

**ANNUAL REPORT  
2012-13**



**PAWAN HANS LIMITED**  
(Formerly Pawan Hans Helicopters Limited)

**OUR AIM**

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

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## BOARD OF DIRECTORS



**Anil Srivastava**  
Chairman-cum-Managing Director



**S. Machendranathan**  
Special 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.



**AVM S.R.K. Nair**  
ACAS (Ops. & T&H)  
Air Headquarters



## MANAGEMENT TEAM

Chairman Cum Managing Director	Shri Anil Srivastava, IAS
Chief Vigilance Officer	Shri Prabhat Kumar, I.R.S.
Executive Director	Shri Sanjiv Bahl
General Manager (P&A)	Shri Deepak Kapoor
General Manager (Finance & Accounts)	Shri Subir K. Das
General Manager (Operations)	Air Cmde (Retd) Alok Kumar
Company Secretary & General Manager (Legal)	Shri Sanjiv Agrawal
General Manager (Marketing)	Shri Sanjay Kumar
Incharge (Engineering)	Shri M.P. Singh
Dy.General Manager (Infocom Services)	Shri Sanjeev Rajdan
Deputy General Manager (Materials)	Shri S.K. Sharma
Head Safety	M.S. Boora
General Manager (Northern Region)	Shri Dharendra Sahai
General Manager (Western Region)	Sh. M. Sreekumar

### *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

#### *Eastern Region*

3<sup>rd</sup> Floor, Hotel Rajashri inn  
VIP Road, LGBI Airport  
Guwahati, Kamrup (Metro)  
Assam-781015

### *Auditors*

M/s. Khanna & Annadhanam  
Chartered Accountants  
New Delhi-110001

#### *Branch Auditors*

M/s. Lakhani & CO.  
Chartered Accountants  
Mumbai

### *Bankers*

Vijaya Bank  
State Bank of India  
Punjab National Bank



## NOTICE FOR 28<sup>th</sup> ANNUAL GENERAL MEETING

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

NOTICE is hereby given that the 28th Annual General Meeting of the Company is scheduled to be held on Wednesday the 18th December 2013 at 4.00 PM at Registered Office of the Company at Safdarjung Airport, New Delhi-110003 to transact the following business:-

### **ORDINARY BUSINESS**

1. **ADOPTION OF ACCOUNTS**

To receive, consider and adopt the audited Balance Sheet as on 31.03.2013, the audited Profit & Loss Account for the year ended on 31st March 2013, along with the Auditors' Report, comments of C&AG thereon and Directors' Report.

2. **DECLARATION OF DIVIDEND**

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

"RESOLVED THAT dividend amounting to `2,33,96,400/- @ 20% of the net profit after tax (i.e. `11.70 crores) on the paid-up capital of `245.616 crores is hereby declared for the financial year 2012-13 to the shareholders of the Company."

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

(Sanjiv Agrawal)  
Company Secretary

NEW DELHI.  
November 26, 2013

### NOTES:

- 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. A blank Proxy Form is enclosed.

### **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 28th Annual General Meeting of your Company. The Annual Report for the financial year 2012-13 has been circulated and with your permission I take it as read.

Financial year 2012-13 had been a year of challenges and the Company made efforts to recover from its losses which had taken place during previous year. The financial year 2011-12 was a bad year in the history of your Company and the Company needed strong measures to ensure its healthy survival. Total flying hours this year were 31,683 as against 31,240 hours during the previous year. Revenue flying hours were 30,310 as against 29,892 hours in previous year. These figures are not very encouraging if we look at the losses, which Company had incurred during 2011-12, but when we look at revenue figures, the picture which emerges is more encouraging. Average monthly deployment of helicopters during the year ended 31.03.2013 was 31 out of the fleet size of 46 helicopters and the Company had Operations & Maintenance contracts of 5 Dhruv helicopters owned by BSF (MHA) with M/s. HAL. The fleet serviceability during 2012-13 was 83% as against 81% in the previous year.

Operating revenue during 2012-13 was ₹ 465.25 crores as against ₹ 428.86 crores in the previous year. We secured new contracts for Dauphin N/N3 helicopters from British Gas, Govts. of Meghalaya, Mizoram, Odisha, Maharashtra (Ghadhchiroli) and Assam from

the 2nd quarter of 2012-13 and two new Mi-172 helicopters (acquired in August 2012) were deployed with Governments of Himachal Pradesh and Arunachal Pradesh w.e.f. 3rd and 18th January, 2013 respectively at competitive rates.

The net operating profit for 2012-13 is ₹ 39.64 crores against ₹ 6.27 crores in the year 2011-12. This year your company has managed to turn around with profits net of everything at ₹ 11.70 crores against the net loss of ₹ 10.35 crores during previous year.

As part of turn around strategy in 2012-13, many transformation programs and cost cutting measures were undertaken immediately from April, 2012. The cost reduction measures resulted in substantial reduction in expenditure to the tune of ₹ 9.40 crores primarily by saving ₹ 3.20 crores in overtime and saving of ₹ 6.20 crores by way of strict monitoring of expenses on advertisement, travel expenses, TA/DA overheads and business promotion expenses. This was achieved by encouraging all the employees to have day to day meeting/discussions through video conferencing to reduce travelling expenses and establishment of guest house/empanelment of Hotels at bases. Inventory management system was implemented for efficient and effective control of inventory budget. Strict control of time schedule for ONGC helicopter deployment to avoid delay in provisioning helicopters. To improve operational efficiency and MIS all the bases were instructed for daily manifest entry logged in computer system. Cross



conversion of pilots on different type of helicopters was encouraged which led to their efficient utilization and higher flying hours per pilot as per CAR on all type of fleets. Monitoring of FTL/ FDTL through centralized computer system. Creation of Eastern Region for improved focus on North East Region. Weeding out of low performing crew pilots. Responsibility and accountability was fixed at all the level of employees along with Monthly/ Quarterly/ Annual performance targets for executives. Strict control/ monitoring to avoid delay in departure and AOG in provisioning of helicopters for ONGC to generate more revenue and minimizes total loss. A dedicated team for speedy Recovery of outstanding amount was formed primarily for North Eastern States.

Similarly new business initiatives were taken in 2012-13 after ONGC tenders during the previous financial year had resulted into non deployment of 6 Dauphin N / N3 helicopters which was overcome by additional deployment with new customers like British Gas, GAIL, Govt. of Maharastra, Govt of Odisha etc and new openings in North East Region after 2011 setback, contracts from Governments of Himachal Pradesh, Arunachal Pradesh, Meghalaya, Mizoram, Assam, Tripura and Sikkim.

Reserves and surpluses of the Company during 2012-13 are at ` 238.91 crores as against ` 229.95 crores in 2011-12. The Long Term Borrowings as on 31.03.2013 are at ` 274.69 crores against ` 232.83 crores in the previous year. Rating of the Company has been upgraded with stable India A+ from Stable India A. This has been possible due to better operational performance and safety measures.

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 a cause of concern as the Company would again need new medium helicopters in the year 2015-16 onwards for future tenders of ONGC. 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 5 years vintage condition has major implication on pricing due to heavy 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. The vintage of 5 years is too stringent and needs to be increased say 10 years. The existing Dauphin N helicopters which were made fully Aviation Standard-4 compliant in the year 2007 by installations of Safety Equipments at substantial capital cost became out of ONGC contract and their full deployment is a major cause of concern for the Company. The airworthiness of Dauphin N helicopters is approved by DGCA and this issue was taken up with ONGC/Ministry of Petroleum & Natural Gas through MoCA, however, ONGC did not agree. On account of vintage of over 25 years of Dauphin N helicopters, these helicopters are not finding ready acceptability in the market from various present /potential customers. Similar issues are being faced with respect of 16 years old three Bell 206 L4 helicopters.

During the first half of financial year 2013-14 ended on 30.09.2013 the total flying hours



and operating revenue were 15,919 hours and ₹ 245.30 crores as against 16,253 hours and ₹ 223.86 crores in the corresponding period of the previous year. The 3 new operation/services with IIT Kanpur, West Bengal and Amarnath Ji had commenced from 30.05.2013, 16.06.2013 and 28.06.2013 respectively. Similarly in this period ended on 30.09.2013 the operating profit and Net Profit after tax were ₹ 18.75 crores and ₹ 4.25 crores against ₹ 16.34 crores and ₹ 3.28 crore in corresponding period of the previous year. In 2013-14 there was substantial reduction in insurance premium by ₹ 5.81 crores (i.e. 20% net reduction of insurance cost) over last year on the fleet of the helicopter for the period 01.08.2013 to 31.07.2014. Further in the floods in Uttarakhand in June 2013, your Company provided five helicopters for rescue mission and operated 141 hours, rescued 1,046 passengers and carried food / medicines of 6,990 kgs.

During the 12th Five Year Plan Period (2012-17) the projections related to Pawan Hans approved by Planning Commission are for acquisition of 10 helicopters and 02 seaplane, import of equipments, creation of maintenance centre / JV, Building Projects and others for a total amount of ₹ 725 crores through IEBR. The 12th Five Year Plan projections of Pawan Hans have been revised to further augment the fleet by acquisition of 22 helicopters and 02 seaplanes at a cost of ₹ 1,189 crores. The revised plan has been submitted to the Ministry of Civil Aviation for approval from Planning Commission.

Towards new business initiatives the Company is making efforts to start seaplane operations in A&N and West Bengal. In view of expansion of helicopter services in the North East

and Eastern Region, the Company has created Eastern Region with headquarter at Guwahati.

The Company has finalised construction plan of a Heliport at Rohini in New Delhi and it has already created basic Helipad facilities at Rohini. Necessary clearance from DDA for the Rohini Heliport Project is underway. Further, the Company has been assigned the task to develop a Helicopter Pilot Training Institute and Heliport at Hadapsar in Pune. The construction work of the Helipads and Hangar is in final stage and expected to be completed by January 2014.

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.

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, Ministry of



Civil Aviation and its various agencies in efficient management of the Company. I deeply appreciate the confidence reposed by ONGC, GAIL, GSPC, NTPC, Oil India, British Gas, Ministry of Home Affairs, BSF, the State Governments of Meghalaya, Mizoram, Arunachal Pradesh, Himachal Pradesh, Sikkim, Maharashtra, Tripura, Assam, Odisha,

Andaman & Nicobar Islands and Lakshadweep Islands in the Company and also services rendered by its employees towards Company's growth.

