increased the angular momentum of the helicopter to such an extent that the bank increased from 5° to 85° in a second. The rotor hit the beginning of the helipad causing the rotors to break. There being a steep slope adjacent to the helipad, the helicopter slid on this slope and almost turned over on its back after the accident. Subsequently, it caught fire and was totally destroyed".
- ii) One AS 350 B3 helicopter VT-PHT had crashed on 30.04.2011 at Arunachal Pradesh while on route to Itanagar in which 5 persons (2 pilots of Pawan Hans and 3 passengers including Hon'ble Chief Minister of Arunachal Pradesh) died. The probable cause of accident (as per the Accident Committee Report) at Lubuthang Arunachal Pradesh is "inadvertent controlled flight into terrain in inclement weather".

Action Taken Report of Pawan Hans on the recommendations of Committees of Inquiry has been submitted to DGCA. The compliance status is being monitored by DGCA. Pawan Hans has undertaken Safety Initiatives to upgrade the operation and maintenance systems to avoid recurrence of



Bell 407 Helicopter for Shri Amarnathji services

such incidents. Pawan Hans is 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 which includes management of safety through reactive processes. 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 of the company. The Company has started in June 2010 National Institute of Aviation Safety & Services at Delhi for Safety Management System and Safety Awareness in the country. The Institute is conducting courses on Aviation Safety and would also provide consultancy services to other clients, new start-ups and audits of various helipad / heliport / offshore installations.

IX. Board of Directors

The Board of Directors held four meetings during the year 2011-12. The Board consists of the following members presently as well as during the financial year 2011-12 :-

At present

Shri Anil Srivastava	Chairman-cum- Managing Director (from 23.03.2012)
Shri S. Machendranathan	Additional Secretary & FA, MOCA (from 22.12.2011)
Shri G. Asok Kumar	Joint Secretary, MOCA (from 12.01.2012)
Shri P.K.Borthakur	Director off-shore, ONGC (from 05.11.2012)
AVM P.N. Pradhan	ACAS (Ops, T&H), Air Force (from 23.06.2011)
Shri Arun Mishra	Director General of Civil Aviation (from 26.07.2012)

Ceased to be Directors

Shri R.K. Tyagi	Chairman-cum- Managing Director (from 18.05.2007 to 01.03.2012)
Shri E.K. Bharat Bhushan	Addl. Secretary & FA, MOCA (from 18.02.09 to 16.07.12)
Shri Alok Sinha	Joint Secretary, MOCA (from 16.08.2011 to 12.01.2012)
Shri Rohit Nandan	Joint Secretary, MOCA (from 28.12.2009 to 16.08.2011)
AVM M. Bahadur	ACAS (Ops, T&H), Air Force (from 15.01.2009 to 01.06.11)
Shri Sudhir Vasudeva	Director off-shore, ONGC (from 01.02.2009 to 05.11.2012)

The Board places on record its appreciation of the valuable services rendered by Shri R.K. Tyagi, Shri E.K. Bharat Bhushan, Shri Alok Sinha, Shri Rohit Nandan, AVM M. Bahadur and Shri Sudhir Vasudeva during their tenure on the Board.



Mi-172 Helicopter

The details of attendance of each Director at the Board meetings during the financial year 2011-12 and last AGM are as under:-

Name of Director	Date of Board Meetings – attended by Directors during the financial year 2011-12					AGM attended by Directors
	5.5.11	29.7.11	1.11.11	29.12.11	29.12.2011	
Shri R.K.Tyagi, CMD	Yes	Yes	Yes	Yes	Yes	Yes
Shri E.K.Bharat Bushan,	Yes	Yes	Yes	Yes	Yes	Yes
Shri Rohit Nandan,	Yes	Leave	Ceased	Ceased	Ceased	Ceased
Shri Sudhir Vasudeva	Yes	Leave	Leave	Leave	Leave	Yes
AVM M. Bahadur,	Leave	Ceased	Ceased	Ceased	Ceased	Ceased
AVM P.N. Pradhan	-	Yes	Leave	Leave	Leave	Leave
Shri Alok Sinha	-	-	Yes	Leave	Leave	Leave
Shri S. Machendranathan	-	-	-	Yes	Yes	Yes

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

X. 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, 2012, 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.

XI. Corporate Governance

The Company has taken initiatives towards Corporate Governance and its practices are valued by various stake holders.

The Company has also adopted Guidelines on Corporate Governance issued by DPE on 06.07.2007. DPE has vide OM dated 14.05.2010 made these guidelines mandatory and PHHL



Lifeline in North East, Gantok

has implemented the DPE guidelines to the maximum extent possible except with regard to appointment of requisite number of independent directors, which is under consideration of the Ministry of Civil Aviation. The Model Code of Conduct has been approved by the Board of Directors in the 110th meeting and the same has been signed by Functional Heads and Directors and also posted on website of the Company.

As part of best practices with regard to Corporate Governance, the Company has made necessary information available on Company's Corporate website www.pawanhans.co.in for its stake holders.

Audit Committee

In compliance to Section 292(A) of the Companies Act, the Board of Directors had constituted an Audit Committee on 24.05.2001

comprising of its Chairman and two members. The Audit Committee review the financial statements, internal control system, internal auditors report, statutory auditors report, comments of C&AG and hold requisite meetings in a financial year. During the financial year 2011-12, the Audit Committee has held meetings on 29.07.2011, 01.11.2011 and 29.12.2011. Presently the Audit Committee comprise of Shri S. Machendranathan, Additional Secretary & Financial Advisor, Ministry of Civil Aviation as Chairman of the Audit Committee, Shri G. Asok Kumar, Joint Secretary, Ministry of Civil Aviation, AVM P.N. Pradhan, ACAS (Ops, T&H), Air Headquarter and Shri Arun Mishra, D.G.C.A. as Members.

Details as per requirements of DPE guidelines on Corporate Governance

During the last 4 years Annual General Meetings were held as follows:-



Annual General Meetings	Time of AGM	Venue of the AGM	Special Resolutions, if any
24th Annual General Meeting held on 23.12.2009	12.30 PM	Registered Office at Safdarjung Airport, New Delhi-110003	Alteration in main object clause of Memorandum of Association for incorporation of new businesses for AME training institute, safety institute, fixed wing aircraft and sea plane operations and development of helipad/ heliport.
25th Annual General Meeting held on 03.12.2010.	12.30 PM	Registered Office at Safdarjung Airport, New Delhi-110003	Increase in Authorised Capital from ₹120 crores to ₹250 crores and issue of equity shares in the name of President of India for ₹36 crores and ₹95.85 crores in the name of ONGC.
26th Annual General Meeting held on 29.12.2011.	12.30 PM	Registered Office at Safdarjung Airport, New Delhi-110003	-
27th Annual General Meeting held on 27.12.2012.	04.30 PM	Registered Office at Safdarjung Airport, New Delhi-110003	Change of name of the Company from "Pawan Hans Helicopters Limited" to "Pawan Hans Limited".

Presidential Directives

No Presidential directive was issued during the year.

Redressal of Public Grievance

The Company is following Government Guidelines on redressal of grievances for employees and public.

Citizen's Charter

The Company has published Citizen's Charter on its website as per the format prescribed by the Ministry of Civil Aviation.

Integrity Pact

The Company has signed Integrity Pact with Transparency International India on 09.11.2011.

Related party transactions of Senior Management

There was no related party transactions during the year with regard to Senior Management where they had any personal interest.

Certificate from Practicing Company Secretary regarding compliance of Corporate Governance Guidelines.

Certificate from practicing Company Secretary

regarding compliance of Corporate Governance Guidelines has been received.

Remuneration Committee

Remuneration Committee will be constituted as per DPE guidelines upon the induction of Independent Directors, presently under consideration with the Administrative Ministry.

Whistle Blower Policy

A Whistle Blower Policy has been implemented as a voluntary initiative. The policy would ensure that a genuine whistle blower is granted due protection from any victimization. The policy is available to all employees of the Company and uploaded on the intranet of the Company. No personnel have been denied access to the Audit Committee.

Corporate Social Responsibility

The Company is following Corporate Social Responsibility role assigned to it as per the MOU for the year 2010-11, 2011-12 and 2012-13 and as per the CSR Guidelines issued by DPE. The Company has in September 2010 framed Corporate Social Responsibility and Sustainability (CSRS) Policy based on the guidelines framed by Department of Public Enterprises. The CSR budget approved for the financial year 2010-11 was ₹1.07 crores and for 2011-12 ₹0.56 crores. Pawan Hans is preparing plan for skill development of economically weaker section of North East and financial assistance for education of economically weaker section in North East. Further, the Company is also providing two ambulances to Rama Krishna Mission Hospital in Arunachal Pradesh.

XII. Auditors' Report

The observations made by the Statutory Auditors in respect of the Annual Accounts for the financial year 2011-12 together with replies thereto are appended as Annex-A. (Refer to page no.73).

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 no.86).

XIII. Particulars of the employees

As per Notification No.GSR 289(E) dated



Off-Shore operation at ONGC's rig

31st March, 2011 issued by the Ministry of Corporate Affairs, amending the provisions of the Companies (Particulars of Employees) Rules, 1975 issued in terms of Section 217(A) of the Companies Act, 1956, it is not necessary for Government companies to include the particulars of employees drawing salaries of ₹60 lakhs or more per annum, employed throughout the financial year or, ₹5 lakhs per month, if employed or part of the financial year.

XIV. 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.

XV. Employment of Persons with Disabilities.

The Company has been following the provisions of the law regarding Persons for Disabilities (equal opportunities, protection of rights and full participation) Act, 1995.

XVI. Vigilance

The Company has a Vigilance department headed by Chief Vigilance Officer. As per CVC's guidelines, e-tendering, e-ticketing, e-payment and file tracking have been implemented. To ensure transparency in procurement an integrity pact has been signed with Transparency International India in November 2011. An independent External Monitor (IEM) has also been appointed with the approval of CVC. The Whistle Blower Policy of the Company has been approved.

Vigilance cases have been initiated in the cases attracting vigilance angle and some officers / senior executives have been charge sheeted for major penalty proceedings. Conscientious functioning of the Vigilance department had added to the efficiency and image of the organization as well as to the code of accountability. A vigilance handbook has been compiled for all employees to educate them about important acts & rules and CVC guidelines relating to Vigilance issues.

Vigilance department has also been carrying out various case studies so as to improve, simplify the existing procedure and practices prevailing in the organization especially in the areas requiring system improvement so



as to increase the work efficiency, curtain expenses and impart transparency. The studies focus on the delay points, causes of delay and possible measures so as to devise suitable procedures resulting in minimum delays and reduce the scope for corruption opportunities. These studies also focused on how to bring transparency and strengthen vigilance machinery by reviewing of annual property returns, vigilance awareness training, procurement of spares and leveraging technology.

XVII. 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.

XVIII. 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 continued confidence reposed by the Oil and Natural Gas Corporation Ltd., various State Governments and other customers and all other stakeholders 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
Pawan Hans Helicopters Ltd.

(Anil Srivastava)
Chairman cum Managing Director

Date: 27th December, 2012

Place: New Delhi.



Bell 407 Helicopter at Sanjichhat



MANAGEMENT DISCUSSION & ANALYSIS REPORT

Overview of Helicopter Operations

Industry Structure and Developments

Helicopters have a tremendous future in India. Given the ability of helicopters to fly in varied environments and also due to the fact that infrastructure for fixed wing aircrafts can expand only incrementally, it is but natural for helicopters to grow at an unprecedented pace. At present, India has about 300 civil helicopters in operation, which is minuscule in comparison to the international figure of 35,750. The Government aspires for rapid development of helicopter operations, to include 300 more helicopters. In order to achieve this objective, the Strategic Plan of the Government list the following to enable growth of Helicopter operations during next 5 years:-

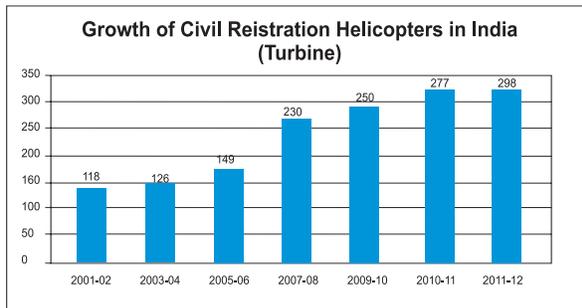
- a. Create the right infrastructure for the rapid growth of helicopter operations. Heliports shall be set up in the four regions in the country – Delhi in North, Mumbai in the West, Kolkata in the East and Chennai/Bangaluru in the South in the first phase. Development of heliports for air connectivity through helicopter services in remote areas in J&K, M.P, Chattisgarh, Orissa, A.P, Gujarat etc. Special requirement of air connectivity to NE region, J&K, A&N Islands, Lakshadweep Islands as socio-economic commitment.
- b. These heliports shall be developed both in the public, private and joint sector. The responsibility of developing heliports shall primarily rest with the Airports Authority of India. However, this critical function can also be performed by the Pawan Hans Helicopters Ltd. and also by the private sector.
- c. The Greenfield Airports Policy shall be suitably modified wherever necessary to adapt to helicopter operations' needs.
- d. States would be encouraged to develop helipads and heliports through subsidy schemes like the Infrastructure Development Scheme of Tourism Department.

- e. The Government shall periodically review the need for helicopter corridors and update them according to changing needs of the industry. Air Space Management shall be done in a way to enable optimal growth of helicopters along-with fixed wings.
- f. Tourism and Medical evacuation are going to be major drivers of helicopter growth in India in the years to come. Medical Evacuation would be triggered by the Government through the National Disaster Management Agency and NHAI.
- g. Since medical evacuation for private people still continues to be an expensive proposition medical insurance companies would be encouraged to formulate appropriate packages to include the cost of such evacuation. In the case of Government Servants CGHS would act as a facilitating vehicle.
- h. Coordinate with line Ministries to develop helipads in major and prestigious government and private hospitals.
- i. In order to facilitate growth of helicopter operations in India a separate wing for helicopters shall be developed in the DGCA and AAI. The Regulatory regime for helicopters would be continuously upgraded to enable blossoming of the sector.

Theme	Strategic Initiatives
Air Connectivity through Helicopter Services	Rapid development of Helicopter operations
Infrastructure creation	(i) Create Heliports and Helipads in the country (i) Develop world class MROs for Helicopters (i) Create Helicopter Training Academy for HR capacity development



Growth Chart showing Civil registered helicopters in India during the period 2001-02 to 2011-12 is as under :-



In the total approx. 300 Civil Registered helicopters in India in the year 2011-12 there had been 71 NSOP operators with fleet strength of 212 helicopters, 17 Government Operators/BSF with fleet strength of 37 helicopters and 20 private operators with fleet strength of 28 helicopters. Out of the total 277 helicopters there are 154 twin engine helicopters representing 56% and 123 single engine helicopters representing 44% of the total helicopter strength in the Country. In the total 277 helicopters for Civil usage in India 43 helicopters (15.53%) are used for logistic support to E&P Companies, 212 helicopters (76.53%) used for helicharters and 22 helicopters (7.94%) used for heli pilgrimage/heli tourism. (Source : Presentation made by RWSI for International Helicopter Safety Team – (IHST).

Presently, Pawan Hans owns 47 helicopters plus it operates and maintains 5 helicopters owned by other agencies. There are 6 operators having five or more helicopters in India. Pawan Hans is the largest operator and retains majority market share of commercial operations of helicopters deployed on long term basis. Global Vectra Helicorp Ltd. is the second largest helicopter operator with 23 helicopters and Deccan Charters Ltd. is the third largest helicopter operator with 12 helicopters.

Management's Assessment of the Company's Outlook for the future (opportunities) and Important Risks that the company may face in future.

In order to retain its leadership position, Pawan Hans intend to take the following key initiatives :-

- ◆ Helicopter Operations
 - Strengthen competitive position in existing markets.
 - Acquisition of new fleet
 - Pursue Business in new areas
- ◆ Operation & Maintenance Contracts for helicopter owned by others.
- ◆ Setting up of MRO facilities
- ◆ Setting up of Training Centre
- ◆ Establishing Heliports
- ◆ Sea Plane operations
- ◆ Fixed wing operations
- ◆ Improvement of customer satisfaction

STRENGTHEN COMPETITIVE POSITON IN EXISTING MARKETS

- Renew existing contracts for market advantage.
- Maintain high standards for safety and reliability
- Enhance its core competence in Offshore operations by acquiring new medium class helicopters
- Selectively pursue international operations whenever opportunity arise
- Strengthen its competitive advantage by improving focus on customer needs
- Strengthen relationship with customers and other business associates.

ACQUISITION OF NEW FLEET

Pawan Hans has submitted its XIIth Five year Plan (2012-17) for a total amount of ₹ 725.00 crores which includes ₹ 559.35 crores towards acquisition of 10 nos of Helicopters and 2 nos. Sea planes. The above acquisition will be financed through IEBR. Out of 10



nos. of proposed acquisition of helicopters 5 nos. are medium helicopters, the delivery of which are projected in F. Y. 2015-16 (2 nos.) and 2016-17 (3 nos.). Further, an advance payment for acquisition of additional 10 nos. helicopters against replacement of equivalent 10 nos. old Dauphin N helicopters has also been projected in F.Y. 2016-17, the delivery of which is projected in F.Y. 2017-18 & onwards. The above XIIth Five Year Plan projections were submitted to MoCA in July, 2011.