(Anil Srivastava)  
Chairman cum Managing Director  
Dated : 18.12.2013



***Shri Ajit Singh Hon'ble Minister of Civil Aviation receiving Dividend cheque from Shri Anil Srivastava, CMD, PHL in presence of Shri Ashok Lavasa, Secretary, Civil Aviation***



## DIRECTORS' REPORT

### The Shareholders,

Gentlemen,

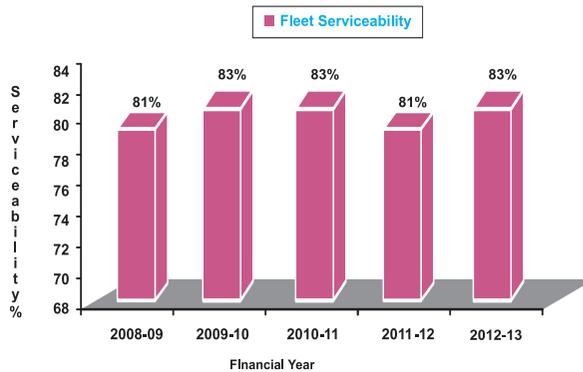
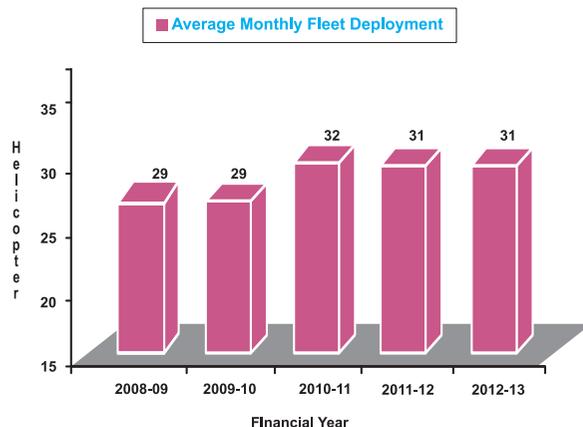
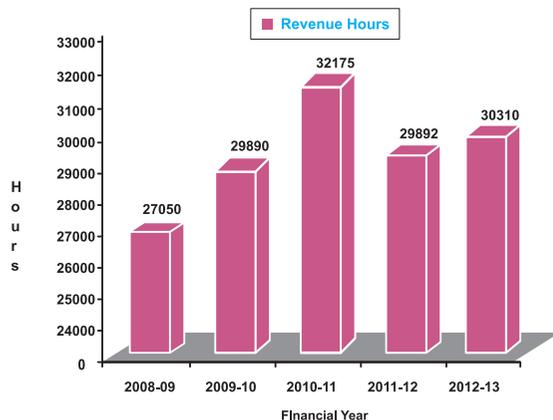
Your Directors have immense pleasure in presenting the Twenty Eighth Annual Report of the Company together with the audited accounts and the Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2013.

### 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 31.03.2013 was 31 helicopters out of the fleet size of 46 helicopters (excluding 1 Bell 407 which had a major damage due to accident at Katra on 30.12.2012). Average fleet serviceability during the year was 83% as against 81% in the previous year. Total flying hours were 31,683 hours as against 31,240 hours during the previous year.

#### b) Fleet Profile

The Company's operational fleet as on 31.03.2013 comprises of the following:-

Helicopter type	No. of helicopters	Average Age (years)
Dauphin SA365N	18	28
Dauphin AS365 N3	17	8
Bell-407	3	8
Bell 206L4	3	16
AS 350 B3	2	2
MI-172	3	5
<b>Total</b>	<b>46</b>	

As on 31.03.2013 the Company had Operation & Maintenance Contracts of 5 Dhruv helicopters owned by BSF (MHA) with M/s. HAL.



### ***Dauphin Helicopter Fleet ready for Off-Shore operations at Juhu Aerodrome Mumbai***

These Dhruv helicopters are being used by BSF for Anti-Naxal activities. The Company has also provided one Dauphin N helicopter to Government of Maharashtra for Anti-Naxal activities at Ghadhchiroli, Maharashtra.

The Company has received two new Mi-172 helicopters in end August 2012 thereby making the total operational fleet to 46 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. 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 were deployed

with ONGC between April 2012 to July 2012. As on 31.03.2013, the Company had on contract 10 Dauphin N3 helicopters with ONGC for their off-shore task 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, Himachal Pradesh, Arunachal Pradesh, 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.

The 3 new helicopters services with British Gas, Govt. of Meghalaya and Govt. of Mizoram had commenced from 16.06.2012, 26.07.2012 and 14.08.2012 respectively. Further, 1 no. Dauphin N was deployed with Govt. of Assam for short period and 2 nos. new Mi-172 helicopters were deployed w.e.f. 3rd Jan.'2013/18th Jan.'2013



with Govts. of Himachal Pradesh and Arunachal Pradesh respectively. Delhi-Vrindavan helicopter services commenced with Bell 206 L4 helicopter from 28.11.2012 between Palam Airport, New Delhi to Vrindavan.

The Company had got contract for operating helicopter services from Mata Vaishno Devi Shrine Board from Katra to Sanjichat under competitive conditions after being declared the lowest bidder from April 2008 onwards. The Company had again got award of contract for next 3 years from April 2011 from the Shrine Board under significant competitive environment.

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.

#### *d) Fleet Augmentation*

The Company has purchased 10 Nos. new Dauphin N3, 3 Nos. AS350B3 and 2 Nos. Mi-172 helicopters with an estimated project cost of ` 635 crores. The 5 Nos. Dauphin N-3 and 3 Nos. AS350 B3 helicopters received till March 2011, 5 more new Dauphin N3 helicopters received till March 2012 and 2 Mi-172 helicopters were received in August 2012.

#### *e) Funding for Acquisition of New Fleet.*

The Company had signed agreement with ONGC on 13.08.2010 for term loan of ` 275 crores. The loan is repayable in 60 monthly installments from the date of drawal of loan for each helicopter. 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 availed term loan of ` 90.82 crores from EXIM Bank for financing 80% cost of 2 Dauphin N3 helicopters and 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. The Company had also got sanctioned fund based limits of ` 40 crores from Vijaya Bank for working capital requirements. The Company had got credit rating from India Ratings on the term loans of "Ind A" (stable) which has been upgraded recently to Ind A+ (stable).

#### *f) Heliport/Helipad in Delhi and adjoining areas*

DDA has allotted 25 acres land in Rohini New Delhi in June, 2009 in the name of Ministry of Civil Aviation for construction of the Heliport. Pawan Hans has taken possession of the land and 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 has contributed ` 19.07 crores towards land cost as Grant and on 31.08.2010 further contributed towards 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. Architect cum Project Management Consultant (APMC) has been appointed on 04.11.2011 for Heliport designing, planning & operations and tender for appointment of construction agency has been issued, technical and financial evaluation of the bidders has been completed. Master Plan and Building drawings have been approved by DGCA, BCAS and AAI. Joint meeting was held on 27.11.2013 in Ministry of Civil Aviation with DDA, AAI and PHL with regard to DDA's letter for relocation of the Heliport site and DDA has in principle agreed



to the present site. Accordingly DDA is being requested for issue of its clearance before award of contract for appointment of construction agency.

**g) Training Academy and Heliport at Hadapsar, Pune**

Pawan Hans has been 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 utilizing land and other infrastructural facilities for this purpose at the Gliding Centre, Pune on behalf of DGCA. Pawan Hans has got planning, designing and construction work done through NBCC on deposit work basis at the cost of ₹ 10.40 crores. The project cost has been revised to ₹ 11.30 crores and NBCC has been requested to complete the balance work.

**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 close of the financial year 2012-13, the following developments have taken place:-

i. In the recent floods in Uttarakhand in

June 2013, Pawan Hans had provided five helicopters for rescue mission and had operated 141 hours, rescued 1,046 passengers and carried food / medicines of 6,990 kgs. Helicopter VT-PHZ, which was inducted in Pawan Hans in December 2012 and contracted to ONGC for Offshore operations at Mumbai was deployed for rescue mission. Under the instructions from ONGC, the helicopter while on a rescue mission from Matli to Harsil on 28.06.2012 made a hard landing and Tail Boom of the helicopter got damaged and separated from main structure with associated damages. There was no injuries/fatalities. The helicopter was retrieved with the help of IAF helicopters in the first week of September 2013 and claim lodged with Insurance Company. Inquiry is being carried out by AAIB.

ii) One Bell 407 helicopter regn. No.VT-PHT had a major damage due to hard landing at Katra on 30.12.2012 while on way from Sanjhichat to Katra which is being investigated by AAIB. There was no casualty. Claim has been lodged with the Insurance Company.

iii. One of the major milestone achieved for the year 2013-14 for cost reduction has been substantial reduction in insurance premium on the fleet of the helicopter for the period 01.08.2013 to 31.07.2014. The annualized premium works out to ₹ 23.47 crores resulting in reduction of cash outflow by ₹ 5.81 crores. Overall net reduction of insurance cost over last year works out to 19.84% or say 20%. Improved safety standards in the Company also contributed to reduction in insurance premium rates.

iv. During the 12th Five Year Plan Period (2012-17) the projections related to Pawan Hans approved by Planning Commission are for Acquisition of 10 helicopters and 02



seaplane, import of equipments, creation of maintenance centre / JV, Building Projects and others for a total amount of `725 crores through IEBR. The 12th Five Year Plan projections of Pawan Hans have been revised to further augment the fleet by acquisition of 22 helicopters and 02 seaplanes at a cost of `1189 crores. The revised plan has been submitted to the Ministry of Civil Aviation for approval from Planning Commission.

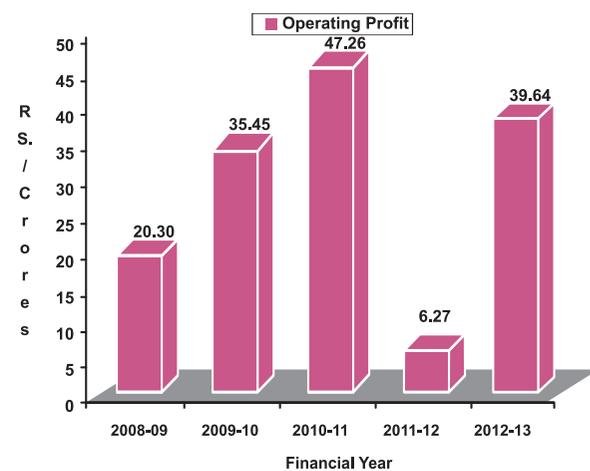
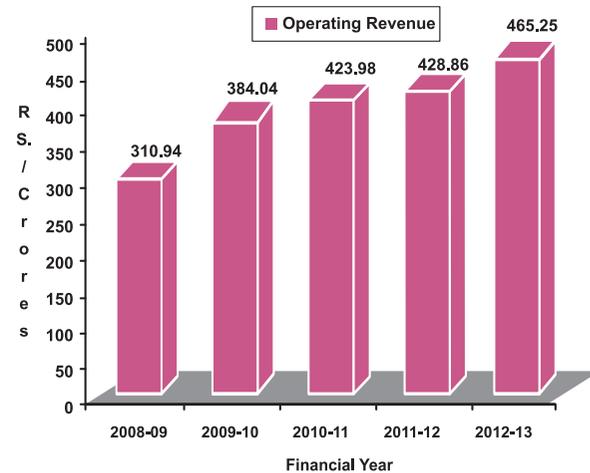
- v. Recently in the month September 2013 Pawan Hans has been shortlisted by Government of Arunachal Pradesh for deployment of one more Mi-172 helicopter. New contracts are being won under competitive conditions with improved safety and operational efficiency.
- vi. Rating of the Company has been upgraded with stable India "A+ " from Stable India "A". This has been possible due to better operational performance and safety measures.