The existing contract with ONGC stipulate the vintage clause whereby the helicopter deployed with ONGC for its production as well as crew change task should have the vintage of 5 years. At present the crew change contract for 3 nos. Dauphin N3 helicopters and for production task contract 7 nos. Dauphin N3 are slated to expire in August 2015 and March, 2017 respectively. At the time of renewal of these contracts, the new Dauphin N3 helicopters are not expected to meet the present vintage criteria stipulated by ONGC. Further, it is learnt that ONGC is likely to have 25 more offshore platforms in the next 5 years period and accordingly for meeting the additional demand of ONGC, Pawan Hans may require more medium / intermediate category of helicopters.

In addition to this, there are other offshore companies like British Gas, GSPC, Cairn Energy, Petro Gas etc. who may also require helicopters having 5 years vintage and hence, these requirements should also need to be considered by Pawan Hans as part of its revised projections.

The existing fleet of 18 nos. Dauphin N helicopters was acquired in the F.Y. 1986-87 and 1987-88 having useful economic life of 30 years. These helicopters are expected to complete their useful economic life in the F.Y. 2016-17 and 2017-18. Accordingly, it is planned to dispose off 9 nos. helicopters of old fleet in the end of F.Y. 2016-17 and the rest

9 nos. helicopters at the end of Financial Year 2022 with minor refurbishment, if required.

In view of above market scenario, the acquisition / disposal projections of helicopters during XIIth Five years plan has now been reviewed and revised. Accordingly, instead of earlier projections of 10 nos. helicopters with estimated cost of ₹559.35 crores, now 22 nos. helicopters are projected to be acquired which comprise of 2 nos. light single engine helicopters, 2 nos. light twin engine helicopters, 17 nos. medium helicopters and 01 no. Mi-172 helicopter at an estimated cost of ₹1189.50 crores.

PURSUE BUSINESS IN NEW AREAS

- Medical evacuation, law enforcement, news gathering, intra-city transportation connecting airports to city- centers in major cities, corporate travel, hotline washing of power insulators, etc.
- There is tremendous potential in the tourism/pilgrimage areas in the country that need to be carefully tapped. New areas that can be explored for this purpose are States of Himachal, Uttarakhand, Gujarat, South India, Goa and North-East States.

STRATEGIC ALLIANCE WITH HAL FOR O & M FOR DHRUV HELICOPTERS

- Establish contract with HAL for the O & M contract for Dhruv helicopters.

DISASTER MANAGEMENT- DEDICATED EMERGENCY MEDICAL SERVICES/SAR OPERATIONS

- The country's first Medivac helicopter to ONGC was provided by Pawan Hans.
- Pawan Hans would explore possibility to venture into Medivac/SAR sector in association with NDMA.
- Central Government need to financially support through GBS the need to acquire **helicopters for Emergency Medical services / SAR roles & better governance and construct Helipads / Heliports at district level.**



HELICOPTER MAINTENANCE SERVICES

Pawan Hans is an Authorised Maintenance centre of M/s Eurocopter, France for Dauphin series of Helicopters. Pawan Hans plans to expand its repair and overhaul business by offering its services to other operators having fleet of Dauphin in the initial stages. For this purpose, it is proposed to create a new state-of-the-art Maintenance Centre.

HELICOPTER TRAINING CENTRE

DGCA has assigned the task to Pawan Hans for Development of a Helicopter Training Centre and Heliport at the Gliding Centre, Hadapsar, Pune.

HELIPORTS

MoCA has assigned the task of Development of Heliport at Rohini, New Delhi which will be the First Integrated heliport in the Country with provision for operations and parking of Helicopters, Maintenance facilities, small commercial centre, etc.

IMPROVEMENT IN CUSTOMER SATISFACTION

Pawan Hans has been collecting feedback both from the passengers travelling as well as from the customer organizations from time to time and has also engaged an outside agency to redevelop the proforma and collect feedback from them.

Strength and Weakness:- Deployment of helicopters to Institutional Customers on long term basis (like ONGC, State Govts., PSUs), State- of- art Maintenance facilities, competitive advantage because of availability of Fleet mix to cater to different needs of the customers, large pool of skilled work force (experienced Pilots, Engineers and Technicians) and Government support are some of the strengths of Pawan Hans. However, keeping in view significant competitive environment resulting in low

helicopter charter rates and increased input cost, there is likelihood of reduce profit margin in the subsequent period.

Risks and Concerns

PSUs like ONGC and GSPC have issued tenders with 5 years vintage conditions of helicopters. Some North East States like Government of Arunachal Pradesh have also floated tenders for Heavy helicopters with 5 years vintage. There is therefore risk of finding new business for the older helicopter fleet in case this trend is followed by some other customers. The recovery period specially from some State Governments is long resulting in large amount of customer outstanding dues. This may affect the cash flow of the Company, keeping in view fund requirement for debt servicing of the term loan taken for acquisition of new fleet of helicopters. Although, most of the Contracts with the customers have an inbuilt provision for hedging against fluctuations in terms of rates of foreign exchange and aviation Turbine Fuel, such fluctuations affects contracts which may have fixed and firm charter rates for helicopter services leading to increased input cost and reduced profit margins. Aviation business is characterized by the safety in air and on ground. Helicopter accidents may affect customer confidence and influence the business of the Company.

Internal Control Systems and their adequacy.

Standard procedures and guidelines are issued from time to time to institutionalize best practices in all facets of activities. Pawan Hans has an adequate system of internal control to ensure that all activities are monitored and controlled against any unauthorized use of the assets and those transactions are authorized, recorded and reported correctly. The Company ensure adherence to all internal control policies and procedures as well as compliance with Regulatory guidelines with suitable connective measures if any. The Audit Committee of the Board of Directors oversee



the adequacy of internal controls. Audit by Regulatory authorities covering operational and safety aspects is carried out from time to time.

Analysis of Finance and Operations.

Physical & Financial performance for each quarter along with the ratio analysis is finalized and submitted to the Board of Directors. The Company's website publishes the Annual Report as also official news are regularly and promptly displayed on the Company's website.

Pecuniary relationship or transactions of the part-time Directors viz-a-viz the Company.

There has been no pecuniary relationship of any part-time director during the year with the Company. Further, no remuneration or sitting fee has been paid to any part-time director.

Human Resources, Industrial Relations and Talent Management Issues

The staff strength as on 31st March, 2012 was 967 as against 989 as on 31st March 2011. The manpower comprise of 156 flying crew, 106 engineers, 6 flight engineers, 55 executives, 252 technicians, 105 technical assistants/

helpers and 287 support staff. During the year Industrial relations had been cordial. The Company has been sending its pilots and other staff for training as also doing internal training development of its employees on regular basis.

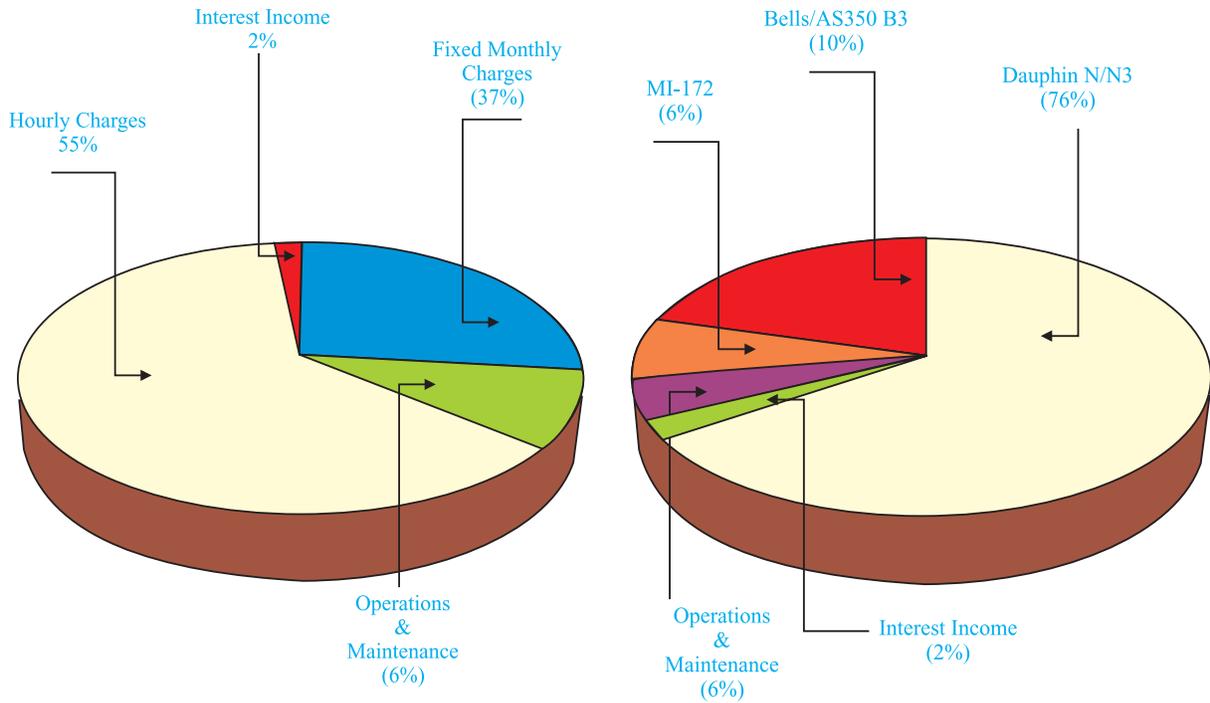
Environmental Conservation, Renewable Energy Use and R&D Issues.

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. The Company has obtained ISO-14001 and 18001 Certification which is known as Integrated Management System covering environment and safety aspects. The Company has recently obtained approval of Ministry of Environment & Forests for development of Heliport at Rohini. As part of Innovation, the Company has carried out study on Indigenization of Spares and enhanced reliability of HMUs (Dauphin N-3 helicopter). The Company is also carrying out feasibility study of Flight Following System for helicopters and implementation of study on enhanced reliability of HMUs (Dauphin N-3).

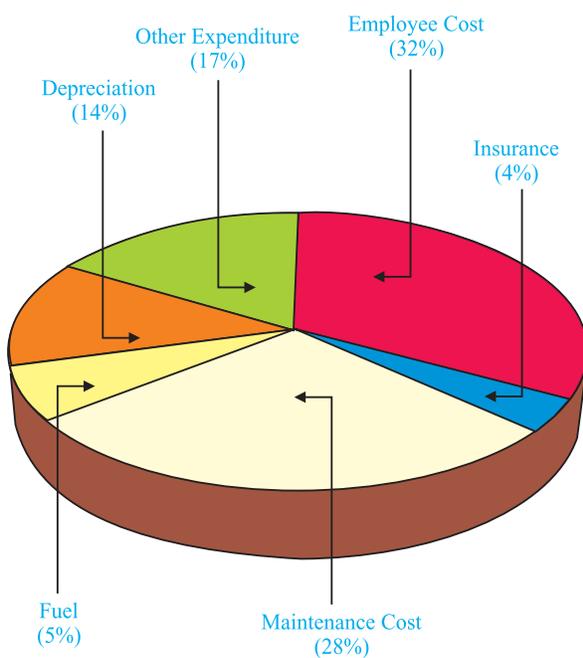


FINANCIAL HIGHLIGHTS (For 2011-12)

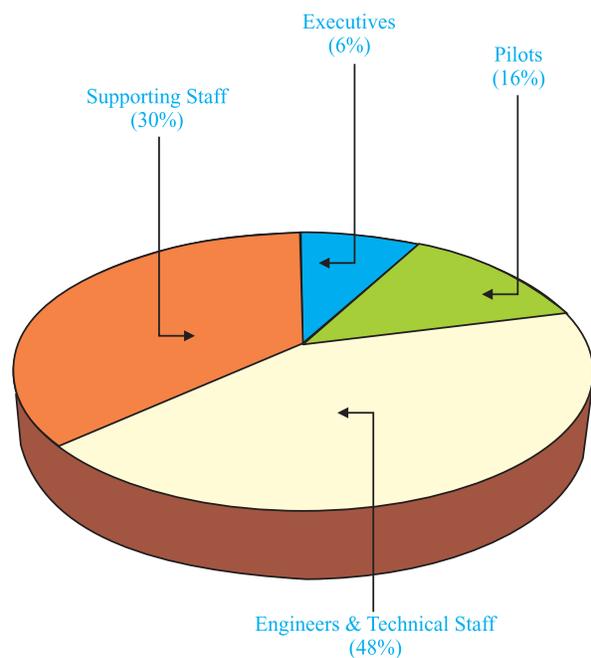
Source of Income



Cost Structure

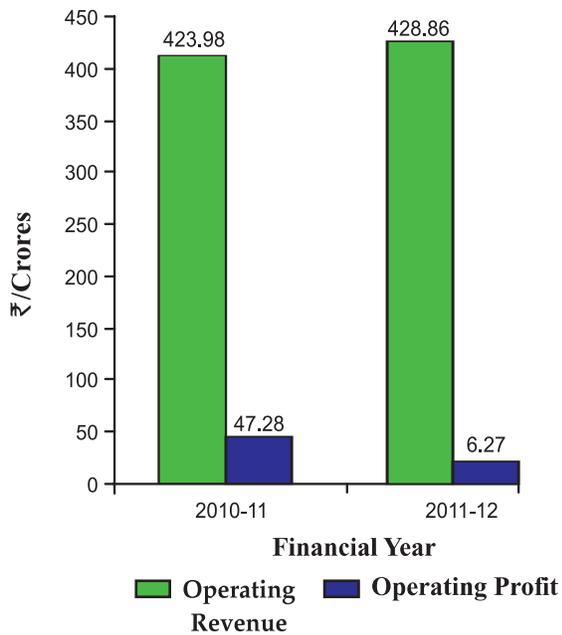


Manpower Profile

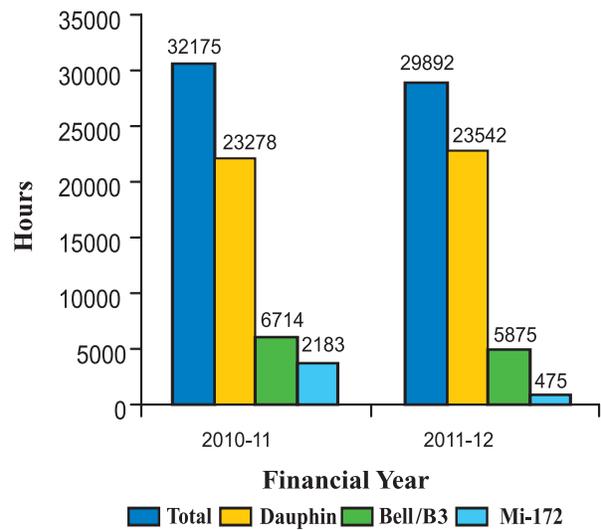




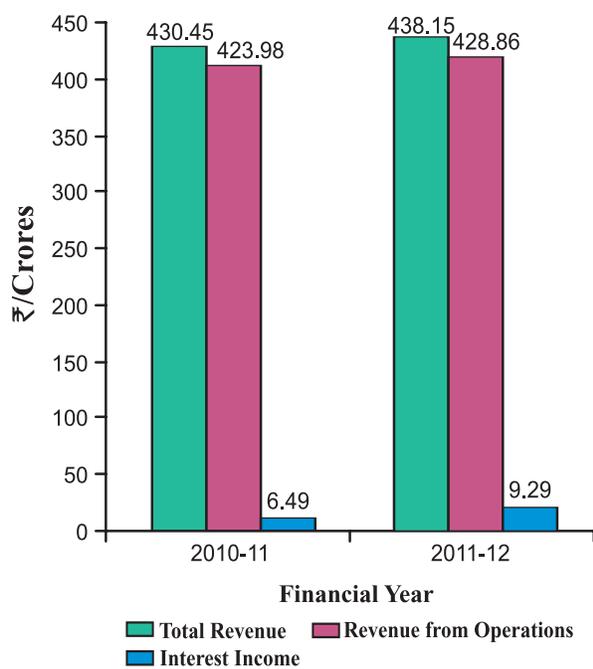
Revenue from Operations & Operating Profit



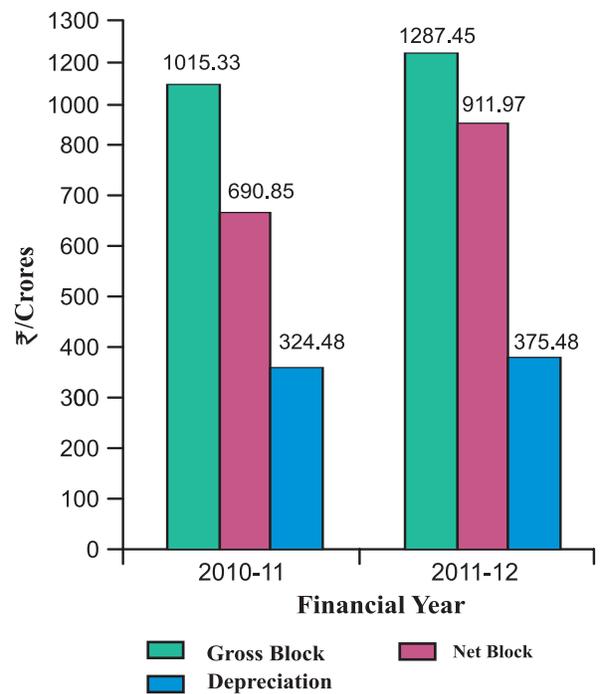
Flying Hours



Revenue



Fixed Assets





SUMMARISED ACCOUNTS

	(₹ in Crores)	
	2011-12	2010-11
RESOURCES		
Net Worth	475.57	485.38
Non-Current Liabilities		
- Loan Funds- Secured Loans	232.83	64.10
- Other Long -term Liabilities	470.60	470.69
- Long Term Provisions	34.85	19.62
- Deferred Tax Liabilities	126.53	97.63
TOTAL	1340.38	1137.42
UTILISATION OF RESOURCES		
Fixed Assets	1287.45	1015.33
Less: Depreciation	375.48	324.48
Net Fixed Assets	911.97	690.85
Capital Work in Progress	23.03	29.36
Long-Term Loans & Advances	90.69	132.61
Other Non-Current Assets	3.93	4.08
Investment	2.89	2.89
Net Working Capital	307.87	277.63
	1340.38	1137.42
TOTAL CAPITAL EMPLOYED	1242.88	987.03
EARNINGS		
Revenue from Operations	428.86	423.98
Interest /Other income	9.29	6.49
TOTAL	438.15	430.47
OUTGOINGS		
Helicopter Operational & Maintenance Expenses	167.53	155.34
Employee Benefits Expenses	135.93	121.47
Financial Costs	14.46	6.17
Depreciation and Amortization Expenses	60.30	46.53
Other Expenses	58.83	53.38
Total	437.05	382.89
Profit for the year before Extraordinary	1.10	47.58
Extraordinary adjustments	21.34	1.85
Profit before tax	22.44	49.43
Provision for Taxation	4.50	9.97
Provision for tax Previous Years	(0.61)	0.54
Deferred Tax Liability	28.90	20.42
Net Profit / (Loss) After Tax	(10.35)	18.50
Dividend Paid	-	-
Significant Ratios		
a) Net profit/(Loss) Ratio	$\frac{\text{Net Profit/ (Loss)}}{\text{Total Revenue}}$	(2.4%) 4.3%
b) Return on Investment	$\frac{\text{Net Profit / (Loss)}}{\text{Cap. Employed}}$	(0.8%) 1.9%
c) Return on Net Worth	$\frac{\text{Net Profit/ (Loss)}}{\text{Net Worth}}$	(2.2%) 3.8%
d) Debt Collection Pd.(months)	$\frac{\text{Operational debts}}{\text{Avg. monthly Operating Revenue}}$	4.7 5.2
e) Inventory Turnover (months)	$\frac{\text{Year end Inventory}}{\text{Avg. monthly Operating Revenue}}$	2.2 2.0
f) Current Ratio	C.A.:C.L	3.3 3.2



ACCOUNTS





28. SIGNIFICANT ACCOUNTING POLICIES

I) 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, such depreciation is provided to the extent of 95% of the value of assets. 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 as technically evaluated by the management subject to the minimum charge as per the statute rate. In the case of Mi-172 helicopters, taking into consideration the life limitation of 12,000 hours or 25 years (hitherto 7,000 hours or 15 years, upto F.Y. 2008-09) whichever occurs first, depreciation is provided at the minimum rate of 5.60% per annum, for upto 480 flying hours each year and for additional hours flown depreciation is charged on the basis of actual hours flown in excess of 480 hours multiplied by the hourly rate computed by dividing 95% of the original cost by 12,000 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 25,000 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. The policy was followed upto 31.03.2007.

- 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 signing Certificate of Airworthiness by Airworthiness officer of the Region in India for helicopters) / disposal. Last year Depreciation was charged from the date of issuance of certificate of airworthiness from Airworthiness officer. 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 ₹ 5,000 or less are depreciated @ 100 % in the year of purchase.
- j) Impairment : The carrying amount

of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any indication exist, the assets recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of an assets exceeds its recoverable amount.

II) 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.

III) 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.

IV) 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 ₹1,000 and all items of consumables, oil, greases, lubricants are expensed in the year of purchase.
- d) Goods dispatched by the suppliers by 31st 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 in the Profit & Loss Account " of 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.

V) 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 dispatched by the suppliers by 31st March of each year but not received by the Company as at the year end, based on manufacturers 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 ₹ 5,000.

VI) PREPAID EXPENSES

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

VII) MAINTENANCE EXPENDITURE OF HELICOPTERS

Effective from F.Y 2006-07 Maintenance expenditure of helicopters is accounted as on incurred basis.

VIII) 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.



IX) INTEREST / INCOME FROM 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.

X) FUEL

Effective from financial year 2011-12, Closing stock of ATF available in the Aircraft, Barrels and Bouzers at the end of the financial year is accounted for and valued at the price list of ATF for the month of March as notified by India Oil Corporation Ltd. except where the ATF is provided by the Customers directly to our aircraft for their operations. Hitherto closing stock of ATF was considered as consumed when purchased.

XI) INSURANCE / INSURANCE CLAIMS

- a) 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.
- b) 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.
- c) 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.

XII) GRATUITY

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

XIII) INTANGIBLE ASSETS

- a) Initial training expense for newly recruited pilots, which qualify as intangible asset within the meaning of Accounting Standard-26, are amortized over the useful life of such intangible asset. Other training expense are charged off to the revenue account in the year in which they are incurred.
- b) Costs of software purchased/ developed in-house exceeding ₹ 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 ₹ 5 lacs each are charged off to Revenue in the year of purchase.

XIV) EMPLOYEE BENEFITS

Provision for Leave salary/baggage Allowance / Post Retirement Medical Benefits and Leave Travel Concession benefit is accounted for on the basis of actuarial valuation.

XV) 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.

XVI) 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.

XVII) 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 charged to the Profit & Loss Account.

XVIII) 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.

XIX) 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, 2012

	Note No	31 st March, 2012	31 st March, 2011	(In ₹)
I EQUITY & LIABILITIES				
1. Shareholders' Funds				
Share Capital	1	2,45,61,60,000	2,45,61,60,000	
Reserves & Surplus	2	<u>2,29,95,02,262</u>	<u>2,39,76,27,123</u>	
		4,75,56,62,262		4,85,37,87,123
2. Non-Current Liabilities				
Long-Term borrowings	3	2,32,83,07,151	64,10,00,525	
Deferred Tax Liability (Net)	4	1,26,52,92,259	97,63,34,760	
Other Long Term Liabilities	5	4,70,59,96,662	4,70,69,08,551	
Long-Term Provisions	6	<u>34,84,69,867</u>	<u>19,62,35,776</u>	
		8,64,80,65,939		6,52,04,79,612
3. Current Liabilities				
Trade Payables	7	34,66,94,720	23,90,70,586	
Other Current Liabilities	8	73,93,92,593	68,06,66,585	
Short-Term Provisions	9	<u>26,85,16,040</u>	<u>34,50,60,732</u>	
		1,35,46,03,353		1,26,47,97,903
Total		<u>14,75,83,31,554</u>	<u>12,63,90,64,638</u>	
II ASSETS				
1. Non-Current Assets				
Fixed Assets				
Tangible Assets				
Tangible Assets	10			
-Assets Under Active use		9,11,27,80,744	6,79,57,34,104	
-Assets retired from Active Use and Held for disposal/Impaired Assets		9,53,53,161	9,54,05,828	
Less : Provision for loss on disposal/Impairment		<u>9,53,53,161</u>	<u>9,54,05,828</u>	
		-	-	
-Assets Currently not in Active use		-	10,79,04,664	
Intangible Assets	11	68,97,950	48,45,343	
Capital Work-in-Progress-Tangible Assets	12	<u>23,03,03,431</u>	<u>29,35,45,784</u>	
		9,34,99,82,125	7,20,20,29,895	
Non-Current Investments	13	2,89,33,530	2,89,33,530	
Long-Term Loans and Advances	14	90,68,48,570	1,32,61,28,172	
Other Non-Current Assets	15	<u>3,92,87,685</u>	<u>4,08,28,499</u>	
		10,32,50,51,910		8,59,79,20,096
2. Current Assets				
Inventories	16	79,49,03,727	70,37,16,891	
Trade Receivables	17	1,68,47,26,720	1,84,31,89,791	
Cash and Cash Equivalents	18	1,35,60,93,921	1,11,35,39,413	
Short-term Loans and Advances	19	25,96,69,848	24,29,67,496	
Other Current Assets	20	<u>33,78,85,428</u>	<u>13,77,30,951</u>	
		4,43,32,79,644		4,04,11,44,542
Total		<u>14,75,83,31,554</u>	<u>12,63,90,64,638</u>	
Additional Notes to the Financial Statements	27			
Significant Accounting Policies	28			
As per our report of even date attached.				

For S.Chaturvedi & Associates
Chartered Accountants
Firm Regd. No. 004550N

Anil Srivastava
Chairman-Cum-Managing Director

S. Machendranathan
Director

Punit Sachdev
Partner
(M.No.- 097897)

Sanjiv Bahl
Executive Director

Sanjiv Agrawal
Company Secretary & GM (Legal)

Dhirendra Sahai
General Manager (F&A)

Place : New Delhi.

Dated : 25th September, 2012



PROFIT & LOSS ACCOUNT

For the year ended 31st March, 2012

(In ₹)			
	Note No	31 st March 2012	31 st March 2011
Revenue:			
Revenue from Operations	21	4,13,53,84,045	4,13,03,37,337
Other Income	22	24,60,84,957	17,44,02,913
Total Revenue		4,38,14,69,002	4,30,47,40,250
Expenses:			
Helicopter Operational & Maintenance Expense	23	1,67,53,20,466	1,55,34,69,093
Employees' Benefits Expense	24	1,35,93,13,300	1,21,46,72,605
Financial Costs		14,45,72,738	6,17,02,482
Depreciation and Amortization Expense		60,30,48,308	46,53,03,382
Other Expenses	25	58,82,92,318	53,37,91,426
Total Expenses		4,37,05,47,130	3,82,89,38,988
Profit before Extraordinary Items and Tax		1,09,21,872	47,58,01,262
Extraordinary Items	26	21,33,92,014	1,84,82,386
Profit before tax		22,43,13,886	49,42,83,648
Tax expense:			
Current Tax		4,50,00,000	9,96,37,900
Earlier Years Tax		(61,31,768)	53,52,203
Deferred Tax		28,89,57,499	20,42,33,167
Net Profit/(Loss) for the period		(10,35,11,845)	18,50,60,378
Earning per Equity Share: (Face Value ₹10,000/-)			
Basic		(421)	753
Diluted		(421)	1,421

Additional Notes to the Financial Statements 27

Significant Accounting Policies 28

As per our report of even date attached.

For S.Chaturvedi & Associates
Chartered Accountants
Firm Regd. No. 004550N

Anil Srivastava
Chairman-Cum-Managing Director

S. Machendranathan
Director

Punit Sachdev
Partner
(M.No.- 097897)

Sanjiv Bahl
Executive Director

Sanjiv Agrawal
Company Secretary & GM (Legal)

Dhirendra Sahai
General Manager (F&A)

Place : New Delhi.

Dated : 25th September, 2012



NOTE No. 1 SHAREHOLDER'S FUNDS

		(In ₹)	
		31 st March 2012	31 st March 2011
Shareholders' Funds			
Share Capital			
(a) Authorized Capital			
2,50,000 Equity Shares		2,50,00,00,000	2,50,00,00,000
(P.Y.2,50,000 Equity Shares)			
of ₹10,000/- each			
(b) Issued Capital, Subscribed & Fully paid up			
2,45,616 Equity Shares (P.Y.2,45,616 Equity Shares)		2,45,61,60,000	2,45,61,60,000
of ₹10,000/- each			
(c) Subscribed & not Fully paid up		Nil	Nil
(d) Par Value per share		₹10,000/-	₹10,000/-
(e) Calls unpaid		Nil	Nil
By Directors		Nil	Nil
By Officers		Nil	Nil
(f) Forfeited Shares (amount originally paid-up)		Nil	Nil
(g) A reconciliation of the number of Shares outstanding at the beginning and at the end of the reporting period.	Opening	2,45,616	1,13,766
	Add: Shares Alloted	-	1,31,850
	Closing	2,45,616	2,45,616
(h) The rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital.		No	No
(i) Shares in the Company held by each shareholder holding more than 5 percent shares specifying the number of shares held.	Shareholder Name	No. of Share Held	
	President of India	1,25,266	1,25,266
	ONGC Limited	1,20,350	1,20,350
(j) Shares reserved for issue under options and contracts/ commitments for sale of shares/ disinvestment, including the terms and amounts.		Nil	Nil
(k) For the period of five years immediately preceding the date as at which the Balance Sheet is prepared:			
Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.		Nil	Nil
Shares allotted as fully paid up by way of bonus shares.		Nil	Nil
Aggregate number and class of shares bought back.		Nil	Nil
Total		2,45,61,60,000	2,45,61,60,000



NOTE No. 2 RESERVES & SURPLUS

	31 st March 2012	31 st March 2011
<i>(In ₹)</i>		
a) Reserves :		
Self Insurance Reserve		
Opening Balance	-	40,00,000
Add: Addition During the Year	-	-
	-	40,00,000
Less: Transfer to P&L A/c	-	40,00,000
	-	-
General Reserve		
Opening Balance	20,50,00,000	20,50,00,000
Add: Addition During the Year	-	-
	20,50,00,000	20,50,00,000
Less: Transfer to P&L A/c	-	-
	20,50,00,000	20,50,00,000
Profit & Loss Account		
Opening Balance	2,19,80,14,107	2,01,29,53,729
Add: Addition During the Year	(10,35,11,845)	18,50,60,378
	2,09,45,02,262	2,19,80,14,107
Less: Transfer to General Reserve	-	-
	2,09,45,02,262	2,19,80,14,107
b) Miscellaneous Expenditure (to the extent not written off or adjusted)	-	(53,86,983)
Total	<u>2,29,95,02,262</u>	<u>2,39,76,27,124</u>

NOTE No. 3 LONG TERM BORROWINGS

	31 st March 2012	31 st March 2011
<i>(In ₹)</i>		
Secured Loans		
Term Loan	2,32,83,07,151	64,10,00,525
Total	<u>2,32,83,07,151</u>	<u>64,10,00,525</u>
The Schedule maturity of the Long Term Borrowings is Summarised as under :		
	Term Loans	Term Loans
Borrowings repayable		
In the first year (Note No. 8)	33,23,50,756	14,47,20,476
Current maturities of Long Term Debt	<u>33,23,50,756</u>	<u>14,47,20,476</u>
In the Second Year	41,52,72,775	13,12,18,507
In the third to fifth Year	1,10,31,41,232	50,97,82,018
After Five Year	80,98,93,144	-
Long Term Borrowings	<u>2,32,83,07,151</u>	<u>64,10,00,525</u>

Refer to Note No.(X) of the Additional Notes to the Financial Statements (Note No.27)



NOTE No. 4 DEFERRED TAX LIABILITIES

	31 st March 2012	31 st March 2011
<i>(In ₹)</i>		
Deferred Tax Liability		
Tax Arising on account of timing difference		
- Accumulated Depreciation	<u>1,64,99,69,248</u>	<u>1,21,27,70,695</u>
Gross Deferred Tax Liability	<u>1,64,99,69,248</u>	<u>1,21,27,70,695</u>
Deferred Tax Assets		
Tax Arising on account of timing difference		
Provision created :		
- Employees' Benefits	19,35,85,435	17,76,27,327
- Non-Moving Inventory	4,52,91,069	4,44,44,701
- Lease Rent	39,74,915	24,75,268
- Corporate Social Responsibility	45,02,808	-
- Carried forward Unabsorbed Depreciation	12,07,67,891	-
- Doubtful Debts/ Advances	<u>1,65,54,871</u>	<u>1,18,88,639</u>
Gross Deferred Tax Assets	<u>38,46,76,989</u>	<u>23,64,35,935</u>
Deferred Tax Liabilities (Net)	<u>1,26,52,92,259</u>	<u>97,63,34,760</u>

NOTE No. 5 OTHER LONG TERM LIABILITIES

	31 st March 2012	31 st March 2011
<i>(In ₹)</i>		
Security Deposit	37,74,695	46,86,584
Amount claimed by Central Government		
- Principal Amount	1,30,91,03,140	1,30,91,03,140
- Interest/Other Charges	<u>3,39,31,18,827</u>	<u>3,39,31,18,827</u>
	4,70,22,21,967	4,70,22,21,967
Total	<u>4,70,59,96,662</u>	<u>4,70,69,08,551</u>

NOTE No. 6 LONG-TERM PROVISIONS

	31 st March 2012	31 st March 2011
<i>(In ₹)</i>		
Provision for Employees' Benefits	34,84,69,867	19,62,35,776
Total	<u>34,84,69,867</u>	<u>19,62,35,776</u>