## II. Finance

### a) Financial Results

Financial performance during the financial years 2011-12 and 2012-13 was as under :-

	(` /Crores)	
Particulars	2011-12	2012-13
<b>I. Operating Revenue</b>		
-Revenue from Operations	413.54	456.43
-Incidental Revenue	15.32	8.82
<b>Total (I)</b>	<b>428.86</b>	<b>465.25</b>
<b>II. Operating Expenditure</b>		
-Operating Expenditure	362.29	351.82
-Depreciation	60.30	73.79
<b>Total (II)</b>	<b>422.59</b>	<b>425.61</b>
<b>III. Net Operating Profit (I-II)</b>	<b>6.27</b>	<b>39.64</b>
IV. Interest Income	9.29	10.39
Less: Financial list-Interest Expenses	(14.46)	(28.51)
V. Prior Period/ Extraordinary Adjustments	21.34	6.42
<b>VI. Profit before Tax</b>	<b>22.44</b>	<b>27.94</b>
VII. Taxes / Deferred Tax Liability	32.79	16.24
<b>VIII. Net Profit / (Loss) after Tax</b>	<b>(10.35)</b>	<b>11.70</b>



The net operating profit achieved higher level to `39.64 crores in 2012-13 from `6.27 crores in the year 2011-12 mainly due to new contracts for Dauphin N/N3 helicopters with British Gas, Govts. of Meghalaya, Mizoram and Assam from beginning of 2nd quarter and 2 nos. new Mi-172 helicopters were deployed with Govts. of Himachal Pradesh and Arunachal Pradesh w.e.f. 3rd Jan. '2013 and 18th January, 2013 respectively at enhanced charter rates. Lower operating cost due to strict monitoring of overhead expenditure resulted higher Operating Profit during the financial year 2012-13.

The improvement in Revenue was achieved through new contracts from Mizoram, Meghalaya, Himachal Pradesh and Arunachal Pradesh as also reduction in overall operating



***Dauphin Helicopter at ONGC Off-Shore Rig***

expenditure, through better monitoring of fleet availability to the customers. The Aircraft on Ground (AOG) and LD was also reduced by ` 2 crores by ensuring pilots and engineers on-time reporting and responsibility for providing helicopters in time. Control of overtime also resulted in improved financial discipline. Apart from this, the requirement of qualified Captains on Dauphin helicopters has been an area of concern and in order to improve availability of qualified pilots. The Company made efforts for inter-fleet conversion of pilots for their effective utilization. Thus, the Company has been able to improve average flying performance of pilot from 300 hours (approx.) per year to 400 hours (approx.) per year.

The interest income for the year 2012-13 was ` 10.39 crores as against ` 9.29 crores in the previous year. Further, interest charges on the borrowings was ` 28.51 crores in 2012-13 as compared to ` 14.46 crores in the previous

year. During the year 2012-13 the Net Profit after tax was ` 11.70 crores as against Net Loss of ` 10.35 crores in the previous year. The Company has provided ` 6.50 crores towards provision for taxation as MAT (including wealth tax) in 2012-13 as against ` 4.50 crores in the previous year and provided ` 9.74 crores towards deferred tax liability primarily due to acquisition of new fleet for the financial year 2012-13 as compared to ` 28.90 crores in the previous year. Reserves and surplus of the Company stands at ` 238.91 crores (P.Y. ` 229.95 crores) and Long Term Borrowings ` 274.69 crores (Previous Year ` 232.83 crores) as on 31.3.2013.

Around 85% of total operating revenue of the Company comes from contracts through competitive tenders and the vintage condition of 5 years as prescribed by ONGC in its tenders for requirement of helicopters is spreading among other oil companies as well as State Govts. specially N-E States. This has major



implication on pricing as the cost have gone up significantly due to impact of interest and depreciation of new helicopters 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 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 as laid down by DGCA. Further, taking AS-4 compliant helicopters with vintage of 5 years on lease from abroad may lead to higher charter rates due to rates in foreign currency and impact of withholding tax on foreign lease charges and the same may not be competitive under Tenders.

**b) Dividend**

The Directors have recommended dividend of ₹ 2,33,96,400/- i.e. @ 20.00% of the net profit

after tax (i.e. ₹ 11.70 crores). The Dividend is payable on the entire paid-up capital of ₹ 245.616 crores and provision has been made for corporate tax on Dividend of ₹ 39,76,218/- out of Profit available for appropriation of current year profit as per the statement of Profit & Loss.

**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



***Bell 206 L4 Helicopter***



*Dauphin Helicopter under maintenance in Mumbai*

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 PHHL.

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. A meeting was called on 7th August 2013 by Ministry of Finance to discuss the issue. 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. For the year 2012-13 as per Performance Evaluation Report submitted by Pawan Hans, the MoU rating “Good” has been assigned to Pawan Hans.

**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 32 inspections consisting of T/2T/5T(600 hrs./1200 hrs./3000 hrs.) inspection and 2 ‘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.



***Mi-172 Helicopter***



***AS 350 B3 Helicopter***

#### ***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. The Material Management functions are 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. E-procurement system was also introduced during the year.

#### ***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 carried out e-ticketing in respect of its passenger services operations for Kedarnathji and Amarnathji. The Company's website <http://pawanhans.co.in> has been updated regularly.

#### ***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 2013 was 924 as against 967 as on 31st March 2012.

**b) Industrial Relations**

Industrial relations during the period generally continued to be cordial and regular meetings with employee's representatives were held. The issues concerning employees were resolved through discussion. The new wage settlement due w.e.f. 01.01.2007 has been implemented for the non-technical and technical employees. While new pay scales and allowances w.e.f. 01.01.2007 have also been implemented for all the executives, engineers and pilots, however, the engineers and pilots have raised their demands for licence related allowances and the issues are under discussions with them.

**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.

PHL is laying special emphasis on Training of the crew and Training methodology to enable pilots to tackle the emergent situations. Simulator training of all crew is also ensured which involves training on handling all kinds of critical emergencies so that pilots are better prepared to handle such emergencies while flying. The Company has undertaken Simulator training for 43 pilots in the last one year at M/s. HATSOFF, Bangalore 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



***Dauphin Helicopter operating in Andaman & Nicobar Island***



***Bell 407 Helicopter at Katra-Sanjhichhat Sector for Mata Vaishno Devi Helicopter Services***

recruitment of experienced and young pilots and their training.

Pawan Hans has also started conducting knowledge enhancement conclaves where pilots along with engineers, technicians are given refresher training on professional subjects through classroom lectures and interactive sessions. These qualitative steps are introduced to raise the professional and skill level of both pilots and maintenance personnel and thus enhancing flight safety operations.

### ***VIII. Safety measures***

Pawan Hans has undertaken Safety Initiatives to upgrade the operation and maintenance systems to avoid recurrence of 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.

Many of the Safety initiatives undertaken by PHL are already implemented and comprehensive internal audits of all operational bases of PHL is carried out regularly by PHL team. Safety Meetings are conducted at all detachments periodically wherein



all safety issues are debated in detail and action taken wherever required. There has been a considerable improvement in sense of safety preparedness and safety culture of the organisation. However, the process is continuous and now part of PHL business policy. The safety initiatives and monitoring mechanism are being implemented. To fulfill the above objectives, safety audits as mentioned in MOE are being strictly followed. Quality audits of organizational procedure, quality audits of aircrafts and remedial action procedures as per C.A.R. 145-A 30-C are being followed. All Engineering Department Heads at Regions, Quality Manager, Maintenance personnel at Bases / Detachments have been advised to promptly ensure compliance as per the above C.A.R. and ensure proper and timely corrective actions on the reports of internal audits. The Accountable Manager is also being informed for his further corrective action.

### IX. Board of Directors

The Board of Directors held five meetings during the year 2012-13. The Board consists of the following members presently as well as during the financial year 2012-13 :-

<b>At present</b>	
Shri Anil Srivastava	Chairman-cum- Managing Director (from 23.3.2012)
Shri S. Machendranathan	Special Secretary & FA, MoCA (from 22.12.2011)
Shri G. Asok Kumar	Joint Secretary, MoCA (from 12.01.2012)
Shri P.K.Borthakur	Director (Offshore), ONGC (from 05.11.2012)
Shri Arun Mishra	Director General of Civil Aviation (from 26.07.2012)
AVM S.R.K. Nair	ACAS (Ops, T&H), Air Force (from 01.02.2013)
<b>Ceased to be Directors</b>	
Shri E.K. Bharat Bhushan	Addl. Secretary & FA, MoCA (from 18.02.09 to 16.07.12)
AVM P.N. Pradhan,	ACAS (Ops, T&H), Air Force (from 23.6.2011 to 31.01.2013)
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 E.K. Bharat Bhushan, AVM P.N. Pradhan and Shri Sudhir Vasudeva during their tenure on the Board. The details of attendance of each Director at the Board meetings during the financial year 2012-13 and last AGM are as under:-

Name of Director	Date of Board Meetings – attended by Directors during the financial year 2012-13					AGM attended by Directors
	19.06.12	25.09.12	09.11.12	27.12.12	08.03.13	
Anil Srivastava, CMD	Yes	Yes	Yes	Yes	Yes	Yes
S. Machendranathan	Yes	Yes	Yes	Yes	Yes	Yes
G.Asok Kumar	Leave	Yes	Yes	Leave	Yes	-
Arun Mishra	-	Leave	Yes	Yes	Yes	Yes
P. K. Borthakur	-	-	Leave	Yes	Yes	Yes
AVM P.N. Pradhan	Yes	Yes	Yes	Leave	-	-
AVM S.R.K.Nair	-	-	-	-	Leave	-
E.K.Bharat Bushan,	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, 2013, 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.



- c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and
- d) prepared the Annual Accounts on a going concern basis.

### **XI. Corporate Governance**

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

The Company has adopted Guidelines on Corporate Governance issued by DPE on 6.7.2007. DPE has vide OM dated 14.5.2010 made these guidelines mandatory and PPHL has implemented the DPE guidelines to the maximum extent possible. With regard to appointment of requisite number of independent directors, the matter 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](http://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 24.5.2001 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 2012-13, the Audit Committee has held meetings on 19.06.2012, 25.09.2012 and 27.12.2012. Till recently the Audit Committee comprise of Shri S. Machendranathan, Special Secretary & Financial Advisor, Ministry of Civil Aviation as Chairman of the Audit Committee, Shri G. Asok Kumar, Joint Secretary, Ministry of Civil Aviation, AVM S.R.K.Nair, 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 3 years, Annual General Meetings were held as follows:-

<b>Annual General Meetings</b>	<b>Time of AGM</b>	<b>Venue of the AGM</b>	<b>Special Resolutions, if any</b>
25 <sup>th</sup> 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.
26 <sup>th</sup> Annual General Meeting held on 29.12.2011.	12.30 PM	Registered Office at Safdarjung Airport, New Delhi-110003	
27 <sup>th</sup> 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”.
28 <sup>th</sup> Annual General Meeting held on 18 <sup>th</sup> December 2013.	04.00 PM	Registered Office at Safdarjung Airport, New Delhi-110003	

#### 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, 2012-13 and 2013-14 in accordance with 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 providing an ambulance to Rama Krishna Mission Hospital in Arunachal Pradesh under CSR.

### ***XII. Auditors' Report***

The observations made by the Statutory Auditors in respect of the Annual Accounts for the financial year 2012-13 together with replies thereto are appended as Annex-A. (Refer to page no.77).