NOTE No. 7 TRADE PAYABLES

	31 st March 2012	31 st March 2011
Trade Payables	34,66,94,720	23,90,70,586
Total	34,66,94,720	23,90,70,586

NOTE No. 8 OTHER CURRENT LIABILITIES

	31 st March 2012	31 st March 2011
Current Maturities of Long Term Debt	3,32,35,07,56	14,47,20,476
Interest Accrued but not due on borrowings	1,30,32,403	64,91,963
Other Payables:		
Advance from Customers	3,34,60,258	4,72,54,636
Advance from DGCA Against Project (Including Interest)	11,35,61,703	10,54,10,074
Less: Amount Spent on the Project	2,18,47,337	-
	9,17,14,366	10,54,10,074
Security / Earnest Money Deposits	1,57,17,982	1,43,31,772
Statutory Liabilities	3,75,06,751	16,03,71,155
Other Liabilities	2,156,10,077	20,20,86,509
	26,88,34,810	37,67,89,436
Total	73,93,92,593	68,06,66,585

NOTE No. 9 SHORT-TERM PROVISIONS

	31 st March 2012	31 st March 2011
Provision for Employees' Benefits	24,81,87,355	33,85,04,428
Provision for Corporate Social Responsibility Fund	1,38,78,281	-
Other Provisions	61,50,404	61,94,204
Provisions for Taxation:		
- Wealth Tax	3,00,000	3,62,100
Total	26,85,16,040	34,50,60,732



NOTE No. 10 FIXED ASSETS

Particulars	Gross Block			
	As at 1 st April,2011	Additions	Disposals/ Adjustments	As at 31 st March,2012
Tangible Assets				
I. Assets Under Active Use				
Land-Leasehold	58,90,935	-	-	58,90,935
Buildings	41,33,71,041	2,15,04,314	-	43,48,75,355
Plant & Equipments				
- Helicopters & Aero - Engines	6,97,99,76,044	2,75,46,81,157	(19,58,54,780)	9,53,88,02,421
-Airframe & Engine Equipment Rotables	2,12,68,57,230	22,97,24,370	(2,65,08,304)	2,33,00,73,296
-Workshop & Ground Support Equipment	28,76,09,883	2,55,89,224	(2,28,623)	31,29,70,484
-Training Aid Equipment	22,69,886	20,813	-	22,90,699
-Air Conditioning	2,02,34,067	1,74,298	-	2,04,08,365
-Electrical Installation	3,09,04,142	3,08,371	-	3,12,12,513
Furniture & Fixture	5,65,14,297	27,86,867	-	5,93,01,164
Vehicles	1,82,23,079	27,01,687	-	2,09,24,766
Office Equipment	1,87,37,998	29,58,172	-	2,16,96,170
Other				
-Computer & other Related Equipments	6,33,47,879	74,43,509	(8,87,102)	6,99,04,286
-Communication Equipment	20,98,159	-	-	20,98,159
Total (I)	10,02,60,34,640	3,04,78,92,782	(22,34,78,809)	12,85,04,48,613
Previous Year (I)	7,10,04,99,312	3,09,75,03,467	(17,19,68,140)	10,02,60,34,640
II. Assets Retired from Active Use and held for Disposal/Impaired Assets				
Plant & Equipments				
Helicopters & Aero - Engines	57,78,07,818	-	-	57,78,07,818
Airframe & Engine Equipment Rotables	45,92,605	-	(10,54,339)	35,38,266
Workshop & Ground Support Equipment	3,12,53,716	-	-	3,12,53,716
Training Aid Equipment	41,25,207	-	-	41,25,207
Electrical Installation	6,67,996	-	-	6,67,996
Furniture & Fixtures	34,06,217	-	-	34,06,217
Office Equipment	29,92,051	-	-	29,92,051
Total (II)	62,48,45,610	-	(10,54,339)	62,37,91,271
Previous Year (II)	62,51,07,349	-	(2,61,738)	62,48,45,610
III.Assets Currently not in Active Use				
Plant & Equipments				
- Helicopters & Aero - Engines	17,67,96,392	-	(17,67,96,392)	-
Total (III)	17,67,96,392	-	(17,67,96,392)	-
Previous Year (III)	2,75,93,114	14,92,03,278	-	17,67,96,392
Grand Total (I + II + III) (A)	10,82,76,76,642	3,04,78,92,782	(40,13,29,540)	13,47,42,39,884
Grand Total (Previous Year) (I + II + III)	7,75,31,99,775	3,24,67,06,745	(17,22,29,878)	10,82,76,76,642

NOTE No. 11 INTANGIBLE ASSETS

Intangible Assets				
Capitalised Software	1,93,27,378	47,18,507	-	2,40,45,885
Total (B)	1,93,27,378	47,18,507	-	2,40,45,885
Previous Year	1,82,77,378	10,50,000	-	1,93,27,378



Accumulated Depreciation			Net Block		(In ₹)
Upto 31 st March,2011	Depreciation for the Year	On Disposals/ Adjustments	Upto 31 st March,2012	Balance as at 31 st March,2012	Balance as at 31 st March,2011
13,71,865	65,455	-	14,37,320	44,53,615	45,19,070
12,46,63,053	2,48,63,499	1,36,782	14,96,63,334	28,52,12,021	28,87,07,988
2,07,95,44,922	40,87,45,723	(8,25,75,669)	2,40,57,14,976	7,13,30,87,445	4,90,04,31,122
86,79,91,204	13,75,53,445	(1,02,50,174)	99,52,94,475	1,33,47,78,821	1,25,88,66,025
8,95,42,848	1,37,32,752	(34,831)	10,32,40,769	20,97,29,715	19,80,67,035
17,19,123	96,891	-	18,16,014	4,74,685	5,50,763
37,50,012	9,27,601	-	46,77,613	1,57,30,752	1,64,84,055
77,36,425	12,52,744	-	89,89,169	2,22,23,344	2,31,67,717
1,57,77,360	33,21,162	-	1,90,98,522	4,02,02,642	4,07,36,937
70,70,114	16,45,851	-	87,15,965	1,22,08,801	1,11,52,965
73,07,005	9,13,715	-	82,20,720	1,34,75,450	1,14,30,993
2,29,08,172	74,34,907	(5,62,182)	2,97,80,897	4,01,23,389	4,04,39,707
9,18,432	99,663	-	10,18,095	10,80,064	11,79,727
3,23,03,00,535	60,06,53,408	(9,32,86,074)	3,73,76,67,869	9,11,27,80,744	6,79,57,34,104
2,81,93,36,267	46,16,10,482	(5,06,46,214)	3,23,03,00,535	6,79,57,34,104	4,28,11,63,045
50,50,45,725	-	-	50,50,45,725	7,27,62,093	7,27,62,093
38,23,473	-	(10,01,672)	28,21,801	7,16,465	7,69,132
1,31,94,495	-	-	1,31,94,495	1,80,59,221	1,80,59,221
18,90,720	-	-	18,90,720	22,34,487	22,34,487
5,72,702	-	-	5,72,702	95,294	95,294
31,44,451	-	-	31,44,451	2,61,766	2,61,766
17,68,216	-	-	17,68,216	12,23,835	12,23,835
52,94,39,782	-	(10,01,672)	52,84,38,110	9,53,53,161	9,54,05,828
52,96,88,433	-	2,48,651	52,94,39,782	9,54,05,828	9,54,18,916
6,88,91,728	-	6,88,91,728	-	-	10,79,04,664
6,88,91,728	-	6,88,91,728	-	-	10,79,04,664
2,62,13,458	4,26,78,270	-	6,88,91,728	10,79,04,664	13,79,656
3,82,86,32,045	60,06,53,408	(2,53,96,018)	4,26,61,05,979	9,20,81,33,905	6,99,90,44,596
3,37,52,38,158	50,42,88,752	(5,03,97,563)	3,82,86,32,045	6,99,90,44,596	4,37,79,61,617
1,44,82,035	23,94,900	(2,71,000)	1,71,47,935	68,97,950	48,45,343
1,44,82,035	23,94,900	(2,71,000)	1,71,47,935	68,97,950	48,45,343
1,07,89,135	36,92,900	-	1,44,82,035	48,45,343	74,88,243



NOTE No. 12 CAPITAL WORK IN PROGRESS

Opening Balance as on 01.04.2011	Additions During the year	Adjustments / Deletions During the year	(In ₹) Closing Balance as on 31.03.2012
29,35,45,784	4,95,87,745	11,28,30,098	23,03,03,431

NOTE No. 13 NON-CURRENT INVESTMENTS

	31 st March 2012	31 st March 2011
(In ₹)		
Non-Trade (at Cost, unquoted)		
National Flying Training Institute,Gondia,Maharastra (28,93,353 Equity Shares of ₹10/- Each)	2,89,33,530	2,89,33,530
Total	<u>2,89,33,530</u>	<u>2,89,33,530</u>

NOTE No. 14 LONG-TERM LOANS AND ADVANCES

	31 st March 2012	31 st March 2011
(In ₹)		
(Unsecured,considered good unless otherwise stated)		
Loan to Public Sector Undertaking,Doubtful	7,25,00,000	7,25,00,000
Less: Provision for Doubtful Loan	<u>7,25,00,000</u>	<u>7,25,00,000</u>
	-	-
Capital Advances- Secured	12,01,26,647	59,10,16,480
Advance Tax (Net of Provision)	72,49,18,902	65,68,52,542
Security Deposits	2,50,91,380	2,29,46,090
Income Tax Recoverable	5,87,869	5,87,869
Loans to Employees		
Secured ,Considered Good	2,11,76,020	2,66,26,369
Unsecured ,Considered Good	28,97,431	47,48,864
Unsecured ,Considered Doubtful	<u>3,08,410</u>	<u>3,08,410</u>
	2,43,81,861	3,16,83,643
Less : Provision for Doubtful loans & Advances	<u>3,08,410</u>	3,08,410
	2,40,73,451	3,13,75,233
Advance to Others		
Unsecured ,Considered Good	1,20,50,321	2,33,49,958
Unsecured ,Considered Doubtful	<u>1,19,73,343</u>	<u>90,41,117</u>
	2,40,23,664	3,23,91,075
Less : Provision for Doubtful Advances	<u>1,19,73,343</u>	<u>90,41,117</u>
	1,20,50,321	2,33,49,958
Total	<u>90,68,48,570</u>	<u>1,32,61,28,172</u>



NOTE No. 15 OTHER NON-CURRENT ASSETS

	31 st March 2012	31 st March 2011
		(In ₹)
<hr/>		
(Unsecured, considered good unless otherwise stated)		
Security Deposits	1,59,945	1,59,945
Interest accrued		
- Fixed Deposits	13,063	-
- Employees Loans	<u>3,10,68,644</u>	<u>3,29,23,668</u>
	3,10,81,707	3,29,23,668
Other Receivables	1,11,90,633	85,45,265
Less: Provision for Doubtful Receivables	<u>31,44,600</u>	<u>8,00,379</u>
	80,46,033	77,44,886
Total	<u><u>3,92,87,685</u></u>	<u><u>4,08,28,499</u></u>

NOTE No. 16 INVENTORIES

	31 st March 2012	31 st March 2011
		(In ₹)
<hr/>		
(Certified and valued by Management)		
(At Cost)		
Stores & Spares	96,21,20,730	86,62,46,965
(i) Provision for Non moving Stores & Spares	13,88,36,669	13,14,60,463
(ii) Provision for Shortage of inventory	7,56,701	23,38,593
(iii) Provision for Impairment in value	<u>4,53,13,528</u>	<u>4,53,13,528</u>
	77,72,13,832	68,71,34,381
At Cost Less Written Off		
Repairables & Rotables Spares	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	<u>1,39,30,409</u>	<u>1,39,30,409</u>
	-	-
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	<u>54,15,882</u>	<u>54,15,882</u>
	-	-
Test Tools Equipment (at Cost)	3,94,47,664	4,57,94,261
Less: Written Off	<u>3,44,78,058</u>	<u>3,89,34,081</u>
	49,69,606	68,60,180
Training Material	27,17,193	27,17,193
Less: Written off	<u>27,17,193</u>	<u>27,17,193</u>
	-	-
Goods in Transit (at cost)	1,13,38,747	97,22,330
Aviation Turbine Fuel (at Cost)	<u>13,81,542</u>	-
Total	<u><u>79,49,03,727</u></u>	<u><u>70,37,16,891</u></u>



NOTE No. 17 TRADE RECEIVABLES

	31 st March 2012	31 st March 2011
		(In ₹)
Debts Outstanding for more than six months		
Considered Good	57,59,00,098	54,35,16,458
Considered Doubtful	3,40,40,122	2,40,82,442
Other Debts, Considered Good *	<u>1,10,88,26,622</u>	<u>1,29,96,73,333</u>
	1,71,87,66,842	1,86,72,72,233
Less: Provision for Doubtful Debts	<u>3,40,40,122</u>	<u>2,40,82,442</u>
Total	<u>1,68,47,26,720</u>	<u>1,84,31,89,791</u>
	<u>1,68,47,26,720</u>	<u>1,84,31,89,791</u>

* Includes Amount Receivable from ONGC Limited ₹39.32 Crores
(P.Y. ₹39.21 Crores)

NOTE No. 18 CASH AND CASH EQUIVALENTS

	31 st March 2012	31 st March 2011
		(In ₹)
Balance with Schedule Banks		
- Current Accounts	27,55,06,138	39,80,95,490
- Fixed Deposits Accounts	50,28,83,701	25,76,21,111
- Margin Money with Bank (Fixed Deposits)	<u>57,59,12,112</u>	<u>45,60,00,000</u>
	1,35,43,01,951	1,11,17,16,601
Cash in Hand	17,91,970	18,22,812
Total	<u>1,35,60,93,921</u>	<u>1,11,35,39,413</u>

NOTE No. 19 SHORT-TERM LOANS AND ADVANCES

	31 st March 2012	31 st March 2011
		(In ₹)
(Unsecured, considered good unless otherwise stated)		
Advances Recoverable in Cash or in kind or for value to be received		
Loans & Advances to Employees		
Secured ,Considered Good	74,80,924	72,60,664
Unsecured ,Considered Good	3,75,17,051	4,83,67,878
Unsecured ,Considered Doubtful	<u>10,24,715</u>	<u>10,24,715</u>
	4,60,22,690	5,66,53,257
Less: Provision for Doubtful Advances	<u>10,24,715</u>	<u>10,24,715</u>
	4,49,97,975	5,56,28,542
Advance to Others :-		
Unsecured Considered Good	10,86,86,218	12,29,23,287
Unsecured ,Considered Doubtful	<u>5,33,224</u>	<u>5,33,224</u>
	10,92,19,442	12,34,56,511
Less: Provision for Doubtful Advances	<u>5,33,224</u>	<u>5,33,224</u>
	10,86,86,218	12,29,23,287
Balance with Statutory Authorities	92,36,267	54,01,185
Prepaid Expenses	9,27,31,632	5,19,43,799
Deposits	40,17,756	70,70,683
Total	<u>25,96,69,848</u>	<u>24,29,67,496</u>



NOTE No. 20 OTHER CURRENT ASSETS

	31 st March 2012	31 st March 2011
(In ₹)		
(Unsecured, considered good unless otherwise stated)		
Interest Accrued		
Fixed Deposits	4,21,99,704	29,610,156
Employees' Loans	32,20,849	3,080,370
	4,54,20,553	3,26,90,526
Insurance claim receivable	19,88,18,053	1,00,673
Income Receivable- Training Fees	19,32,456	47,456
Fixed Deposits Accounts / Current Account	9,17,14,366	10,48,92,296
(Deposit received from DGCA against Project, including Interest Accrued)		
Total	33,78,85,428	13,77,30,951

NOTE No. 21 REVENUE FROM OPERATIONS

	31 st March 2012	31 st March 2011
(In ₹)		
Sale of Services :		
Helicopter Hire Charges	3,91,40,50,352	3,89,32,52,341
Less: Deduction for Non-Provision of Helicopters (AOG)	3,62,03,292	2,86,09,325
	3,87,78,47,060	3,86,46,43,016
Other Operating Revenue		
Income from Operations & Maintenance Contracts	25,75,36,985	26,56,94,321
Total	4,13,53,84,045	4,13,03,37,337

NOTE No. 22 OTHER INCOME

	31 st March 2012	31 st March 2011
(In ₹)		
Interest Income :-		
- Interest Income from Deposits with Banks	8,96,40,830	5,76,08,736
- Interest on Loans to Employees	28,34,597	23,93,026
- Other Interest Income	3,33,372	48,99,106
	9,28,08,799	6,49,00,868
Profit on Sales of Inventory Items	10,45,449	2,00,32,394
Exchange Fluctuation (Net)	4,16,93,440	3,82,12,115
Provisions No Longer Required	3,58,27,410	1,35,00,258
Provision Written Back for Self Insurance	-	40,00,000
Liquidated Damages	2,43,15,736	40,15,113
Miscellaneous Income	5,03,94,123	2,97,42,166
Total	24,60,84,957	17,44,02,914