The Report of Comptroller and Auditor General of India in pursuance of Section 619(4) of the Companies Act, 1956 with Nil comments is appended as Annexure-B. (Refer to page no.92).

### ***XIII. Particulars of the employees***

As per Notification No.GSR 289(E) dated 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 by the Board of Directors.

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. The vigilance has released second hand book educating employees about tendering, procurement and CVC guidelines relating to procurement and tenders.

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 efficiency, curtail 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 stake-holders 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 of  
Pawan Hans Ltd.

**(Anil Srivastava)**  
Chairman cum Managing Director

Date: 18<sup>th</sup> December, 2013  
Place: New Delhi.



## 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 262 civil helicopters in operation, which is minuscule in comparison to the international figure of 35,750. For the first time there was a negative growth for helicopter industry as the number of Civil Helicopters declined from 300 to 262 during the last One Year.

Even though, we have around 262 civil registered helicopters in the country with a population of around 1.15 billion, per capita, we have one helicopter per 46 lakh people which puts us even below many developing countries in the world.

The economic growth of the country had been a catalyst in promoting the growth in aviation, both in fixed wing aircraft as well as rotary wing aviation. Suitable policies enunciated by the Government had also helped the growth. During the financial year 2012-13, the upward increase in Civil Helicopter fleet was halted and the trend reversed. This was due to increasing cost of operation due to a number of factors including the falling value of the Rupee vis a viz the US dollar/Euro as many helicopters and their components are imported. In addition Airport tariffs, cost of ATF and ground handling charges went up adding to the cost of operation. These factors

rendered helicopter operations unviable for many operators who had to dispose off their helicopters abroad. However with the economy in the turnaround mode and the rupee stabilizing, it is expected that the cost of operations will become economical and the civil helicopter fleet will return to the growth mode in near future as the demand for civil helicopters in India is on the increase in the Government Sector.

As per the strategic plan of Ministry of Civil Aviation for 2010-15, the Government aspires for rapid development of helicopter operations, to include 300 more helicopters during next 5 years. The strategic plan of the Government list the following to enable growth of helicopter operations:-

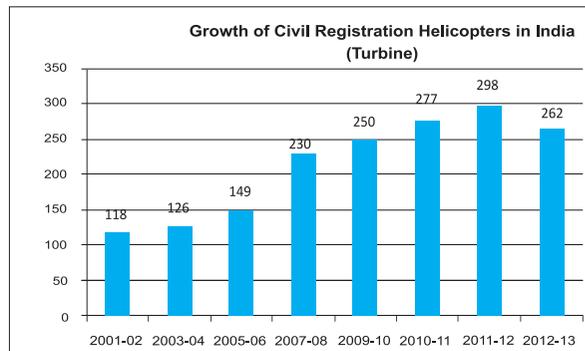
- a. Create the right infrastructure for the rapid growth of helicopter operations. Heliports shall be set up in the four regions in the country – Delhi in North, Mumbai in the West, Kolkata in the East and Chennai/Bangaluru in the South in the first phase. Development of heliports for air connectivity 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 Ltd. and also by the private sector.



- c. The Greenfield Airports Policy may 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	<ol style="list-style-type: none"> <li>1. Create Heliports and Helipads in the country</li> <li>2. Develop world class MROs for Helicopters</li> <li>3. Create Helicopter Training Academy for HR capacity development</li> </ol>

Growth Chart showing Civil registered helicopters in India during the period 2001-02 to 2012-13 is as under :-



In the total approx. 262 Civil Registered helicopters in India in the year 2012-13 there are 66 NSOP operators with fleet strength of 205 helicopters, 17 Government Operators with fleet strength of 29 helicopters and 19 private operators with fleet strength of 28 helicopters. Out of the total 262 helicopters there are 140 twin engine helicopters representing 56% and 122 single engine helicopters representing 44% of the total helicopter strength in the Country. In the total 262 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 : Report of RWSI for Helipower India, 2013).

Presently, Pawan Hans owns 46 helicopters plus it Operates and Maintains 6 helicopters owned by other agencies. There are 5 operators having six 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 26 helicopters and Deccan Charters Ltd. is the third largest helicopter operator with 7 helicopters and Heligo Charterers and Himalayan Heli Services have 6 helicopters each, Mesco Airlines, OSS Air and United Helicharters have 5 helicopters each.

### **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 over the next 5 years : -

- ◆ 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 POSITION 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**

During the 12th Five Year Plan Period (2012-17) the projections related to Pawan Hans approved by Planning Commission are for acquisition of 10 helicopters and 02 seaplane, import of equipments, creation of maintenance centre / JV, Building Projects and others for a total amount of ` 725 crores through IEBR.

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. The revised plan has been submitted to the Ministry of Civil Aviation for onward approval from Planning Commission.

### ***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, Uttrakhand, Gujarat, South India, Goa and North-East States.

### ***DISASTER MANAGEMENT-DEDICATED EMERGENCY MEDICAL SERVICES/SAR OPERATIONS***

- The country's first Medivac helicopter to ONGC was provided by PHHL.
- PHHL 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***

Ministry of Civil Aviation 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 of customer dues specially from some State Governments is long resulting in large amount of 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 corrective 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, 2013 was 924 as against 967 as on 31st March 2012. The manpower comprise of 150 flying crew, 102 engineers, 8 flight engineers, 49 executives, 283 technical staff and 332 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. Industrial Relations with employees has been generally cordial.

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

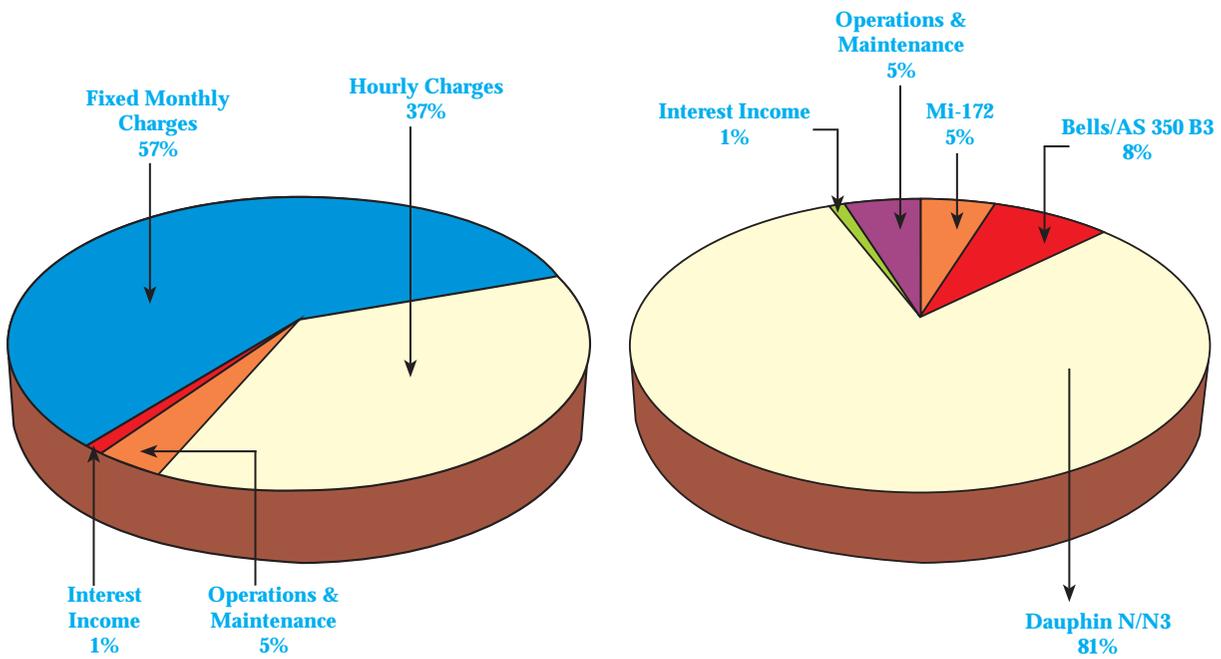
The Company has always considered energy saving and technology absorption as an important goal and high priority has been accorded to the same during the year under review. The Company has obtained ISO-14001 and 18001 Certification which is known as Integrated Management System covering environment and 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).





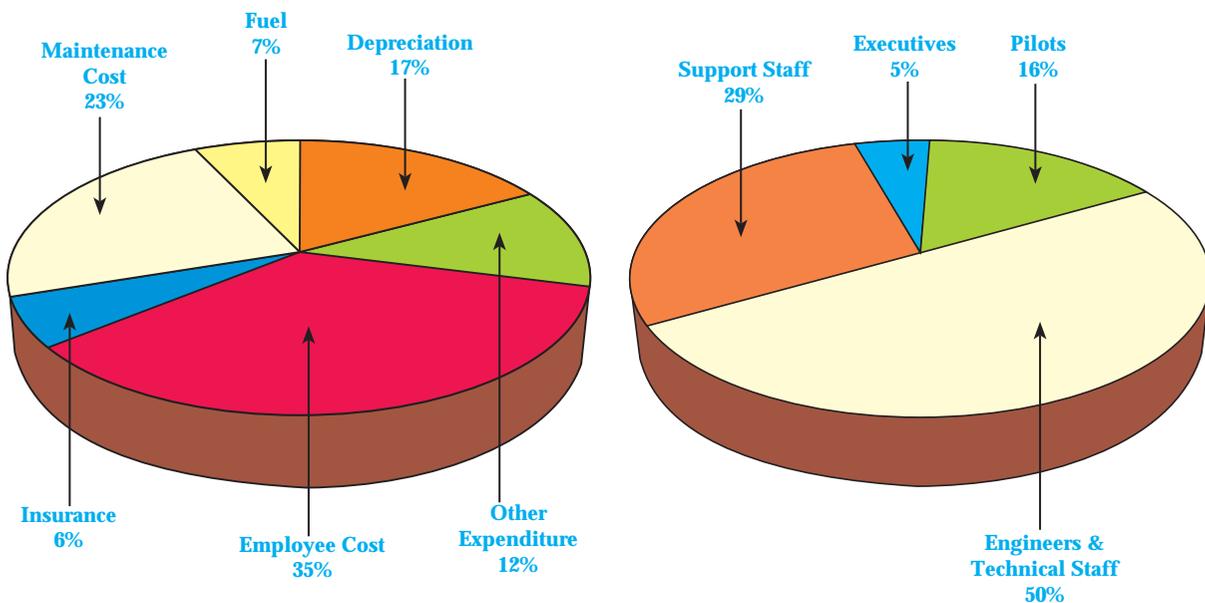
## FINANCIAL HIGHLIGHTS (For 2012-13)

### Source of Income



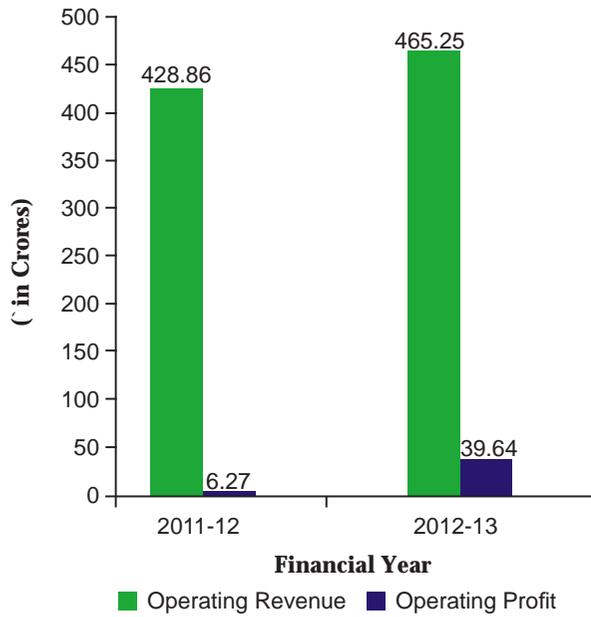
### Cost Structure

### Manpower Profile

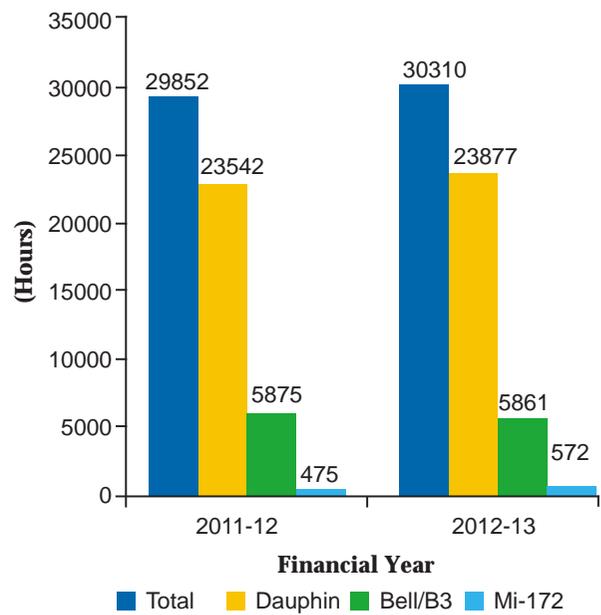




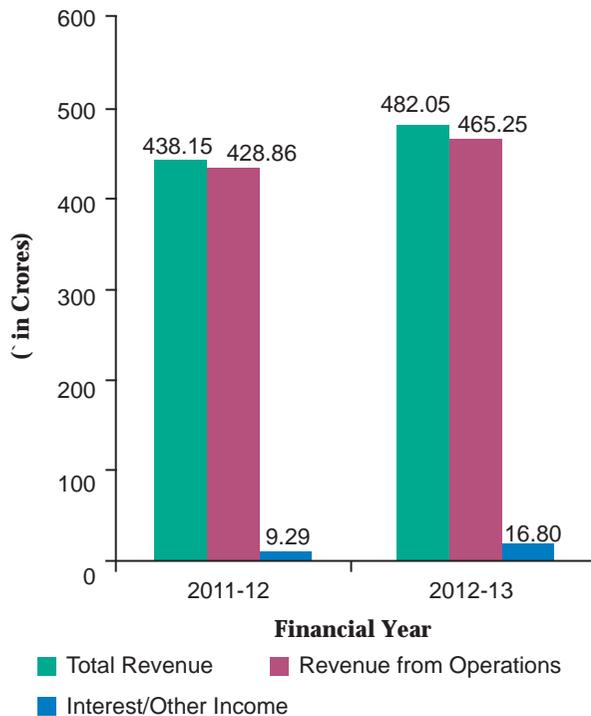
## Revenue from Operations & Operating Profit



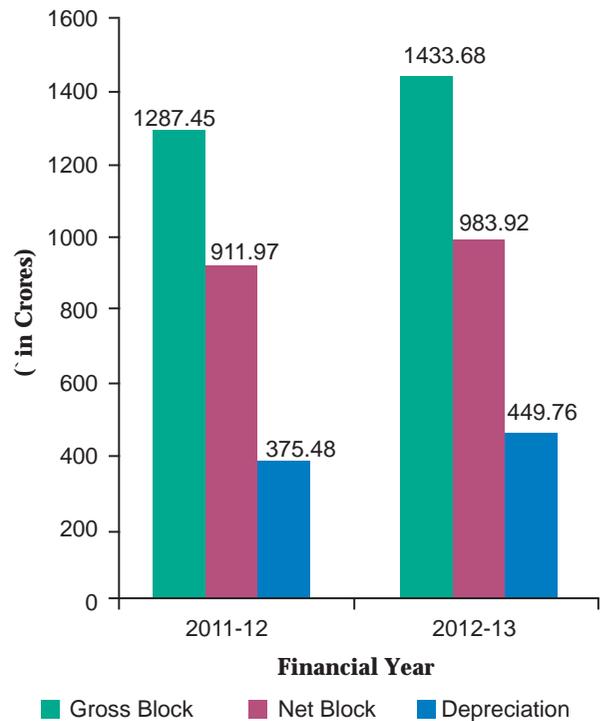
## Flying Hours



## Revenue



## Fixed Assets





## SUMMARISED ACCOUNTS 2010-11, 2011-12 AND 2012-13

Particulars	Ratio	(in ` Crores)		
		2012-13	2011-12	2010-11
<b>RESOURCES</b>				
Net Worth		487.26	475.57	485.38
Non-Current Liabilities				
- Loan Funds- Secured Loans		274.69	232.83	64.10
- Other Long -term Liabilities		471.40	471.51	470.69
- Long Term Provisions		39.33	34.56	19.62
- Deferred Tax Liabilities		<u>136.27</u>	<u>126.53</u>	<u>97.63</u>
<b>Total</b>		<b><u>1408.95</u></b>	<b><u>1341.00</u></b>	<b><u>1137.42</u></b>
<b>UTILISATION OF RESOURCES</b>				
Fixed Assets (including Capital WIP)		1433.69	1287.45	1015.33
Less: Depreciation		<u>449.77</u>	<u>375.48</u>	<u>324.48</u>
Net Fixed Assets		983.92	911.97	690.85
Capital Work in Progress		18.07	23.03	29.36
Long-Term Loans & Advances		81.48	90.69	132.61
Other Non-Current Assets		3.57	3.93	4.08
Investment		2.89	2.89	2.89
Net Working Capital		<u>319.02</u>	<u>308.50</u>	<u>277.63</u>
		<u>1408.96</u>	<u>1341.00</u>	<u>1137.42</u>
<b>Capital Employed</b>		<b><u>1321.01</u></b>	<b><u>1243.49</u></b>	<b><u>997.84</u></b>
Earnings				
Revenue from Operations		465.25	428.86	423.98
Interest /Other income		<u>10.38</u>	<u>9.29</u>	<u>6.49</u>
<b>Total</b>		<b><u>475.63</u></b>	<b><u>438.15</u></b>	<b><u>430.47</u></b>
<b>Outgoings</b>				
Helicopter Operational & Maintenance Expenses		155.12	167.63	155.34
Employee Benefits Expenses		149.06	135.93	121.47
Financial Costs		28.51	14.46	6.17
Depreciation and Amortization Expenses		73.79	60.30	46.53
Other Expenses		<u>47.63</u>	<u>58.73</u>	<u>53.38</u>
<b>Total</b>		<b><u>454.11</u></b>	<b><u>437.05</u></b>	<b><u>382.89</u></b>
Profit for the year before Extraordinary		21.52	1.10	47.58
Prior Period/Extraordinary adjustments		6.42	21.34	1.85
Profit before tax		27.94	22.44	49.43
Prov.for Taxation		6.50	4.50	9.97
Prov. For tax Previous Yrs			(0.61)	0.54
Deferred Tax Liability		<u>9.74</u>	<u>28.90</u>	<u>20.42</u>
<b>Net profit after tax</b>		<b><u>11.70</u></b>	<b><u>(10.35)</u></b>	<b><u>18.50</u></b>
<b>Significant Ratios</b>				
a) Net profit Ratio	$\frac{\text{Net Profit/(Loss)}}{\text{Total Revenue}}$	2.5%	(2.4%)	4.3%
b) Return on Investment	$\frac{\text{Profit before Tax}}{\text{Capital Employed}}$	2.1%	1.8%	5.0%
c) Return on Net Worth	$\frac{\text{Net Profit/(Loss)}}{\text{Net Worth}}$	2.4%	(2.2%)	3.8%
d) Debt Collection Period (months)	$\frac{\text{Operational debts}}{\text{Avg monthly Operating Revenue}}$	5.4	4.7	5.2
e) Inventory Turnover (months)	$\frac{\text{Year \& Inventory}}{\text{Avg monthly Operating Revenue}}$	1.7	2.2	2.0
f) Current Ratio	C.A.:C.L	3.5	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 hither to 7000 hours or 15 years, 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 25000 hours, whichever is later (other than Mi-172 helicopters for which there is a life limitation as explained above) based on technical estimates and the disposal policy evolved by the Company. Hitherto, the useful life of helicopters was considered as 20 years or 16,000 hours, whichever is later. Items scrapped under these heads are written off on FIFO basis. Rotables related to Westland Helicopters fleet continue to be classified as "inventory" as the full book value has been provided.
- (e) Cost of leasehold land is amortized over the period of lease. Similarly the cost of residential flats constructed under joint development agreement with AAI is amortized over the period of right to possess the property as per the terms of such agreement.
- (f) Translation differences relating to liabilities in foreign exchange for acquisition of fixed assets are adjusted to the original cost of the asset and depreciation on the revised un-amortized depreciable amount is provided prospectively over the residual specified period of the asset. The policy was followed upto 31/3/2007.
- (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 of Certificate of Airworthiness by Airworthiness Officer of the region in India for helicopters)/ disposal. Depreciation in respect of all other fixed assets is reckoned on a pro-rata basis. The effective date for the purpose of such other assets is taken as the first day of the month following the month of purchase of the item. Likewise, in respect of deletions, last day of the preceding month of the deletion of such an asset is considered for providing pro-rata depreciation. Gains and Losses arising from the retirement or disposal of assets are credited / charged to the Profit and Loss Account.

- (i) Assets having unit value of `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 asset 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 Bill Selling exchange rate except closing balance of foreign currency account with Bank are translated at the year end Bill buying 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 despatched 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 despatched 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

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.

#### XI. INSURANCE / INSURANCE CLAIMS

- a) The Company has opted for separate scheme of Self Insurance in respect of Technical Personnel. Any compensation payable under the scheme is charged to expenditure for the year under the Profit and Loss Account.