NOTE No. 23
HELICOPTER OPERATIONAL & MAINTENANCE EXPENSE

	31 st March 2012	31 st March 2011
Helicopter Maintenance Expenses	1,08,56,66,803	1,01,61,35,299
Fuel Expenses	21,18,44,018	23,40,19,817
Insurance Expenses	17,99,88,274	9,29,69,939
Landing, Parking and other Expenses	1,13,20,434	1,13,42,281
Liquidated Damages	4,13,45,468	2,95,66,801
Equipment/Specialists Hire Charges/Lease Charges	6,05,09,055	5,86,07,167
Commercial expenses	2,44,83,429	4,19,05,941
Provision for Non-Moving Inventory /Life Expired Items	1,35,03,181	3,11,61,272
Rotables, Stores & Spares Written Off	1,80,94,587	1,38,98,091
Storage, Handling & Demurrage Charges	1,33,96,442	69,99,331
Freight,Transportation & Cartage	1,00,93,410	98,18,477
Other Operating Expenses	50,75,365	70,44,677
Total	<u>1,67,53,20,466</u>	<u>1,55,34,69,093</u>

NOTE No. 24
EMPLOYEES BENEFITS EXPENSE

	31 st March 2012	31 st March 2011
Salaries,Wages & Other Benefits	1,23,50,07,813	1,09,47,55,502
Staff Welfare	3,20,54,871	2,86,87,267
Provident & Gratuity Funds	4,20,91,255	4,03,78,911
Other Staff Expenses	5,01,59,361	5,08,50,925
Total	<u>1,35,93,13,300</u>	<u>1,21,46,72,605</u>



NOTE No. 25 OTHER EXPENSES

	31 st March 2012	31 st March 2011	(In ₹)
Repairs and Maintenance			
Building	1,10,46,733	1,05,43,198	
Equipment	46,45,110	81,35,794	
Others	<u>2,18,10,433</u>	<u>2,26,82,336</u>	
	3,75,02,276		4,13,61,328
Rent	4,44,16,890		5,09,46,987
Travelling & Conveyance	18,39,06,578		19,10,83,563
Crew & Other Staff Training	8,21,90,335		7,98,19,267
Bank Charges	63,79,960		61,05,303
Electricity & Water Expenses	1,41,25,922		1,47,91,172
Telephone, Telex & Postage	1,25,03,719		92,49,220
Advertisement & Publicity	1,37,66,830		1,22,58,691
Printing & Stationery	1,02,80,016		79,92,503
Vehicle Running & Maintenance	29,91,830		28,01,626
Auditors Remuneration			
- Statutory Audit Fees	4,68,049	4,01,315	
- Tax Audit Fees	1,25,697	98,581	
- Certification Fees	27,575	22,060	
- Other Expenses	<u>68,000</u>	<u>57,833</u>	
	6,89,321		5,79,789
Rates, Fees and Taxes	1,18,84,700		2,01,68,486
Prior Period Expenses (Net) (Note (a) below)	4,56,10,179		1,18,71,532
Loss on Sale of Assets	74,714		5,08,761
Provision for Doubtful Debts & Advances	1,62,74,742		98,77,527
Corporate Social Responsibility	1,59,77,394		2,51,000
Provision for Wealth Tax	3,00,000		3,62,100
Juhu Housing complex Expenses	1,08,43,912		1,30,35,071
Other Expenses	7,39,70,178		5,51,26,214
Insurance Expenses	46,02,822		56,01,286
Total	<u>58,82,92,318</u>	<u>53,37,91,426</u>	
(a) Prior Period Items represents:			
A. Credit			
Depreciation	3,75,228	-	
Other Items	<u>1,50,38,112</u>	<u>25,95,133</u>	
Total (A)		1,54,13,340	25,95,133
B. Debits			
Depreciation	11,24,250	7,08,370	
Non-Moving Inventory of earlier years	-	1,04,86,052	
Billing of earlier years reversed	2,08,68,128	-	
Other Items	<u>3,90,31,141</u>	<u>32,72,243</u>	
Total (B)		6,10,23,519	1,44,66,665
C. Net Debit (A-B)	<u>4,56,10,179</u>		<u>1,18,71,532</u>

NOTE No. 26 EXTRAORDINARY ITEMS

	31 st March 2012	31 st March 2011	(In ₹)
A. Credits			
Surplus on Settlement of Insurance Claims	21,33,92,014	1,84,82,386	
B. Debits	-	-	
C. Net Credit/(Debits) (A-B)	<u>21,33,92,014</u>	<u>1,84,82,386</u>	



NOTE No. 27

ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

(Annexed to and forming part of the Annual Accounts for the year ended 31st March, 2012).

(I) Estimated amount of contracts remaining to be executed on capital account (net of advances paid) and not provided for ₹ 106.91 crores (P.Y. ₹ 315.10 crores).

(II) Contingent Liabilities

a) Counter guarantees given to Bank ₹ 84.87 crores (P.Y. ₹ 21.43 crores).

b) Outstanding letters of credit ₹ 109.50 crores (P.Y. ₹ 92.77 crores).

c) Claims against the Company not acknowledged as debt :

(1) Income tax demand for earlier years contested by the Company and under appeal ₹ 68.70 crores (P.Y. ₹ 54.61 crores) against which the Company has deposited under protest/adjusted against refund due from Tax department up to 31.03.12, in aggregate of ₹60.11 crores (P.Y. ₹ 60.11 crores) relating to that period. Amounts deposited with Tax Department (net of tax provision) have been shown as Advances recoverable.

(2) Court cases/ cases under Arbitration ₹ 30.03 crores (P.Y. ₹ 22.42 crores).

(3) Demand Notice of ₹134.95 crores towards VAT and ₹ 184.33 crores for interest and penalty aggregating to ₹ 319.28 crores (P.Y. ₹ 319.28 Crores) were received from Govt. of NCT of Delhi, Department of Trade and Taxes (VAT) for the tax period for the year 2006-07, 2007-08, 2008-09 & 2009-10 regarding transfer of right to use the goods. However, in view of PHHL paying Service Tax, no such VAT is attracted and the demand is being contested in appeal.

(4) Other matters ₹ 6.47 Crores (P.Y. ₹ 6.08 Crores).

d) Interest on Government of India Dues was frozen upto 31.03.2001 refer note no. (iii). However, as abundant caution the interest liability for subsequent period from 01.04.2001 to 31.03.2012 of ₹ 259.20 Crores (P.Y. ₹ 235.64 Crores) is considered as contingent liability.

(III) Claim of Government of India

a) 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 claim of GOI. The Ministry of Finance claimed interest @ 18% p.a. on the outstanding dues which presently are ₹ 130.91 crores (principal amount).

b) During the Financial year 2003-04, the Ministry of Civil Aviation submitted a proposal 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 31.03.2001 aggregating ₹ 339.31 crores (interest on dues from 01.04.2001 till date be written off) and the Principal amount of ₹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 ₹ 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. However, interest on GoI dues from 01.04.2001 to 31.03.2012 has been shown as contingent liability amounting to ₹ 259.20 crores.

- c) The Ministry of Civil Aviation submitted a revised proposal to Ministry of Finance in December, 2007 that the Government may reconsider the claim by Ministry of Finance and waive off the total amount of ₹ 470.22 crores (principal amount ₹ 130.91 crores and interest upto 31.03.2001: ₹ 339.31 crores) 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 Ministry of Finance has not agreed to this proposal and has advised that the Company be asked to deposit the said amount in Government Treasury. The Board of Directors of the Company in their 115th Meeting held on 21/08/2008 decided that the Company may pursue with the Ministry of Civil Aviation for full waiver of the claim of Ministry of Finance and appointed a Financial Advisor who would examine the matter alongwith other related issues. The Financial Advisors submitted their Report on the impact of claim of GOI on the valuation of the Company and recommended some options. As per the Report, payment of GOI claim is not a viable option for the Company.

Ministry of Finance vide OM dated 10.9.2010 have advised MoCA that proposal of waiver of dues is not supported. Subsequently, Secretary (Civil Aviation) requested Secretary (Expenditure) vide letter dated 10th November 2010 to re-examine the MoCA proposal in the light of new facts as submitted.

Consequent to the meeting with Ministry of Finance held on 29.04.2012 regarding Settlement of MoF Claim, it was decided that a Business Plan for the

Company be formulated for XII Five Year Period (2012-17) keeping in view the prevailing competitive conditions and ONGC requirement of 5 years vintage of Helicopters under Tenders and how the MoF claim of ₹470.22 Crores would be an impediment to the overall growth of the Company. SBI Capital Services Ltd. was assigned the task to give Financial Advisory Report and its recommendations on the basis of revised Business Plan. Such Report after approval of Board in 133rd meeting was sent to MoCA on 02.07.2012 for onward submission to Ministry of Finance. The matter is under consideration of the Government. The Company has considered the claim of GoI as Non current liability under the Revised Schedule-VI.

(IV) Disposal of Westland assets

- a) Subsequent to the grounding of Westland fleet 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.
- b) Pending disposal of the Westland helicopters (including one damaged helicopter) and the related inventory, these assets were stated at their book value aggregating ₹ 22.39 crores. The Company had in the earlier years, as a matter of abundant caution, made a provision of ₹22.39 crores equivalent to the book value against possible losses on disposal of Westland assets.



After adjusting the book value of ₹7.23 crores relating to disposal of such assets in 1999-2000, the residual provision of ₹15.16 crores is being carried forward.

- c) 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 (₹3.22 crores) in January 2000, which was immediately deposited with the Government of India as per directions of the Administrative Ministry. 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 (M/s AES Aerospace Ltd, UK) had been ordered to be wound up by order of the Court in U.K. in 2002 and an official Receiver was appointed. Pending settlement, the Company has not accounted for such dues and the same will be accounted for as and when realized / settled.

- d) Necessary accounting adjustment relating to the Westland assets sold (Cost ₹ 51.46 Crores, W.D.V. ₹ 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. The cost of inventory items sold is computed on FIFO basis. As the contract for sale of Westland assets was 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/- (₹3.22 crores) in the absence of item-wise sale price and the same was accounted for during the financial year 1999-2000.

- e) 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 ₹32.50 crores (written down value- ₹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 4.66 crores (P.Y ₹4.31 crores) which in term of the Agreement was required to be settled directly by the Buyer. The Company had in December, 2002 obtained an interim injunction from the Delhi High Court restraining the Warehousing company from disposing of the goods for settling its claim. The Hon'ble Single Judge of Delhi High Court on 22.04.2008, delivered judgment in favour of the Company for taking back the possession of Inventory items from the Warehouse Company without any claim of charges of Warehouse Company on the Company. Against the said judgment the Warehouse Company preferred an appeal in Division Bench of Delhi High Court which had also in the judgment dated 11.08.2008 upheld



the judgment of Single Judge of the High Court in favour of the Company. The SLP no. 1231/2009 filed by the Warehouse Company has also been dismissed by the Supreme Court of India on 31.01.2009. In another SLP no. 23629/2009 filed by the Forwarders the Hon'ble Supreme Court granted interim stay in their favour in the year 2009. Now the said SLP has also been dismissed on 27.03.2012 and proceedings for shifting of the inventory items from the warehouse of Sagar Warehousing Corporation to Pawan Hans Mumbai has been initiated. With regard to Arbitration with AES, the petition of Pawan Hans (No. 1 of 2008) filed with Hon'ble Supreme Court for appointment of 3rd Arbitrator, has been disposed of on 13.08.2012 keeping in view the financial status of AES under liquidation and having no money to pay to Pawan Hans. Accordingly, Pawan Hans shall proceed for disposal of balance Westland Package after necessary approval. Further, as an abundant caution, the claim is shown under Contingent Liabilities till the items are received by the Company. Such items along with the remaining inventory items lying with the Company (which are kept in boxes but not physically verified during the year) together forming part of the second shipment have been carried forward as per the book value (₹6.47 crores) though fully provided as per para 4.2 above.

(V). Residential Flats/Quarters

- a) The Company had constructed and capitalized 242 flats during 2002-03 at a cost of ₹ 22.71 crores on land given 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 ₹ 5.95 crores.
- b) 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. Since some of the Societies in the buildings have gone into litigation against MHADA in Mumbai High Court on the issue of differential pricing, therefore, the conveyance deed could not be executed as the amount cannot be determined at this stage.

- c) The Company had purchased 42 nos. of residential flats in the year 1991-1992 for employees from Lokhandwala Construction Industries Limited, Mumbai. The Board of Directors of the Company have approved for renting out these flats to Public Sector Undertakings (PSUs) and accordingly, 29 flats have been let out on rental basis to Union Bank of India as on 31st March, 2012.

(VI) Loans to Public Sector Undertakings

- a) The Company had made unsecured inter-corporate loans in the earlier years 1991 - 1992 to M/s Hindustan Photo Films Mfg. Co. Ltd. (HPF), a Central PSU, with interest rate of 20% p.a compounded / payable quarterly. The balance principal amount due since 1992 aggregates to ₹ 7.25 crores. However, HPF was unable to meet its contractual obligation to repay the loans with interest in view of adverse financial conditions HPF, was declared sick and registered with BIFR. The Company had filed its claim with BIFR for protection of its dues. In January, 2003 BIFR issued recommendations for winding-up, against which HPF and its Administrative Ministry had preferred an appeal before AAIFR. Pending one time settlement and the negative net worth of HPF, the Company has not accounted for interest income from such loan for



the financial 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 ₹ 1.56 Crores (P.Y. ₹ 1.56 crores). In view of negative net worth of HPF they had in 2008 requested that they would be seeking Government approval for 30% of Principal Amount (₹ 2.18 crores) in OTS with waiver of interest. The same was agreed by Pawan Hans. HPF has on 02.04.2012 informed that they are working effort for approval of OTS from CCEA. As a matter of abundant caution, the Company has already made provision of ₹ 7.25 crores against the aggregate principal amount in the earlier years, which is being carried forward.

(VII) Fixed Assets

a) Midlife upgradation programme of Dauphin Fleet

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. M/s. Eurocopter had supplied Retrofit Kits to the Company for the Dauphin helicopters and the retro-fitment to be completed by the Company in a phased manner. In this respect the Company 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, the Company has made 3 Dauphin helicopters AS4 compliant. The cost

of man-hours incurred amounting to ₹ 1.24 crore (P.Y. ₹ 0.14 crore) has been capitalized.

- b) Fixed Assets includes Rotables and Repairables (Gross Value) amounting to ₹ 43.13 crores (P.Y. ₹ 36.41 crores) sent abroad for repairs but lying with repair agencies as at 31st March'2012. However, most of the items have been received back by the company after 31st March 2012 duly repaired.
- c) Office building at Noida was put to use on 15.04.2010 and capitalized provisionally on the basis of valuation of ₹ 6.75 crores made by the Civil Department / APMC, pending final settlement with the Civil Contractor in view of the ongoing arbitration proceedings with him. Similarly furniture and fixtures in this office building were provisionally capitalized on the basis of valuation of ₹2.96 crores made by the Civil Department in view of settlement pending with M/s NBCC.
- d) The Physical verification of Fixed Assets has been carried out and the process of reconciliation with fixed assets register is in progress.

(VIII) Inventories

- a) On a review of inventory (net) provision of ₹ 1.35 crores (P.Y. ₹ 5.80 crores) has been made and provision of ₹ 0.58 crore (P.Y. NIL) have been reversed at WR during the year under review for such items as per the approved Accounting Policy.
- b) The Company purchases spare parts from some parties on "High Sea Sales" basis who imports goods on behalf of the Company. The quotation is received in foreign currency, however, the payments are released in Indian rupees. For the purpose of payment in Indian rupees, the bill selling rate of foreign currency on the date of Invoice as notified by Vijaya Bank is taken as the basis. Further w.e.f. 01.03.2012 payment terms of High Sea Sales were changed & same are as under :-

"In case of High Seas sales, the



bill selling rate of foreign currency in Indian Rupees as provided by Vijaya Bank on the date of signing of High Seas Sales Agreement shall be considered for making payment to the supplier.”

c) In terms of para no. 3 of our Significant Accounting Policies relating to transaction in Foreign Currency, losses and gains due to exchange fluctuations arising out of :

(a) Re-statement of liabilities as on 31.03.2012 on account of outstanding payments for purchase of fixed assets and inventories; and

(b) Re-statement of assets as on 31.03.2012 on account of advance payment for purchase of fixed assets and inventories; and

(c) The difference in the monetary value of the payment made on the date of settlement and the monetary value on the date of passing ownership of the fixed assets and inventories imported, are recognized as 'profit or loss' on account of foreign exchange fluctuation and transferred to Profit & Loss account.

(IX) The Indian Oil Corporation (IOC) account in respect of purchase of ATF at Northern Region shows net balance of ₹ 1.11 crore (Credit); P.Y. ₹ 1.66 crore (credit) whereas in the books of IOC the balance of the company is ₹ 0.23 crore (Debit); P.Y. ₹ 0.32 crore (Debit) 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 years, namely difference in opening balance, supply to the Company not booked by IOC, un-linked payments in IOC books, payments by the Company 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 and the reconciliation is in progress. Necessary rectification entries, if any, will be passed when requisite information is made available to the Company by IOC.

The Western Region has carnet deposit with Indian Oil Corporation Ltd. amounting to ₹ 1.30 crores out of which bills amounting to ₹ 1.08 crores has been received and booked in accounts upto 31.03.2008. Net balance amounting to ₹ 0.22 crore is under reconciliation with IOC Ltd. and is shown under advance.

(X) Secured Loan

a) The Company had signed the Loan Agreement with Oil and Natural Gas Corporation Ltd. (ONGC Ltd.) on 12.08.2010 wherein ONGC Ltd. agreed to provide secured loan to the tune of ₹ 275 crores to the Company towards 80% cost of 7 nos. new Dauphin N3 helicopters being purchased from M/s Eurocopter, France. Against the sanctioned loan of ₹ 275 crores, during the year under review the Company had drawn an amount of ₹ 76.75 crores (P.Y. ₹ 184.26 crores) aggregating total loan of ₹ 261.01 crores against the purchase of 7 Dauphin N3 helicopters. The rate of interest on the loan is at the SBI base rate applicable from time to time plus 150 basis points and loan is to be repaid in 60 Equated Monthly Installments (EMI) in a period of 5 years. The helicopters are hypothecated to ONGC Ltd. till the loan is fully paid.

The Company has repaid principal loan of ₹ 23.41 crores (P.Y. ₹ 9.84 crores) during the year. Besides this, in the previous year ONGC enhanced its equity from ₹ 24.50 crores to ₹ 120.35 crores by converting ₹ 95.85 crores into equity from the above loan. The outstanding



balance of principal amount of loan is ₹ 131.91 crores (P.Y. ₹ 78.57 crores) as on 31.03.2012.

Nature of Security - As per Loan Agreement the 7 nos. new Dauphin N3 helicopters have been hypothecated in favour of M/s ONGC Ltd. towards sanctioned loan of ₹ 275 crores and the charge has been registered with the Registrar of the Companies.

- b) The Company has signed the Rupee Term Loan Facility Agreement with Consortium comprising of Vijaya Bank and EXIM Bank for ₹ 95.18 crores and ₹ 90.82 crores respectively, aggregating to ₹ 186.00 crores on 18.01.2012 for financing through external borrowing of 80% of total project cost of acquisition of two new Dauphin N3 helicopters and two new Mi-172 helicopters including inventory at the interest rates as under :-

- (1) Vijaya Bank's Rupee Term Loan Facility at the Base rate of State Bank of India Rate + 1.25% p.a. +0.25% (TP) p.a. with monthly rests.
- (2) Exim Bank's Rupee Term Loan Facility at the floating rate of interest of State bank of India Base Rate + a spread of 1.50% p.a. with monthly rests.

The loan is to be repaid in 36 equal quarterly installments commencing from quarter ending December, 2012 with last repayment in the quarter ending September, 2021 and the door to door tenor of the facility is 9.92 years including balance acquisition period of 0.42 months moratorium period of 6 months from Commercial Operation Date (COD) of the project.

Against the sanctioned loan of ₹ 186.00 crores, during the year under review, the EXIM Bank disbursed by way of drawdown amount of ₹ 81.43 crores equivalent to Euro 1,22,77,897.60 towards 80% cost of 2 nos. new

Dauphin N3 helicopters excluding inventory. During the year under review, the company has repaid principal amount of ₹ NIL (P.Y. ₹ NIL) and interest thereon of ₹ 0.64 crore (P.Y. ₹ NIL). The outstanding balance of principal amount with interest thereon is ₹ 81.46 crores (P.Y. NIL) as on 31.03.2012. The charge has been created with Registrar of Companies on execution of Hypothecation agreement.

Nature of Security - As per Loan Agreement the 2 nos. new Dauphin N3 helicopters, Regn. No. VT-PWE and VT-PWF, have been hypothecated in favour of M/s Vijaya Bank- Security Agent (on behalf of Vijaya Bank and EXIM Bank) and the charge has been registered with the Registrar of the Companies. Similarly upon receipt of two new Mi-172 from supplier in India in August 2012, the charge shall be created on specific helicopters.

- c) The Company had signed the MoU on 29.04.2010 wherein NTPC Ltd. agreed to provide secured loan to the tune of ₹ 54.30 crores based on the then prevailing exchange rate 1 Euro= ₹ 68/- at a concessional interest rate of 6% p.a towards 100% cost of one new Dauphin N3 helicopters including inventory to be purchased from M/s Eurocopter, France. The NTPC Ltd. agreed grant of the above loan against the corresponding wet lease of 01 Dauphin N helicopter for one year and thereafter new Dauphin N3 helicopter acquired through NTPC loan for the period of 10 Years. The loan is to be repaid in 120 Equal Monthly Installment recoverable/ adjustable against the monthly billing /payments of Pawan Hans. The helicopter is hypothecated to NTPC Ltd. till the loan amount with interest thereon is fully repaid.

As per MoU, interest on the loan for the period from the date of payment till the date of deployment of helicopter shall be added in the



landed cost of the helicopter and initial inventories funded by NTPC Ltd. to derive the total/ final principal loan amount. During the year under review the Company had drawn a loan of ₹ 52,72,39,872/- against the aforesaid MoU including interest accrued upto 31.03.2012 of ₹ 16,39,872/-. The final principal amount as on date of deployment of helicopter i.e. on 14.04.2012 is ₹ 52,83,63,072/- including accrued interest. The company has repaid principal loan ₹ NIL (P.Y. ₹ NIL) and interest thereon of ₹ NIL (P.Y. ₹ NIL). The outstanding balance of principal amount with interest thereon is ₹ 52,72,39,872/- (P.Y. NIL) as on 31.03.2012.

Nature of Security - As per MoU, the one Dauphin N3 helicopter, Regn. No. VT-PWD, has been hypothecated in favour of M/s NTPC Ltd. and the charge has been registered with the Registrar of the Companies.

(XI) Confirmation for balances as at 31st March 2012 from Sundry Debtors and Loans and Advances/ Deposits were circulated but response received was limited. However, in most of the cases the debts / advances, other than those provided for, have since been realized / adjusted.

(XII) **Employees Remuneration and other benefits.**

a) The company has arrived settlement of pay revision with Non-Executive (Non-Tech.) on 16.08.2011 and with Non-Executive (Tech.) on 16.07.2012. Arrears were released to the Non-Executive (Non Tech) during the financial year 2011-12. Accordingly, provision towards revision of Pay & Allowances has been created during the Financial Year in respect of the following :-

For regular Non-Executive (Tech.) employees for Pay & Allowances based on the MoU signed with the union.

For regular Executives towards revision of allowances @ 50% of the basic pay based on cafeteria approach as per DPE Guidelines.

Provision for pension w.e.f 01.01.2007 @ 10% of PF pay for all the regular employees.

A total provision of ₹ 34.30 crores (P.Y. ₹ 29.70 crores) is made on account of above during the year including provision for pension of ₹ 14.15 crores (P.Y. NIL). A sum of ₹ 28.90 including arrears of pay and allowances of Non Technical unionized staff upto 31.03.2012 has been paid / adjusted during the financial year under audit out of total provision. Balance provision of ₹ 37.77 crores (P.Y. ₹ 32.37 crores) is carried forward for payment / adjustment in the subsequent period. The break-up of above provision outstanding as on 31.03.2012 is as under

Executives	₹ 12.03 Crores
Non-Executives (Tech.)	₹ 11.59 Crores
Pension	₹ 14.15 Crores
Total	₹ 37.77 Crores

b) As per Accounting Policy, the Company provides for Gratuity and Leave salary, LTC, Retirement benefits like Baggage Allowance and Post Retirement Medical Benefits Scheme on the basis of actuarial valuations as per AS 15(Revised) and the same has been debited to LTC and Baggage Allowance / Provision for Pay Arrears in the Profit & Loss A/c are given below :-

Particulars	₹/ Crores.		
	Opening Liability as on 31.03.2011	Created/ Adjusted during the Year	Closing Liability as on 31.03.2012
Gratuity Liability	24.42	1.74	26.16
Earned Leave	11.10	1.42	12.52
Half Pay Leave	6.07	(1.07)	5.00
Post Retirement Medical Benefit Scheme.	2.73*	0.37	3.10
LTC	1.10	0.05	1.15
Baggage Allowance upon Retirement	0.11	0.01	0.12

*subject to adjustment of prorata premium of ₹ 0.05 crores paid to Insurance Co.

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employees benefit entitlement and measures each unit separately to build up the final obligation. The following table summarizes the component of the various employees benefits and the components of net benefit expenses recognized in the Profit and Loss Accounts :-



(Fig.in ₹/ Crores.)			
Particulars	Leave Encashment (EL & HPL) as on 31.03.2012 (Non-funded)	Baggage Allowance/ LTC/PRMBS as on 31.03.2012 (Non-funded)	Gratuity as on 31.03.2012 (funded)
A) Changes in Present Value of Obligation			
i Present value of obligation as at the beginning of the period (01.04.2011)	17.17	3.94	24.42
ii Interest Cost	1.37	0.32	1.96
iii Past Service Cost	-	-	-
iv Current Service Cost	1.32	0.70	1.55
v Curtailment / Settlement cost	-	-	-
vi Benefits paid	(1.77)	(0.48)	(1.15)
vii Actuarial (gain) / loss on obligation (Balancing figure)	(0.57)	(0.11)	(0.62)
viii Present value of obligation as at the end of the period (31.03.2012)	17.52	4.37	26.16
B) Changes in fair value of Plan Assets			
i Fair Value of Plan Assets as at the beginning of the period (01.04.2011)	-	-	27.48
ii Expected return on plan assets	-	-	2.15
iii Contributions	-	-	-
iv Benefits paid	-	-	(1.15)
v Actuarial gain / (loss) on obligation	-	-	0.23
vi Fair value of plan assets as at the end of the period (31.03.2012)	-	-	28.71
C) The amounts to be recognized in the balance sheet			
i The present value of obligation as at the beginning of the period (31.03.2012)	17.52	4.37	26.16
ii Fair value of Plan Assets as at the end of the period.	-	-	28.71
iii Net Assets / (liability) recognized in balance sheet.	(17.52)	(4.37)	2.55
D) Expenses recognized in the Statement of Profit and Loss A/c			
i Current Service Cost	1.32	0.70	1.55
ii Past Service Cost.	-	-	-
iii Interest Cost.	1.37	0.32	1.96
iv Expected return on Plan Assets	-	-	(2.15)
v Curtailment / Settlement Cost	-	-	-
vi Net Actuarial gain / (loss) recognized in the period.	(0.57)	(0.11)	(0.85)
vii Expenses recognized in the statement of Profit and Loss	2.12	0.91	0.51

* Assets value being more than liability, ignored.

The Principal assumption used in determining employee benefits are given below:-

Particulars	EL and HPL for all Employees (non- funded)	Baggage Allowance/ LTC/PRMBS for all Employees (non- funded)	Gratuity (Funded)
Discount Rate	8.00%	8.00%	8.00% Vesting period -5 year service
Expected rate of return on plan assets.	0.00%	0.00%	7.81% Benefit - As per the provisions of payment of Gratuity Act 1972. However, the present limit of ₹ 3.50 Lacs is enhanced to ₹ 10.00 Lacs during the F.Y. 2009-10
Future cost increase /Salary escalation rate	6.00%	6.00%	6.00% Salary calculation for Gratuity - Last Drawn basic salary plus Dearness allowance
Retirement age	60 years	60 years	60 years
Attrition rate :			
Age (years)			
Upto 30 years	3.00%	3.00%	3.00%
Upto 44 years	2.00%	2.00%	2.00%
Above 44 years	1.00%	1.00%	1.00%



(XIII) Insurance Claims

- a) The Insurance claim of VT-SOK which met with an accident on 16.12.2010 at Chandigarh was admitted by New India Assurance co. as Constructive Total Loss (CTL) on 29th March, 2012. The net realizable amount from the Insurance Co. would be ₹ 13.00 crores after deducting ₹ 3.30 crores towards salvage value of the helicopter and ₹ 0.70 crores towards deductible as per terms and conditions of the Hull Insurance Policy.

Accordingly, the net realizable amount ₹13.00 crores is accounted in the books of account for the financial year 2011-12. Further, the salvage value of ₹ 3.30 crores of the helicopter consist 2 nos. aerial 2C engines and rotables has also been accounted in the financial year 2011-12. The aerial 2C engines and rotables are subject to bench check, repair and overhaul, etc. The Rotables acquired from the Insurance Company against salvage is being capital items are initially booked under the head "Capital Work in progress". Repair / overhaul charges amounting to ₹ 1.10 Crs.(Including ₹0.98 Crs. Debited to Repair & Maint. In Earlier Years) incurred to make these rotables serviceable are capitalized as per the generally accepted accounting practice followed consistently by the Company.

- b) One MI-172 helicopter bearing registration no VT-PHF had a fatal crash on 19.04.2011 while landing at Tawang in Aurnachal Pradesh in which 16 passengers and 3 crew members died and 2 passengers & 2 crew members survived with bodily injuries. The Company had preferred necessary claims with Insurance companies. During the year under review, the Hull claim of the crashed helicopter for Sum Assured of ₹ 14 crores after adjustment of deductible of ₹ 0.70 crores has been settled /realized and accounted for in the books of accounts. The passengers death claims are under assessment with Insurance

Company. However, in the most of the cases against the documents submitted by the victims' families, the Company has paid ₹ 7.70 lacs including ₹ 20,000/- for baggage per passenger towards admitted liability on behalf of Insurance Company.

- c) One Ecureuil AS 350 B3 helicopter bearing registration no VT-PHT had a fatal crash on 30.04.2011 near Labothang, Arunachal Pradesh in which 3 passengers including the Hon'ble Chief Minister of Arunachal Pradesh and 2 crew members died. The Company has preferred necessary claims with Insurance Companies. The Hull claim in respect of the helicopter has been settled for ₹ 12.50 crores with deductible of ₹ 0.40 crore. The death claim in respect of one crew members and three passengers are under assessment with the insurance companies, however, the Company has paid Rupee one lac each as interim payment to the legal heir of deceased on behalf of the insurance company

(XIV) Income Tax

Provision for Taxation of ₹ 4.50 crores (P.Y. ₹ 9.96 crores) has been made for the current year as per the existing provisions of MAT (Minimum Alternative Tax) on book profits under section 115JB of Income Tax Act 1961 as there is Nil tax liability under normal provisions of the Act. However, the benefit of adjustment of MAT shall be taken in the subsequent period against the normal tax liability as per the Income Tax Act.

(XV) Expenses include the following :

	₹/Crores	
	31 st March 2012	31 st March 2011
i) Company - Staff Quarters		
a) Taxes	0.33	0.33
b) Repairs – Buildings/others	0.72	0.90
ii) Leased Residential Accommodation		
a) Rent (Net of Recovery)	0.05	0.14
b) Maintenance charges	-	-



(XVI) Investment in Equity Share (non listed) at cost

The Company has invested ₹ 2,89,33,530/- during 2009-10 towards equity contribution (non listed) in National Flying Training Institute Pvt. Ltd., Gondia, Maharashtra. No dividend was received during the year.

(XVII) Heliport Project

The Government has approved creation of Heliport at Rohini, New Delhi by the Company on behalf of Ministry of Civil Aviation (MoCA) at estimated cost of ₹ 64.00 crores to be funded in the following pattern :-

- i) ₹ 19.00 crores as Grants in Aid by the Government towards the land cost.
- ii) Government equity towards 80% of the cost of infrastructure development aggregating ₹ 45.00 crores i.e. ₹ 36.00 crores and remaining 20% amounting to ₹ 9.00 crores to be borne by the Company from its internal resources.

Accordingly, the Company has received ₹ 36.00 crores upto March, 2011 as equity contribution of Government towards the Heliport Project cost.

In 2009-10, the Company deposited ₹ 19.07 crores with DDA towards the cost of land measuring 25 acres at Rohini, New Delhi on behalf of Ministry of Civil Aviation and took possession of the land. However, the title of the land is in the name of Ministry of Civil Aviation. The amount deposited by the Company has been subsequently recovered to the extent of ₹ 19.00 crores after 31.03.2011 from

the MoCA and balance of ₹ 0.07 crores transferred to Capital work in progress. Funds are kept in Fixed Deposits as earmarked fund till the clearance of the project by Environment Ministry as per the instructions of MoCA dated 29.03.2011. The Company has got environment clearance on 31.10.2011 by Environment Ministry.

Appointment of APMC was issued on 04.11.2011. Board of Directors have approved master plan and preliminary estimate of ₹ 73.22 crores during 133rd meeting held on 19.06.2012 against initial estimate of ₹ 64 crores (including land cost of ₹ 19.07 crores) as approved by Government of India towards construction of Heliport at Rohini, New Delhi. Building plan has been submitted to MCD for approval, detailed specification and draft tender document for inviting tender for construction agency are under process. Advance of ₹ 0.34 crore released to M/s Egis India in August, 2012 towards preparing of designing & planning of project. Commencement of construction will be started after obtaining the approval of various Govt. Agencies and award of EPC contract to a construction agency.