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

## 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 air and ground crew, 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 and outstanding from outside parties except central Govt./ State Govt/Union Territories for more than three years are considered doubtful and provided for unless specifically known to be doubtful prior to this period. However for Central Govt./ State Govt/ Union Territories Debts recoverable and outstanding for more than seven 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 31<sup>st</sup> March, 2013

	Note No.	31st March 2013	31st March 2012	(in ` Lacs)
<b>I. EQUITY &amp; LIABILITIES</b>				
<b>(1) Shareholders' Funds</b>				
(a) Share Capital	1	24,561.60	24,561.60	
(b) Reserves & Surplus	2	<u>23,891.12</u>	<u>22,995.02</u>	
		48,452.72		47,556.62
<b>(2) Non-Current Liabilities</b>				
(a) Long-Term borrowings	3	27,469.39	23,283.07	
(b) Deferred Tax Liabilities (Net)	4	13,626.81	12,652.92	
(c) Other Long Term Liabilities	5	47,140.47	47,151.13	
(d) Long-Term Provisions	6	<u>3,932.96</u>	<u>3,455.98</u>	
		92,169.63		86,543.10
<b>(3) Current Liabilities</b>				
(a) Trade Payables	7	1,622.49	3,525.09	
(b) Other Current Liabilities	8	8,417.24	7,425.18	
(c) Short-Term Provisions	9	<u>2,933.21</u>	<u>2,713.90</u>	
		12,972.94		13,664.17
<b>TOTAL</b>		<u><b>1,53,595.29</b></u>	<u><b>1,47,763.89</b></u>	
<b>II. ASSETS</b>				
<b>(1) Non-Current Assets</b>				
<b>(a) Fixed Assets</b>				
<b>(i) Tangible Assets</b>				
- Assets under Active use		98,206.50	91,127.80	
- Assets retired from Active Use and Held for disposal/Impaired Assets		956.13	953.53	
Less: Provision for loss on Disposal / Impairment		<u>(956.13)</u>	<u>(953.53)</u>	
		98,206.50	91,127.80	
(ii) Intangible Assets	11	185.74	68.98	
(iii) Capital Work-in-Progress- Tangible Assets	12	<u>1,807.46</u>	<u>2,303.04</u>	
		1,00,199.70	93,499.82	
(b) Non-Current Investments	13	289.34	289.34	
(c) Long-Term Loans and Advances	14	8,148.48	9,066.99	
(d) Other Non-Current Assets	15	<u>356.81</u>	<u>392.88</u>	
		1,08,994.33		1,03,249.03
<b>(2) Current Assets</b>				
(a) Inventories	16	6,727.53	7,947.67	
(b) Trade Receivables	17	21,020.67	16,847.27	
(c) Cash and Cash Equivalents	18	12,567.49	13,993.19	
(d) Short-term Loans and Advances	19	1,904.60	2,311.76	
(e) Other Current Assets	20	<u>2,380.67</u>	<u>3,414.97</u>	
		44,600.96		44,514.86
		<u><b>1,53,595.29</b></u>	<u><b>1,47,763.89</b></u>	
<b>Additional Notes to the Financial Statements</b>	27			
<b>Significant Accounting Policy</b>	28			
As per our report of even date attached.				

For & on behalf of Board of Directors

**For Khanna & Annadhanam**  
Chartered Accountants  
Firm Regd. No. 1297-N

Anil Srivastava  
Chairman-Cum-Managing Director

S. Machendranathan  
Director

Ashish Ahluwalia  
Partner  
(M.No.- 088514)

Sanjiv Bahl  
Executive Director

Sanjiv Agrawal  
Company Secretary & GM (Legal)

Subir Das  
General Manager (F&A)

Place : New Delhi.  
Dated : 30 Oct 2013



## STATEMENT OF PROFIT & LOSS

### For the year ended 31<sup>st</sup> March, 2013

	Note No.	31st March 2013	31st March 2012
<i>(in ` Lacs)</i>			
<b>Revenue:</b>			
Revenue from Operations	21	45,642.98	41,499.82
Other Income	22	2,562.41	2,314.88
<b>Total Revenue</b>		<b>48,205.39</b>	<b>43,814.70</b>
<b>Expenses:</b>			
Helicopter Operational & Maintenance Expense	23	15,511.99	16,763.44
Employees' Benefits Expense	24	14,906.20	13,593.13
Financial Costs - Interest Expenses		2,851.16	1,445.73
Depreciation and Amortization Expense		7,378.70	6,030.48
Other Expenses	25	4,763.63	5,872.71
<b>Total Expenses</b>		<b>45,411.68</b>	<b>43,705.49</b>
Profit before Extraordinary Items and Tax		2,793.71	109.21
Extraordinary Items	26	-	2,133.92
<b>Profit before tax</b>		<b>2,793.71</b>	<b>2,243.13</b>
<b>Tax expense:</b>			
(1) Current Tax (MAT)		650.00	450.00
(2) Earlier Years Tax		-	(61.32)
(3) Deferred Tax		973.89	2,889.57
<b>Net Profit/(Loss) for the Year after Tax</b>		<b>1,169.82</b>	<b>(1,035.12)</b>
		(Value in `)	(Value in `)
Earning per Equity Share: (Face Value ` 10,000/-)			
(1) Basic		476.00	(421.00)
(2) Diluted		476.00	(421.00)

**Additional Notes to the Financial Statements** 27

**Significant Accounting Policy** 28

As per our report of even date attached.

For & on behalf of Board of Directors

**For Khanna & Annadhanam**  
Chartered Accountants  
Firm Regd. No. 1297-N

Anil Srivastava  
Chairman-Cum-Managing Director

S. Machendranathan  
Director

Ashish Ahluwalia  
Partner  
(M.No.- 088514 )

Sanjiv Bahl  
Executive Director

Sanjiv Agrawal  
Company Secretary & GM (Legal)

Subir Das  
General Manager (F&A)

Place : New Delhi.

Dated : 30 Oct, 2013



## NOTE No. 1 SHAREHOLDER'S FUNDS

		31st March 2013	31st March 2012
		<i>(in ` Lacs)</i>	
<b>Shareholders' Funds</b>	<b>Note No. 1</b>		
<u>Share Capital</u>			
(a) Authorized Capital			
2,50,000 Equity Shares		25,000.00	25,000.00
of ` 10,000/- each			
(b) Issued Capital, Subscribed & Fully paid up			
2,45,616 Equity Shares		24,561.60	24,561.60
of ` 10,000/- each			
(c) A reconciliation of the number of Shares outstanding at the beginning and at the end of the reporting period.	Opening	2,45,616	2,45,616
	Add: Shares Alloted	-	-
	Closing	2,45,616	2,45,616
(d) The rights, preferences and restrictions attaching to each Ordinary shares of the company have a par value of Rs. 10,000 per share and rank class of shares including restrictions on the distribution of paripassu in all respects including voting rights and entitlement to dividend dividends and the repayment of capital.			
(e) Shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held.	<b>Shareholder Name</b>	<b>No. of Share Held</b>	
	President of India	1,25,266	1,25,266
	ONGC Limited	1,20,350	1,20,350
<b>Total</b>		<b>24,561.60</b>	<b>24,561.60</b>



## NOTE No. 2 RESERVES & SURPLUS

	<i>(in ` Lacs)</i>	
	31st March 2013	31st March 2012
a) <u>Reserves :</u>		
(i) General Reserve		
As per Last Account	2,050.00	2,050.00
(ii) Statement of Profit & Loss - Surplus		
As per Last Account	20,945.02	21,980.14
Add: Net Profit /(Loss) for the Year after tax	1,169.82	(1,035.12)
Less: Proposed Dividend on Equity Shares	(233.96)	-
Less: Tax on Proposed Dividend	(39.76)	-
	21,841.12	20,945.02
<b>Total</b>	<b>23,891.12</b>	<b>22,995.02</b>

Note : The Board of Directors has recommended Dividend on Equity Shares of 20% of Net Profit for the Year after Tax (PY. Nil) which is subject to approval of the shareholders in the ensuing Annual General Meeting.

## NOTE No. 3 LONG TERM BORROWINGS

	<i>(in ` Lacs)</i>	
	31st March 2013	31st March 2012
<u>Secured Term Loans</u>		
- ONGC Limited	7,453.33	10,566.71
- NTPC Limited	4,499.84	4,875.53
- EXIM Bank	7,055.78	7,840.83
- Vijaya Bank	8,460.44	-
<b>Total</b>	<b>27,469.39</b>	<b>23,283.07</b>

The maturity of the Borrowings is summarised as under :

	31.03.2013	31.03.2012
-Not Later than One Year ( Note No. 8 )	5,526.87	3,323.51
<b>Current maturities of Long Term Debt</b>	<b>5,526.87</b>	<b>3,323.51</b>
-Later than one year and not later than five years	17,402.80	15,184.14
-Later than five years	10,066.59	8,098.93
	<b>27,469.39</b>	<b>23,283.07</b>

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



## NOTE No. 4 DEFERRED TAX LIABILITIES

	<i>(in ` Lacs)</i>	
	31st March 2013	31st March 2012
<b>Deferred Tax Liabilities (Net)</b>		
<b>1. Deferred Tax Liability</b>		
- Difference of Book Depreciation and Tax Depreciation	20,080.42	16,499.69
	20,080.42	16,499.69
<b>Gross Deferred Tax Liability</b>	<b>20,080.42</b>	<b>16,499.69</b>
<b>2. Deferred Tax Assets</b>		
Provisions created :		
- Employees' Benefits	2,059.37	1,935.85
- Non-Moving Inventory	538.41	452.91
- Lease Rent	-	39.75
- Corporate Social Responsibility/ Sustainable Development Fund	53.80	45.03
- Carried forward Unabsorbed Depreciation	3,617.27	1,207.68
- Doubtful Debts/Advances	184.76	165.55
	6,453.61	3,846.77
<b>Gross Deferred Tax Assets</b>	<b>6,453.61</b>	<b>3,846.77</b>
<b>Deferred Tax Liabilities (Net)</b>	<b>13,626.81</b>	<b>12,652.92</b>

## NOTE No. 5 OTHER LONG TERM LIABILITIES

	<i>(in ` Lacs)</i>	
	31st March 2013	31st March 2012
a) Security Deposits	118.25	128.91
b) Amount claimed by Central Government		
- Principal Amount	13,091.03	13,091.03
- Interest/Other Charges	33,931.19	33,931.19
	47,022.22	47,022.22
<b>Total</b>	<b>47,140.47</b>	<b>47,151.13</b>

## NOTE No. 6 LONG-TERM PROVISIONS

	<i>(in ` Lacs)</i>	
	31st March 2013	31st March 2012
Provision for Employees' Benefits		
- Post Retirement Medical Benefit Schemes	395.12	290.95
- Earned Leave	1,200.91	1,178.76
- Sick Leave (HPL)	505.78	478.15
- Pension	1,818.71	1,415.31
- Others	12.44	92.81
	3,932.96	3,455.98
<b>Total</b>	<b>3,932.96</b>	<b>3,455.98</b>

Disclosure required as per AS-15 - Employee Benefits , is given in note no.27 (XVI) .