The Company had incurred upto the close of the year ₹ 2.48 crores (P.Y. ₹ 230 crore) as Capital work in progress towards basic heliport, boundary wall, land development etc.

(XVIII) Helicopter Training Academy cum Heliport at Hadapsar, Pune

The Company has been assigned the responsibility of setting up a Helicopter Training Academy cum Heliport at the existing Gliding Centre at Hadapsar, Pune owned and controlled by DGCA. Detailed Project Report was submitted to Ministry of Civil Aviation. DGCA



released an amount of ₹ 10 crores for the purpose in April 2010 as per approval of the funding of the project through GBS. During the year under review, the Company has spent / adjusted against the advance of ₹ 10 crores as under:-

- Advance received from DGCA in April, 2010	- ₹ 10.00 crores
- Total interest accrued & earned till 31.03.2012	- ₹ 1.35 crore
Total fund upto 31.03.2012	- ₹ 11.35 crores
- Amount disbursed to NBCC as 20% advance payment towards project cost upon signing of agreement in September, 2011	- ₹ 2.08 crore
- Amount incurred by Pawan Hans towards project cost till 31st March, 2012	- ₹ 0.11 crore
Total Advance/ expenditure upto 31.03.2012	- ₹ 2.19 crore
- Balance available towards the project cost as on 31.03.2012 in the bank Accounts;	
Balance in current account	- ₹ 0.12 crore
FDR with Vijaya Bank	- ₹ 8.50 crore
Interest accrued For F.Y. 2011-12	- ₹ 0.55 crore
	- ₹ 9.17 crores

(XIX) Corporate Social Responsibility

During the year under review, the Company has created provision for Corporate Social Responsibility (CSR) as per guidelines issued by Government of India, Department of Public Enterprises vide their letter no. 15(3)/2007-DPE(GM) dated 09.04.2010 @ 3% on Profit After Tax (PAT) for the F.Y. 2009-10 and 2010-11.

F.Y.	PAT	Provision for CSR
2009-10	₹ 35.59 crores	₹ 1.07 crores
2010-11	₹ 18.51 crores	₹ 0.56 crore
Total		₹ 1.63 crores

Out of total provision of ₹ 1.63 crores the Company has spent amount aggregating to ₹ 0.24 crore i.e. ₹ 0.03 crore for the F.Y. 2010-11 and ₹ 0.21 crore for the F.Y.2011-12 and balance of ₹ 1.39 crore being

carried forward for utilization in the subsequent period.

(XX) The Company had no dues to Micro & Small Enterprises outstanding for more than 30 days on the Balance Sheet date.

(XXI) In view of the change in accounting policy in respect of 'Fuel Accounting' closing stock of ATF in Aircraft Barrels and Bouzers at the year end is valued. Accordingly closing stock of ATF is valued at ₹ 0.14 crore (P.Y. ₹ NIL). The corresponding figures for previous year is however not available since no closing ATF literage in helicopter and fuel tanks records were maintained at that time.

(XXII) In view of change in accounting policy in respect of Depreciation in respect of acquisition of new helicopters is made on prorata basis effective from the date of signing of certificate of airworthiness by airworthiness officer of DGCA. Hitherto depreciation was charged from the date of issuance of certificate of airworthiness. The excess depreciation charged last year has now been reversed in the year under review. The amount has been credited to prior period income ₹ 0.03 crores.

(XXIII) In line with the provisions of Accounting Standard (AS 22) "Accounting for Taxes on Income", the Company has reassessed cumulative taxable losses as on 31.03.2012 to the tune of ₹ 37.22 crores pertaining to F.Y. 2007-08, 2008-09 and 2010-11. The total unabsorbed depreciation upto FY 2011-12 is ₹ 145.03 crores. Based on examination of past records, estimation of profit projection for future and reversal of deferred tax liability in subsequent years, the cumulative taxable losses to the extent of ₹ 37.22 crores have been recognized for taking credit for Deferred tax assets in the current financial year. Taxable losses comprising of Unabsorbed depreciation has been assessed by Tax department upto the A.Y. 2009-10 under section 250 / 143(3) of the Income Tax Act, 1961.



As a prudent measure, the Company has recognized Deferred tax assets on account of unabsorbed depreciation to the extent of ₹ 37.22 crores upto 2010-11 considering the reversal of Deferred tax liability amounting to ₹46.93 crores upto FY 2017-18. Accordingly, the balance unabsorbed depreciation amounting to ₹ 107.81 crores (Tax on timing difference ₹34.98 Crores) in respect of FY 2011-12 will be reviewed in subsequent period.

(XXIV) 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.

(XXV) Fixed deposit includes ₹ 57.59 crores (P.Y. ₹ 45.60 crores) under lien with banks.

(XXVI) Provisions

Particulars	(in ₹/Crores)			
	Opening Balance as on 01.04.2011	Created during the year	Utilized during the year / Other Adjustments/ transfer/Reversals	Closing Balance as on 31.03.2012
Impairment of Assets including inventory	16.01	-	0.01	16.00
Provision for Revision of Pay & Allowances from 01.01.2007 including pension	32.37	34.30	28.90	37.77
Doubtful Debts/ Advance	10.83	1.63	0.10	12.35
Non moving inventories, etc.	13.38	1.35	0.77	13.96

(XXVIII) 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 Anil Srivastava, IAS, Chairman & Managing Director from 23.3.2012(A/N) onwards as Chairman & Managing Director.
- Shri R. K. Tyagi, Chairman & Managing Director upto 29.02.2012 as Chairman & Managing Director.

b. Transactions

- Sh. Anil Srivastava, IAS - *Remuneration ₹ NIL
- Sh. R K Tyagi, - *Remuneration - ₹ 21,69,344/-
- c. ONGC Ltd – Equity Shareholding - 49% - ₹ 120.35 crores

Transaction :-

Transaction :-	2011-12	2010-11
	₹/ crores	₹/ crores
Charter hire of helicopters (net)	203.05	168.84
Outstanding as on 31 st March (debit)	39.32	39.21
Secured Loan (received)	76.75	184.26
Loan repaid (Principal Amount)	23.41	9.84
Loan repaid (Interest)	14.40	5.52
Interest accrued as on 31 st March	1.28	0.65
Outstanding Loan (Principal Amount)	131.91	78.57
Outstanding Loan (Interest)	1.28	0.65
Amount converted into equity from secured Loan during the year.	-	95.85



(XXVIII) Earnings Per share has been computed as under:

	31 st March 12	31 st March,11
Net Profit/(Loss) after tax	(10,35,11,845)	18,50,60,378
Weighted average number of Equity Share outstanding	245616	245616
Earnings per share	(421)	1421
(Basic and diluted)		
Face Value of ₹ 10,000/- per share		

(XXIX) ADDITIONAL INFORMATION

a) Opening and closing stocks (after financial write offs)

	31 st March, 2012	31 st March , 2011
i) Stores, Spares & Consumables(Net)	85,95,63,548	72,06,16,274
ii) Gem Modules	54,15,882	54,15,882
iii) Test Tool/ Ground Support Equipment	49,69,606	68,60,180
iv) Goods-in-Transit	1,13,38,747	97,22,330
v) Stocks under Inspection	2,20,28,422	2,57,62,043
vi) ATF	13,81,542	-
vii) TOTAL	85,95,63,547	76,83,76,709

b) Value of imports calculated on CIF basis:

	31 st March, 2012	31 st March , 2011
i) Helicopters & Accessories	2,51,86,39,379	2,69,58,59,174
ii) Stores, Spares & Consumables	34,94,26,670	23,37,28,002
iii) Airframe & Aero Engine Equipments- Rotables	23,75,12,333	16,32,50,779
iv) Test equipment/Ground Support Equipment/ Loose Tools	1,36,55,291	1,02,71,861
v) Goods-in-Transit /Goods under Inspection	6,30,09,657	4,19,04,092
vi) Capital Goods/Other Items	29,07,694	43,54,474
TOTAL	3,18,51,51,024	3,14,93,68,382



c) Expenditure in Foreign Currency during the financial year:

	(In ₹)	
	31 st March, 2012	31 st March, 2011
i) Helicopters & Accessories	2,51,86,39,379	2,69,51,24,779
ii) Stores, Spares & Consumables	34,50,46,911	22,83,00,105
iii) Airframe & Aero Engine Equipments-Rotables	23,58,86,951	16,07,06,423
iv) Test equipment/Ground Support Equipment/Loose Tools	1,35,65,644	1,01,66,612
v) Foreign Travelling/Foreign Training	2,63,35,027	2,94,04,361
vi) Goods in Transit/Goods under Inspection	6,24,06,831	4,16,18,472
vii) Repair Charges	68,56,66,010	61,52,67,103
viii) Capital Goods/ Other Items	27,67,565	38,96,898
TOTAL	3,89,03,14,318	3,78,44,84,753

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

	VALUE (in ₹)		PERCENTAGE	
	31 st March, 2012	31 st March, 2011	31 st March, 2012	31 st March, 2011
Imported	38,99,01,749	35,16,79,075	96.5%	96.7%
Indigenous	1,40,19,374	1,21,09,977	3.5%	3.3%
TOTAL	40,39,21,123	36,37,89,052	100.00%	100.00%

e) Earnings in Foreign Exchange during the financial year :

	(In ₹)	
	31 st MARCH 2012	31 st MARCH 2011
Helicopter Services	1,58,16,49,706	1,23,76,18,937
	<u>1,58,16,49,706</u>	<u>1,23,76,18,937</u>

f) Remuneration paid to Directors including Chairman & Managing Director

	(In ₹)	
	31 st March, 2012	31 st March, 2011
i) Salary	14,35,059	14,08,920
ii) Allowances & Perquisites	5,65,387	7,25,322
iii) Provident Fund/Gratuity	1,68,898	1,78,760
	<u>21,69,344</u>	<u>23,13,002</u>



(XXX) As per notification no. F No. 02.06.2008 – C.L.V. dated 30.03.2011 issued by the Ministry of Company Affairs, Revised Schedule VI has become effective from 1st April 2011 for the preparation of Financial Statement. This has significantly impacted the disclosure

and presentation made in Financial statements. Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current years classification / disclosure as per Revised Schedule VI.

Anil Srivastava
Chairman-Cum-Managing Director

S. Machendranathan
Director

Sanjiv Bahl
Executive Director

Sanjiv Agrawal
Company Secretary &
GM (Legal)

Dhirendra Sahai
General Manager
(F&A)

Place : New Delhi.

Dated : 25th September, 2012



Cash Flow Statement For The Year Ended 31st March, 2012

Particulars	(₹ In lakhs)	
	31 st March, 2012	31 st March, 2011
A Cash Flow from Operating Activities		
Net Profit Before Tax	2,243.14	4,942.84
Adjustments For :		
Depreciation Charges	6,035.48	4,653.03
Interest Income	(928.09)	(649.01)
(Profit) /Loss on Sale of Fixed Assets - Net	0.75	5.09
Provision for Non-moving Inventory	135.03	311.61
Inventory Written Off	37.39	45.07
Fixed Assets Written Off	176.43	135.33
Provision for Doubtful debts/Advances	162.75	98.78
Insurance Claims	(2,133.92)	(184.82)
Provision no longer required	(355.26)	(135.00)
Provision Written Back for Self Insurance	-	(40.00)
Prior Period Items	456.10	118.72
Misc.Expenses Written Off	53.87	53.87
	3,640.53	4,412.67
Operating Profit Before Working Capital Changes	5,883.67	9,355.51
Adjustments For :		
Trade Receivables	1,584.63	(7,126.06)
Loans & Advances	2,912.42	3,086.01
Inventories	(1,084.29)	(913.35)
Trade Payables, Other Liabilities	(773.87)	3,365.19
Provisions	1,308.85	1,343.21
Prior Period Items	(456.10)	(118.72)
Insurance Claims	2,133.92	184.82
Cash Generated From Operations	5,625.56	(178.90)
Income Tax Paid	1,069.46	1,108.28
Net Cash From Operating Activities	10,439.77	8,068.33
B Cash Flow from Investing Activities		
Purchases of Fixed Assets	(28,284.92)	(30,981.43)
Sales of Fixed Assets	0.06	-
Capital Work-in Progress	593.18	1,208.16
Interest Received	928.09	649.01
Net Cash Used In Investing Activities	(26,763.59)	(29,124.26)
C Cash Flow from financing Activities		
Proceeds from Issue of Share Capital	-	13,185.00
Advance Against Equity, Pending Allotment	-	(1,500.00)
Proceeds from Long Term Borrowings	21,090.22	8,905.60
Repayment of Long Term Borrowings	(2,340.85)	(983.47)
Net Cash Used In Financing Activities	18,749.37	19,607.13
Net Increase in Cash and Cash Equivalents	2,425.55	(1,448.80)
Opening Cash and Cash Equivalents (Including ₹ 45.60 Crores Under lien)	11,135.39	12,584.19
Closing Cash and Cash Equivalents (Including ₹ 57.59 Crores Under Lien)	13,560.94	11,135.39

Notes: Figures in Brackets indicate cash outgo.

For S.Chaturvedi & Associates
Chartered Accountants
Firm Regd. No. 004550N

Anil Srivastava
Chairman-Cum-Managing Director

S. Machendranathan
Director

Punit Sachdev
Partner
(M.No.- 097897)

Sanjiv Bahl
Executive Director

Sanjiv Agrawal
Company Secretary & GM (Legal)

Dhirendra Sahai
General Manager (F&A)

Place : New Delhi.

Dated : 25th September, 2012



AUDITORS' REPORT

Annexure 'A' to the Director's Report

Management's Reply

To

The Members

PAWAN HANS HELICOPTERS LIMITED

1. We have audited the attached Balance Sheet of PAWAN HANS HELICOPTERS LIMITED as at 31st March, 2012 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.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section 4A of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we



considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.

4. We draw attention to:

- i) *The company has recognized deferred tax asset for unabsorbed depreciation as referred in Point No. XXIII of Note No. 27 upto the financial period ended on 31-03-2011 whereas deferred tax liability and assets for the other items as reflected in Note No. 4 have been recognized upto the financial period ended on 31-03-2012. The non-recognition of deferred tax asset for unabsorbed depreciation for the financial year ended on 31-03-2012 amounting to ₹ 34,97,90,618/- as required under Accounting Standard 22, "Accounting for Taxes on Income" resulting into increase of deferred tax liability amounting to ₹ 34,97,90,618/- and decrease of profit for the year and cumulative balance of profit and loss account to that extent.*

This has been explained in Note No. XXIII of Additional Notes to Financial Statement

In this respect it is to further explain that the unabsorbed depreciation and carry forward of the losses which can be set off against future taxable income are also considered as timing differences and result in deferred tax assets, subject to consideration of prudence. Accordingly, the recognition as deferred tax assets can be considered if there is "Virtual certainly with convincing evidence" that sufficient future taxable income will be available against which deferred tax assets can be realized. Based on examinations of past records of financial performances and estimation of profit projections for 12th Five year plan based on the availability of the firm long term charter contracts of the helicopters with customers like ONGC, A&N Administration, Lakshadweep Administration, NTPC and Himachal Pradesh, the generation of taxable profit in future has been assessed. Accordingly, this would start from FY 2013-14 and onwards and from FY 2015-16 a situation of net taxable income would arise. On the other hand, Company has carried out an exercise as on date of Balance Sheet for knowing the timing (financial year) when from the reversal process of deferred tax liability (created in past years due to difference in depreciation rates as per Companies Act and Income Tax Act) gets start. Accordingly, if other things being equal, the reversal process would be starting from FY 2014-15 and onwards and upto 2017-18 (the last year of 12th five year plan) would generate a total of future taxable income by reversal of deferred tax liability to the extent of approx ₹ 58 crores.



In view of above and also following the conservative prudent approach in recognizing the assets, the Company has considered recognizing of taxable losses as deferred tax assets to the extent of only ₹ 37.22 crores pertaining the period FY 2007-08 to 2010-11 out of total taxable losses of ₹ 146.15 crores including for the FY 2011-12. The taxable losses pertaining to the 2011-12 amounting ₹ 108.93 crores will be assessed and reviewed for recognizing as deferred tax asset at the next balance date which is entirely in accordance with AS-22.

In case of other deferred tax assets to the tune of ₹ 26.39 crores which comprises of various provisions like for employee benefits, slow moving, non-moving inventories, additional rent to AAI, doubtful debt and advances and Corporate Social Responsibility have been considered upto the financial year 2011-12 which is based on the fact that these assets have reasonable certainty to be paid / reversed in subsequent financial years. This in conformity with the AS-22.

However, the carrying amount of deferred tax assets shall be reviewed at each balance sheet date as per requirements of AS-22.

- ii. *Point No. XXI of Note No. 27, "Additional Notes to Financial Accounts", in view of the change in accounting policy in respect of 'Fuel Accounting' closing stock of ATF in Aircraft Barrels and Bouzers at the year end is valued. Accordingly closing stock of ATF is valued at ₹13,81,542/- The corresponding figures for previous year is however not available since no closing ATF literage in helicopter and fuel tanks records were maintained at that time. The same has resulted into increase of profit for the year by ₹13,81,542/-.*
- iii. *Point No. XXII of Note No. 27, "Additional Notes to Financial Accounts", in view of the change in accounting policy in respect of Depreciation on acquisition of new helicopters is made on pro-rata basis effective from the*

This has been explained in Note No. X of Significant Accounting Policy and Note No. XXI of Additional Notes to the Financial Statement.

This has been explained in Note No. I (h) of Significant Accounting Policy and Note No. XXII of Additional Notes to Financial Statement.



date of signing of certificate of airworthiness by Airworthiness Officer of DGCA and not from the date of issuance of certificate of airworthiness. The excess depreciation charged last year has now been reversed in the year under review. The amount has been credited to prior period income at ₹3,75,229/- resulting into increase of profit for the year by ₹ 3,75,229/-.

5. Further, we draw attention to

- (i) *Point No. IX and XI of Note No. 27, "Additional Notes to Financial Accounts" relating to Balance of Indian Oil corporation under reconciliation and non availability of balance confirmation of Trade Receivables, Long Term and Short Term Loans and Advances given, Other Non-Current Assets, Other Current Assets, Other Long Term Liabilities, Trade payables and Other Current Liabilities and reconciliation of such accounts. In view of the above, we are unable to comment on the adjustments/ provisions, if any, required to be made in this respect and its consequential effect on the profit for the year, cumulative balance of surplus and assets and liabilities as stated in the financial statements;*
- (ii) *Point No. XII(a) of Note No. 27, "Additional Notes to Financial Accounts" Provision for revision in pay scales and allowances of regular employees also includes provision for pension contribution @ 10% of PF pay from 01/01/2007 to 31/03/2012 amounting to ₹ 14.15 Crore (P.Y ₹ Nil). The said amount has been worked out by the company on accrual basis instead of actuarial basis as required under Accounting Standard -15 Employee Benefits as notified in the Companies (Accounting Standards) Rules, 2006. In absence of actuarial valuation, we are unable to comment upon the adequacy of the provision made by the company and its impact on the financial statements of the company.*
- (iii) *During the year the company has carried out the physical verification of inventories at Western Region. The company is currently under the process of reconciling the data available from the physical verification with the accounting records. Pending completion of such reconciliation process the company*

This has been explained in Note No. IX & XI of Additional Notes to Annual Accounts.

This has been explained in Note No. XII of Additional information to the financial statement.

Provision has been made on adhoc basis pending completion of the entire reconciliation process on account of shortage/excess inventory and is expected to complete in due course.



has made an adhoc provision of ₹5,00,000/- on account of likely shortages in inventories. In absence of reconciliation and other supporting documents, we are unable to comment upon the adequacy of the provision made by the company and its impact on the financial statements of the company.

(iv) Capital Work in Progress under the head Fixed Assets at Western Region includes an amount of ₹ 19,41,258/- paid on account of Design & Consultation charges for development of Profit Maintenance Centre (the project). The said charges were incurred in the financial years 2005-2006 and 2006-2007. Subsequently the company has neither incurred any further expense on the said project nor we have been informed about the current status of the project. In absence of any supporting documents/ explanations we are unable to comment upon the status of the said amount being carried forward in the books under Capital Work in Progress and its impact on the financial statements of the company.

(v) Note No. 27(xxiii) of Additional Notes to Accounts forming part of Financial Statement regarding reclassification of previous year figures, the company has reclassified the figures for the financial year ended 31st March, 2011 based on the Notification No. S.O. 447(E) dated 28-02-2011 (As Amended by Notification No. F.No.2/6/2008-CL-V, Dated 30-03-2011 on Revised Schedule VI issued by the Ministry of Company Affairs. In the absence of complete details of such reclassification, we are unable to verify the reclassification of previous year's figures.

(vi) Figures of incomes, expenditures, liabilities and assets of Regions have been regrouped/rearranged in consolidation of Financial Accounts.

We further report that, without considering items mentioned at paragraph 5 above, the effect of which could not be determined, had the observations made by us in paragraph 4 above been considered, the profit for the year would have been ₹ 24,45,22,002/- (as against reported figure of Loss ₹ 10,35,11,845/-), reserves and surplus would have

A Proposal for writing off expenditure of ₹19,41,258/- incurred on Engineering Maintenance Centre project shall be submitted to Board of Directors for approval in the forthcoming Board meeting.

Figures for the financial year 2010-11 is reclassified as per Notification No. S.O. 447(E) dated 28-02-2011 (As Amended by Notification No. F.No.2/6/2008-CL-V, Dated 30-03-2011 on Revised Schedule VI issued by the Ministry of Company Affairs.

No Comments

This has been explained above in reply to paragraph 4 of Audit Report.



been ₹ 2,64,75,36,109/- (as against reported figure of ₹ 2,29,95,02,262/-), Deferred Tax Liability would have been ₹ 91,55,01,641/- (as against reported figure of ₹ 1,26,52,92,259/-), Fixed assets would have been ₹ 9,34,96,06,896/- (as against reported figure of ₹ 9,34,99,82,125/-) and Inventories would have been of ₹ 79,35,22,185/- (as against reported figure of ₹ 79,49,03,727/-).

6. Further to our comments in the Annexure referred to in Paragraph 3, Paragraph 4 and 5 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 07.09.2012 has 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 *except Accounting Standard 15 "Employees Benefit" and Accounting Standard 22 "Accounting for Taxes on Income" as reported in Point No. 5(ii) and 4(i) respectively.*

This has been replied above at paragraph 4(i) and 5(ii) of the Audit Report.



- 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.

Subject to the Notes given under the Additional Notes to Financial Accounts, 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, except as stated above, in conformity with the accounting principles generally accepted in India:

- i) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2012.
- ii) In the case of Profit & Loss Account, of the Loss 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.

For S. Chaturvedi & Associates
Chartered Accountants
Firm Regn. No. 004550N
(Puneet Sachdev)
Partner
M.No. 097897

Place: New Delhi
Dated: 25.09.2012



ANNEXURE TO THE AUDITOR'S REPORT

Management's Reply

PAWAN HANS HELICOPTERS LTD ,
NEW DELHI

(Referred to in paragraph 3 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 except in case of Western Region.*

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 are being recorded.

(b) *The fixed assets have been physically verified by the management at Northern Region and Corporate Office as per information and explanations provided and at Western Region, the fixed assets verification is under process and yet to be completed. Further reconciliation of physical verification of fixed assets with fixed assets register at Northern Region and Corporate Office is not yet completed. Accordingly, details of discrepancies, if any, on such physical verification with the records maintained by the Company is not available.*

Physical Verification has since been completed at Western Region. The Process of reconciliation of assets physically verified with fixed assets register at Northern Region and Corporate Office is in progress and is expected to complete in due course.

(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 a) inventories of Westland Helicopters b)inventories scrapped but not disposed off at Northern Region and c) Inventory lying with Repair Agency outside the Country for repairs/maintenance. However at Western Region, the high value items of stores and spares lying at the main stores have been physically verified by the management at the close of the year. In case of other items lying at the main stores, the Western Region has a programme for verification*

In respect of inventories of Westland Helicopters it is to explain that after the Judgment of Hon'ble Supreme court, the Westland 271 boxes have been received by Western Region in Oct/Nov,2012 from the warehouse owner, on as is where is basis and the entire balance Westland helicopters along with inventory shall be disposed off after clearance from steering committee appointed by the Government of India which is being re-constituted. Therefore, Physical Verification of these inventories is not Possible. In case of inventories scrapped but not disposal off



of such items of stores and spares over a period of three years and accordingly a part of the inventory of such items have also been verified at the close of the year. In case of stock of stores and spares at the detachments, the issues are made from Mumbai and at the year end the closing stock of stores and spares at detachments is recorded based on physically verification reports submitted by respective detachments and hence the control exercised is limited

- (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. However at Western Region, over the years there are many items which have remained un-reconciled after conducting the physical verification. In view of this procedure for the physical verification of inventories followed by the management needs to be strengthened to make it commensurate with the size of the Company and nature of its business.*
- (c) *The company is maintaining proper records of inventory and discrepancies noticed on physical verification, which were not material and these have been properly dealt with in the books of account. However at Western Region, The Company is maintaining records of inventory, except at detachments where no stock register is maintained. The discrepancies noticed on verification between the physical stocks and the book records have remained unresolved over a long period. Adhoc provision for shortages found on the physical verification has been made in the books.*

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), to iii (g) of paragraph 4 of the order are not applicable.

at Northern Region action for disposal is in process.

Complete details of items dispatched to various detachments and received back from there is fully accounted at Western Region. Further, at the year end closing balance of inventory record is also being received from all the detachments and accounted for at Western Region.

Noted for Compliance.

The Stock register of inventory at all our detachments is being maintained. Further, the base managers will be instructed to update the inventory register on a continuous basis.

Provision has been made on adhoc basis pending completion of the entire reconciliation process on account of shortage/excess inventory and is expected to complete in due course.

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(a)** The particulars of contracts or arrangements that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956, have been properly entered . No comments.
- (b)** According to the information and explanations given to us, transactions made in pursuance of such contract or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time. 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 of section 58 A and 58AA of the Companies Act, 1956 and rules framed there under, are not applicable. No comments.
- VII.** In our opinion, the internal audit system of the Company needs to be further strengthened keeping in view the size and nature of the business with timely submission of Internal Audit Reports. Noted for Compliance.
- 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, This has been explained at Note No. V (b) of Additional Notes to Financial Statement.



custom duty, cess, service tax and other material undisputed statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of Statutory dues were in arrear, as at 31st March, 2012 *except Stamp Duty at Western Region amounting ₹ 13,81,000/-* for a period of more than six months from the date they became payable.

- (b) The detail of disputed statutory dues which have not been deposited is as follows :-

Nature of Demand	Financial Year	Amount (₹ in crore)	Forum in which dispute is pending
CST, Interest & Penalty	2006-07	81.89	Commissioner of Trade & Taxes, Delhi
CST, Interest & Penalty	2007-08	78.48	Commissioner of Trade & Taxes, Delhi
CST, Interest & Penalty	2008-09	85.36	Commissioner of Trade & Taxes, Delhi
CST, Interest & Penalty	2009-10	73.54	Commissioner of Trade & Taxes, Delhi
Penalty for non registration	-	0.01	Commissioner of Trade & Taxes, Delhi
	Total	319.28	

This has been explained in Note no. (ii) (3) of Additional Notes to Financial Statement Under Head "Contingent Liability".

- X. The Company does not have any accumulated losses as at 31st March, 2012. The Company has not incurred cash losses in the financial year ended on that date and in the immediately preceding financial year. *The qualifications stated in the paragraph 5 of the Audit Report are not quantifiable, accordingly the effect of such non-quantification of qualifications has not been taken into consideration for the*

This has been explained at Paragraph No.5 at Audit Report.



purpose of making comments in respect of this clause.

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|--------------|---|--------------|
| XI. | According to the information & explanations given to us, and as per our examination of records, the company has not defaulted in repayment of dues to any Financial Institution or Bank. | 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 and investment in Equity Share (non listed) in National Flying Training Institute, Gondia, Maharashtra, 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 | No comments. |



- examination of record, the company has utilized the term loan obtained from M/s ONGC Ltd., M/s. NTPC Ltd. and M/s. Exim Bank for the purpose, for which these were obtained. 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. No comments.
- XVIII.** During the year the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly clause 4(xviii) of the Order 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 & 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 **S. Chaturvedi & Associates.**
Chartered Accountants
Firm Regd. No. 004550N

(Puneet Sachdev)
Partner
M. No.097897

Place: New Delhi
Dated: 25.09.2012



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 MARCH 2012

The preparation of financial statements of **Pawan Hans Helicopters Limited** for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956, are 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 25 September 2012.

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 2012. 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 the Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplant to statutory Auditors report under section 619(4) of the Companies Act, 1956

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

(Ila Singh)
Principal Director of Commercial Audit
& ex-officio Member, Audit Board-I,

New Delhi.

Place: New Delhi
Dated: 20 December 2012



EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

CHANGE IN NAME OF THE COMPANY FROM “PAWAN HANS HELICOPTERS LIMITED” TO “PAWAN HANS LIMITED”

The Company was incorporated in October 1985 under the name of Helicopter Corporation of India Ltd. as a Government Company under the Companies Act 1956 with the following main objectives:-

1. Providing Helicopter support services to meet the requirement of Oil Sector.
2. Operating in hilly and remote terrain connecting inaccessible areas and
3. Providing tourists charters for promotion of travel & tourism.

In view of the directive from the Government to rename the Company in Hindi, after approval of shareholders in the General Meeting by way of special resolution, the name of the Company was changed to Pawan Hans Limited as per the fresh Certificate of Incorporation issued by the Registrar of Companies on 5th May 1987.

The Board of Directors in the 60th meeting held on 02.05.1996 decided to add the word “Helicopters” in order to directly reflect its main activity of doing business of helicopters. Accordingly, after approval of shareholder in the General Meeting, the word “Helicopters” was added and fresh Certificate of Registration was issued on 28.06.1996 by the Registrar of Companies.

The Company has added 3 more objects in the Main Objects of the Company in the 24th Annual General Meeting held on 23.12.2009 namely for setting up of Training Institute of AME & Pilots, Operation of Sea Plane, Fixed Wing Aircrafts and setting up of specialised Institute for Safety Audit & Excellence and setting up of Heliport.

With the passage of time the company has grown its size which is presently 47 helicopters comprising of 35 Dauphin N/N3 helicopters, 07 Bell 206L4/407 helicopters, 03 Mi-172 helicopters and 02 AS350B3 helicopters. Apart from this the Company has Operations & Maintenance contract of 06 Dhruv helicopters owned by BSF (MHA).

The Government of India had increased its equity in Pawan Hans for setting up of Heliport at Rohini. Similarly, ONGC also increased its equity investment in Pawan Hans for acquisition of more helicopters. The Company's authorized capital has been increased from ₹120 crores to ₹250 crores on 3.12.2010. The paid up share capital of the Company is now ₹245.616 crores comprising of ₹125.266 crores in the name of President of India and ₹120.35 crores in the name of ONGC Ltd.

New Business of Heliports, seaplane and small fixed wing aircrafts.

The Company has got 25 acre land from DDA at Rohini in the year 2009 for setting up of Heliport. Pawan Hans had constructed the Helipad at CWG Village (Akshardham). Apart from this the



Company had also set up Training Institute in the name of Pawan Hans Helicopters Training Institute at Mumbai (PHTI) in September, 2009 a DGCA approved Helicopters Training Institute for technicians and engineers at Mumbai. The Company also set up National Institute of Aviation Safety & Services at Delhi (NIASS) which was started in June 2010 for Safety Management System and Safety Awareness in the country. Pawan Hans introduced seaplanes for first time in India for promoting heli tourism in A&N Islands on 50:50 Profit/(Loss) sharing basis. Seaplane services were undertaken for the period January 2011 to May 2011.

Keeping in view of the long term prospects of Sea Plane business based on the feasibility studies conducted by Pawan Hans for introduction of seaplane in the States of Kerala, Madhya Pradesh, West Bengal, Goa, Lakshadweep etc. Ministry of Civil Aviation in their 12th Five Year Plan Projection has been requested for funds allocation for purchase of 10 nos. seaplanes at the cost of ₹150 crores through Pawan Hans for tourism and other purposes. Further, Pawan Hans has planned in its 12th Five Year Plan (through funding by Pawan Hans IEBR) for acquisition of 2 Nos. seaplanes.

Pawan Hans is making efforts to take small fixed wing aircrafts on lease for providing connectivity in Lakshadweep and Andaman & Nicobar Islands. The Govt. of West Bengal has issued LOI on 9th October, 2012 to Pawan Hans for starting of fixed wing services from Kolkata to Coochbehar via Bagdogra (with provision of subsidy upto 8 vacant seats out of total 18 seats for a period of 3 months initially). Accordingly, an MOU would be executed between Pawan Hans and the State Govt.

Changing economic environment, introduction of open sky policy of Govt. of India and consequential changes in business scenario in Aviation Sector particularly in Helicopter Operation prompted the organization to re-consider the core vision and strategies. Accordingly, Pawan Hans has been making efforts for establishment and development of Heliports in the Country as well as venturing into new area of seaplane and small fixed wing aircraft operations apart from expansion of its business in helicopter services.

Need for change of name to "Pawan Hans Limited".

The brand name Pawan Hans has already established over 25 years since 1986 and keeping in view its core competency and changing market conditions as well as opportunities available for diversification, efforts have been made in venturing into other related areas such as Heliport, Training Institute, Safety Audit Institute, Seaplane and small Fixed Wing services in potential areas. There is urgent need to bring back the name "Pawan Hans Limited" by dropping the word "Helicopters". Therefore, the Shareholders are requested to kindly approve change in name of the Company from "Pawan Hans Helicopters Limited" to "Pawan Hans Limited" and pass a Special Resolution by approving Change of Name pursuant to Section 21 of the Companies Act, 1956 and Amendment in Clause No.1 of the Memorandum of Association, in the definition Clause of this Company as contained in the Articles of Association and at other places, the words "Pawan Hans Helicopters Limited" be substituted by the words "Pawan Hans Limited".

None of the Directors is interested in personal capacity in respect of the above Resolution. Accordingly, the Shareholders are requested to approve the above resolution.