## NOTE No. 7 TRADE PAYABLES

	<i>(in ` Lacs)</i>	
	31st March 2013	31st March 2012
Trade Payables	1,622.49	3,525.09
<b>Total</b>	<b>1,622.49</b>	<b>3,525.09</b>

## NOTE No. 8 OTHER CURRENT LIABILITIES

	<i>(in ` Lacs)</i>	
	31st March 2013	31st March 2012
Current Maturities of Long Term Debt	5,526.87	3,323.51
Interest Accrued but not due on borrowings	116.77	130.32
Other Payable :		
-Advance from Customers	315.58	334.60
- Advance from DGCA Against Project (Including Interest)	1,179.86	1,135.62
Less: Amt. Spent on the Project	971.99	218.47
	207.87	917.15
-Security /Earnest Money Deposits	119.53	79.51
-Statutory Liabilities	299.16	273.26
-Payable on Purchase of Fixed Assets	554.47	970.04
-Payables for Capital Expenses	19.87	20.43
-Payable to Employees	138.58	184.64
-Temporary Book Overdraft	699.01	432.26
-Other Payables	419.53	759.46
	2,250.15	2,719.60
<b>Total</b>	<b>8,417.24</b>	<b>7,425.18</b>

## NOTE No. 9 SHORT-TERM PROVISIONS

	<i>(in ` Lacs)</i>	
	31st March 2013	31st March 2012
Provision for Employees' Benefits		
- Post Retirement Medical Benefit Schemes	14.50	18.97
- Earned Leave	152.38	73.37
- Sick Leave (HPL)	50.73	21.80
- Others	2,196.69	2,396.48
	2,414.30	2,510.62
Provision for Corporate Social Responsibility	138.78	138.78
Provision Sustainable Development Fund	27.05	-
Other Provisions (Refer Note No.27(VI)(c))	76.36	61.50
Provisions for Taxation:		
- Wealth Tax	3.00	3.00
Proposed Dividend on Equity Shares	233.96	-
Tax on Proposed Dividend	39.76	-
<b>Total</b>	<b>2,933.21</b>	<b>2,713.90</b>

Disclosure required as per AS-15 - Employee Benefits is given in note no.27 (XVI).



## NOTE No. 10 FIXED ASSETS

Particulars	Gross Block			As at 31st March, 2013
	As at 1st April, 2012	Additions	Disposals/ Adjustments	
<b>Tangible Assets</b>				
<b>I. Assets Under Active Use</b>				
Land-Leasehold	58.91	-	-	58.91
Buildings	4,348.75	59.25	-	4,408.00
Plant & Equipments				
- Helicopters & Aero - Engines	95,388.02	12,469.19	207.77	1,08,064.98
- Airframe & Engine Equipment Rotables	23,300.73	1,644.88	(277.22)	24,668.39
- Workshop & Ground Support Equipment	3,129.70	355.26	(47.03)	3,437.93
- Training Aid Equipment	22.91	-	-	22.91
- Air Conditioning	204.08	9.36	-	213.44
- Electrical Installation	312.13	0.27	(0.43)	311.97
Furniture & Fixture	593.01	32.46	(0.08)	625.39
Vehicles	209.25	-	-	209.25
Office Equipment	216.96	5.39	(1.31)	221.04
Other				
- Computer & other Related Equipments	699.04	30.55	(21.84)	707.75
- Communication Equipment	20.98	-	-	20.98
<b>Total (I)</b>	<b>1,28,504.47</b>	<b>14,606.61</b>	<b>(140.14)</b>	<b>1,42,970.94</b>
<b>Previous Year (I)</b>	<b>1,00,260.35</b>	<b>30,478.93</b>	<b>(2,234.81)</b>	<b>1,28,504.47</b>
<b>II. Assets Retired from Active Use and held for Disposal/Impaired Assets</b>				
Plant & Equipments				
- Helicopters & Aero - Engines	5,778.08	-	-	5,778.08
- Airframe & Engine Equipment Rotables	35.38	-	(25.47)	9.91
- Workshop & Ground Support Equipment	312.54	-	-	312.54
- Training Aid Equipment	41.25	-	-	41.25
- Electrical Installation	6.68	-	-	6.68
Furniture & Fixtures	34.06	-	-	34.06
Office Equipment	29.92	-	(0.19)	29.73
<b>Total (II)</b>	<b>6,237.91</b>	<b>-</b>	<b>(25.66)</b>	<b>6,212.25</b>
<b>Previous Year (II)</b>	<b>6,248.46</b>	<b>-</b>	<b>(10.54)</b>	<b>6,237.91</b>
<b>III. Assets Currently not in Active Use</b>				
Plant & Equipments				
- Helicopters & Aero - Engines	-	-	-	-
<b>Total (III)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Previous Year (III)</b>	<b>1,767.96</b>	<b>-</b>	<b>(1,767.96)</b>	<b>-</b>
<b>Grand Total (I + II + III)</b>	<b>1,34,742.38</b>	<b>14,606.61</b>	<b>(165.80)</b>	<b>149,183.69</b>
<b>Grand Total (Previous Year) (I + II + III)</b>	<b>1,08,276.77</b>	<b>30,478.93</b>	<b>(4,013.32)</b>	<b>134,742.38</b>

## NOTE No. 11 INTANGIBLE ASSETS

Capitalised Software	240.46	-	-	240.46
Training Cost	-	157.06	-	157.06
<b>Total</b>	<b>240.46</b>	<b>157.06</b>	<b>-</b>	<b>397.52</b>
<b>Previous Year</b>	<b>193.27</b>	<b>47.19</b>	<b>-</b>	<b>240.46</b>



Accumulated Depreciation			Net Block		(in ` Lacs)
Upto 31st March,2012	Depreciation for the Year	On Disposals/ Adjustments	Upto 31st March,2013	Balance as at 31st March,2013	Balance as at 31st March,2012
14.37	0.65	-	15.02	43.89	44.54
1,496.63	143.83	-	1,640.46	2,767.54	2,852.12
24,057.15	5,469.37	205.85	29,732.37	78,332.61	71,330.87
9,952.94	1,411.46	(135.87)	11,228.53	13,439.86	13,347.79
1,032.41	141.68	(17.26)	1,156.83	2,281.10	2,097.29
18.16	0.98	-	19.14	3.77	4.75
46.78	9.68	0.02	56.48	156.96	157.30
89.89	12.13	(0.25)	101.77	210.20	222.24
190.99	34.57	1.93	227.49	397.90	402.03
87.16	16.82	-	103.98	105.27	122.09
82.21	9.57	(0.81)	90.97	130.07	134.75
297.81	86.66	(4.25)	380.22	327.53	401.23
10.18	1.00	-	11.18	9.80	10.80
<b>37,376.68</b>	<b>7,338.40</b>	<b>49.36</b>	<b>44,764.44</b>	<b>98,206.50</b>	<b>91,127.80</b>
<b>32,303.01</b>	<b>6,006.53</b>	<b>(932.86)</b>	<b>37,376.68</b>	<b>91,127.80</b>	<b>67,956.34</b>
5,050.46	-	-	5,050.46	727.62	727.62
28.22	-	(28.22)	-	9.91	7.16
131.94	-	-	131.94	180.60	180.60
18.91	-	-	18.91	22.34	22.34
5.73	-	-	5.73	0.95	0.95
31.44	-	-	31.44	2.62	2.62
17.68	-	(0.04)	17.64	12.09	12.24
<b>5,284.38</b>	-	<b>(28.26)</b>	<b>5,256.12</b>	<b>956.13</b>	<b>953.53</b>
<b>5,294.40</b>	-	<b>(10.02)</b>	<b>5,284.38</b>	<b>953.53</b>	<b>954.06</b>
-	-	-	-	-	-
-	-	-	-	-	-
<b>688.92</b>	-	<b>688.92</b>	-	-	<b>1,079.05</b>
<b>42,661.06</b>	<b>7,338.40</b>	<b>21.10</b>	<b>50,020.56</b>	<b>99,162.63</b>	<b>92,081.33</b>
<b>38,286.32</b>	<b>6,006.53</b>	<b>(253.96)</b>	<b>42,661.06</b>	<b>92,081.33</b>	<b>69,989.45</b>
171.48	21.98	-	193.46	47.00	68.98
-	18.32	-	18.32	138.74	-
<b>171.48</b>	<b>40.30</b>	-	<b>211.78</b>	<b>185.74</b>	<b>68.98</b>
<b>144.82</b>	<b>23.95</b>	<b>(2.71)</b>	<b>171.48</b>	<b>68.98</b>	<b>48.45</b>



## NOTE No. 12 CAPITAL WORK IN PROGRESS

Particulars	Opening as on 31.03.2012	Addition	Deletion/ Adjustment	Closing as on 31.03.2013
(in ` Lacs)				
<b>CAPITAL WORK IN PROGRESS</b>				
(A) Profit Maintenance Centre Project, Mumbai	36.36	-	16.94	19.42
(B) Juhu Aerodrome, Mumbai Floor Lifting	36.35	-	36.35	-
(C) Kits for Upgradation of Helicopters	1,157.10	-	-	1,157.10
(D) Salvaged Rotables Pending Despatch for repair to foreign supplier	-	434.60	100.88	333.72
(E) HELIPORT Project, Rohini, New Delhi	248.09	54.63	-	302.72
(F) Financial Expenses towards Helicopter Purchase	44.64	175.53	220.17	-
(G) Rotables/Ground Support Equipment in Transit / Inspection / Installation	780.50	10.81	777.39	13.92
<b>Total</b>	<b>2,303.04</b>	<b>675.57</b>	<b>1,151.73</b>	<b>1,826.88</b>
<b>Less: Provision for Doubtful Capital Work in Progress</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19.42</b>
<b>Net Capital Work in Progress</b>	<b>2,303.04</b>	<b>675.57</b>	<b>1,151.73</b>	<b>1,807.46</b>
<b>Previous Year</b>	<b>2,935.46</b>	<b>495.88</b>	<b>1,128.30</b>	<b>2,303.04</b>

## NOTE No. 13 NON-CURRENT INVESTMENTS

	31st March 2013	31st March 2012
(in ` Lacs)		
Non-Trade(at Cost, unquoted)		
National Flying Training Institute Pvt. Limited (28,93,353 Equity Shares of ` 10/- Each Fully Paid Up)	289.34	289.34
<b>Total</b>	<b>289.34</b>	<b>289.34</b>



## NOTE No. 14 LONG-TERM LOANS AND ADVANCES

	31st March 2013	31st March 2012
(in ` Lacs)		
(Unsecured, considered good unless otherwise stated)		
a) Loan to Public Sector Undertaking, Considered Doubtful	725.00	725.00
Less: Provision for Doubtful Loan	725.00	725.00
b) Capital Advances	21.21	1,201.27
c) Advance Income Tax (Net of Provision)	7,402.68	7,249.19
d) Security Deposits		
Unsecured ,Considered Good	323.46	249.42
Unsecured ,Considered Doubtful	1.91	-
	325.37	249.42
Less : Provision for Doubtful Deposits	1.91	-
	323.46	249.42
e) Income Tax Recoverable	5.88	5.88
f) Loans to Employees		
Secured ,Considered Good	225.54	211.76
Unsecured ,Considered Good	17.56	28.97
Unsecured ,Considered Doubtful	12.08	3.08
	255.18	243.81
Less : Provision for Doubtful Loans	12.08	3.08
g) Advance to Others	243.10	240.73
Unsecured ,Considered Good	152.15	120.50
Unsecured ,Considered Doubtful	108.81	119.73
	260.96	240.23
Less : Provision for Doubtful Advances	108.81	119.73
	152.15	120.50
<b>Total</b>	<b>8,148.48</b>	<b>9,066.99</b>

## NOTE No. 15 OTHER NON-CURRENT ASSETS

	31st March 2013	31st March 2012
(in ` Lacs)		
(Unsecured, considered good unless otherwise stated)		
a) Security Deposits	1.60	1.60
b) Interest accrued		
- Fixed Deposits	-	0.13
- Employees Loans	296.70	310.69
	296.70	310.82
Less: Prov. For Doubtful Interest Accrd on Employees Loans	23.57	-
	273.13	310.82
c) Other Receivables	138.62	111.91
Less: Provision for Doubtful Receivables	56.54	31.45
	82.08	80.46
<b>Total</b>	<b>356.81</b>	<b>392.88</b>



## NOTE No. 16 INVENTORIES

	(in ` Lacs)	
	31st March 2013	31st March 2012
(Certified and valued by Management)		
<b>a) Stores &amp; Spares (At Cost Less Provisions)</b>	8,744.05	9,619.84
Less:(i) Provision for Non moving Stores & Spares	1,619.87	1,388.37
		-
(ii) Provision for Shortage of inventory	39.60	7.57
(iii) Provision for Impairment in value	453.14	453.14
	6,631.44	7,770.76
<b>b) At Cost Less Obsolescence/Impairment</b>		
Repairables & Rotables Spares	1,575.57	1,575.57
Less:(i) Obsolescence Reserve	1,436.27	1,436.27
(ii) Provision for Impairment in value	139.30	139.30
	-	-
Gem Modules	501.37	501.37
Less: (i) Obsolescence Reserve	447.21	447.21
(ii) Provision for Impairment in value	54.16	54.16
	-	-
<b>c) At Cost Less Write Off</b>		
Test Tools Equipment	437.57	394.48
Less: Write Off	378.32	344.78
	59.25	49.70
Training Material	27.17	27.17
Less: Write Off	27.17	27.17
	-	-
<b>d) Goods in Transit (at cost)</b>	24.84	113.39
<b>e) Aviation Turbine Fuel (at Cost)</b>	12.00	13.82
<b>Total</b>	<b>6,727.53</b>	<b>7,947.67</b>

## NOTE No. 17 TRADE RECEIVABLES (Un Secured)

	(in ` Lacs)	
	31st March 2013	31st March 2012
- Debts Outstanding for more than six months from the date they are due for payment		
a) Considered Good	6,072.56	5,759.00
b) Considered Doubtful	343.22	340.40
- Other Debts, Considered Good *	14,948.11	11,088.27
	21,363.89	17,187.67
Less: Provision for Doubtful Debts	343.22	340.40
	21,020.67	16,847.27
<b>Total</b>	<b>21,020.67</b>	<b>16,847.27</b>

\* Includes Amount Receivable from ONGC Limited ` 3,240.43 Lacs (P.Y. ` 4,478.08 Lacs)



## NOTE No. 18 CASH AND CASH EQUIVALENTS

	(in ` Lacs)	
	31st March 2013	31st March 2012
a) Balance with Banks		
- Current Accounts	773.08	516.07
- Export Earning Forigen Currency Account	484.59	815.23
- Flexi Deposit Accounts	2,155.50	1,857.34
- Fixed Deposits Accounts	7,254.41	5,028.84
- Margin Money (Fixed Deposits)	1,878.89	5,759.12
	12,546.47	13,976.60
b) Cash in Hand	21.02	16.59
<b>Total</b>	<b>12,567.49</b>	<b>13,993.19</b>

**Note : 1) Fixed Deposit includes ` 3,297.29 Lacs (PY ` 3,351.91 Lacs) Earmarked for Rohini Poject. Refer Note 27 (XX)**  
**2)Margin Money represents fixed deposits under lien with banks for issue of Bank Guarantees and Letters of Credit**

## NOTE No. 19 SHORT-TERM LOANS AND ADVANCES

	(in ` Lacs)	
	31st March 2013	31st March 2012
(Considered good unless otherwise stated)		
a) Loans & Advances to Employees :-		
Secured, Considered Good	80.16	74.81
Unsecured, Considered Good	431.46	390.90
Unsecured, Considered Doubtful	3.90	3.90
	515.52	469.61
Less: Provision for Doubtful Loans & Advances	3.90	3.90
	511.62	465.71
b) Advance to Others :-		
Unsecured Considered Good	376.80	871.15
Unsecured, Considered Doubtful	58.95	11.68
	435.75	882.83
Less: Provision for Doubtful Advances	58.95	11.68
	376.80	871.15
c) Balance with Statutory Authorities	-	7.43
d) Prepaid Expenses	942.06	927.32
e) Security & Earnest Money Deposits	74.12	40.15
<b>Total</b>	<b>1,904.60</b>	<b>2,311.76</b>



## NOTE No. 20 OTHER CURRENT ASSETS

	31st March 2013	31st March 2012
	(in ` Lacs)	
(Unsecured, considered good)		
a) Interest Accrued		
Fixed Deposits	364.33	422.00
Employees' Loans	23.66	25.93
	387.99	447.93
b) Insurance claim receivable	1,770.84	2,029.20
c) Fixed Deposits Accounts / Current Account With Banks (Against amounts received from DGCA for a Project, including Interest Accrued)	207.87	917.15
d) Others	13.97	20.69
<b>Total</b>	<b>2,380.67</b>	<b>3,414.97</b>

## NOTE No. 21 REVENUE FROM OPERATIONS

	31st March 2013	31st March 2012
	(in ` Lacs)	
a) Sale of Services :-		
Helicopter Hire Charges	43,229.21	39,180.68
Less: Deduction for Non-Provision of Helicopters (AOG)	81.49	362.03
	43,147.72	38,818.65
b) Other Operating Revenue :-		
Income from Operations & Maintenance Contracts	2,228.41	2,575.37
Training Fee & other recoveries	105.14	105.80
Discount Received	161.71	-
	2,495.26	2,681.17
<b>Total</b>	<b>45,642.98</b>	<b>41,499.82</b>

## NOTE No. 22 OTHER INCOME

	31st March 2013	31st March 2012
	(in ` Lacs)	
Interest Income :-		
a) Interest Income from Deposits with Banks	1,013.43	896.41
b) Interest on Loans to Employees	25.77	28.36
c) Other Interest Income	-	3.32
	1,039.20	928.09
Surplus on Settlement of Insurance Claims	9.63	-
Prior Period Income (Net) (See Note 25A )	631.73	-
Profit on Sales of Inventory Items	-	10.45
Exchange Fluctuation (Net)	429.79	376.76
Provisions No Longer Required - Written Back	116.97	358.27
Liquidated Damages	3.02	243.16
Miscellaneous Income	332.07	398.15
<b>Total</b>	<b>2,562.41</b>	<b>2,314.88</b>



**NOTE No. 23**  
**HELICOPTER OPERATIONAL & MAINTENANCE EXPENSE**

	31st March 2013	(in ` Lacs) 31st March 2012
Helicopter Maintenance Expenses	9,067.13	10,856.67
Fuel Expenses	2,899.91	2,118.44
Insurance Expenses	2,362.95	1,810.13
Landing, Parking and other Expenses	157.23	112.61
Liquidated Damages	224.53	413.45
Equipment/Specialists Hire Charges/Lease Charges	-	605.09
Royalty/Commission to Shrine Boards	218.08	244.83
Provision for Non-Moving Inventory /Life Expired Items	231.50	135.03
Rotables, Stores & Spares Written Off	151.03	180.95
Storage, Handling & Demurrage Charges	84.60	138.82
Freight,Transportation & Cartage	100.61	96.67
Other Operating Expenses	14.42	50.75
<b>Total</b>	<b>15,511.99</b>	<b>16,763.44</b>

**NOTE No. 24**  
**EMPLOYEES BENEFITS EXPENSE**

	31st March 2013	(in ` Lacs) 31st March 2012
Salaries,Wages & Other Benefits	13,293.90	12,188.77
Staff Welfare	54.75	97.38
Contribution to Provident & Gratuity Funds	716.68	601.67
Other Staff Expenses	840.87	705.31
<b>Total</b>	<b>14,906.20</b>	<b>13,593.13</b>



## NOTE No. 25 OTHER EXPENSES

	31st March 2013	31st March 2012	(in ` Lacs)
Repairs and Maintenance			
Building	62.10	164.16	
Equipment	56.44	52.07	
Others	<u>141.51</u>	<u>158.80</u>	
	260.05		375.03
Rent	546.34		444.21
Travelling & Conveyance	1,816.18		1,839.07
Crew & Other Staff Training	588.20		821.90
Bank Charges	55.37		63.80
Electricity & Water Expenses	158.49		141.26
Telephone, Telex & Postage	96.88		125.04
Advertisement & Publicity	110.72		282.20
Printing & Stationery	77.55		102.80
Vehicle Running & Maintenance	25.11		29.92
Auditors Remuneration			
- Statutory Audit Fees	5.74	5.74	
- Reimbursement of Expenses	<u>0.34</u>	<u>0.68</u>	
	6.08		6.42
Rates, Fees and Taxes	130.84		61.09
Prior Period Expenses (Net) (See Note 25A )	-		456.10
Loss on Sale of Assets	1.38		0.75
Provision for Doubtful Debts & Advances	176.57		162.75
Provision for Corporate Social Responsibility	-		159.77
Provision for Sustainable Development Fund for Previous Years	27.05		-
Provision for Wealth Tax	3.00		3.00
Juhu Housing complex Expenses (Net of recoveries)	154.35		108.44
Insurance Expenses	45.14		35.79
Other Expenses	<u>484.33</u>		<u>653.37</u>
<b>Total</b>	<b><u>4,763.63</u></b>		<b><u>5,872.71</u></b>

Note: Repair & Maintenance relating to Helicopters has been shown in Note No.23.

## NOTE No. 25 A PRIOR PERIOD ITEMS REPRESENTS

	31st March 2013	31st March 2012	(in ` Lacs)
<b>A. Credit</b>			
Gratuity	429.14	-	
Depreciation	-	3.75	
Billing of earlier years	524.14	-	
LTC Provision Written Back	115.41	-	
Other Items	<u>34.88</u>	<u>150.38</u>	
<b>Total (A)</b>	1,103.57		154.13
<b>B. Debits</b>			
Depreciation	30.91	11.24	
Helicopter Maintenance Expenses	147.08	-	
Exchange Fluctuation (Net)	117.77	-	
Billing of earlier years reversed	-	208.68	
Other Items	<u>176.08</u>	<u>390.31</u>	
<b>Total (B)</b>	<u>471.84</u>		610.23
<b>C. Net Debit / (Credit) (A-B)</b>	<b><u>(631.73)</u></b>		<b><u>456.10</u></b>

## NOTE No. 26 EXTRAORDINARY ITEMS

	31st March 2013	31st March 2012	(in ` Lacs)
<b>A. Credits</b>			
Surplus on Settlement of Insurance Claims	<u>-</u>	<u>2,133.92</u>	
	-		2,133.92
<b>B. Debits</b>	<u>-</u>		-
<b>C. Net Credit/(Debits) (A-B)</b>	<b><u>-</u></b>		<b><u>2,133.92</u></b>



## NOTE No. 27

### ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

(Annexed to and forming part of the Annual Accounts for the year ended 31st March, 2013).

#### (I) Commitments

Estimated amount of contracts remaining to be executed on capital account / investments (net of advances paid) and not provided for:

<i>in ` Lacs</i>	
<b>31.03.2013</b>	<b>31.03.2012</b>
5,981.24	15,864.41

#### (II) Contingent Liabilities

<i>in ` Lacs</i>			
Particulars		<b>31.03.2013</b>	<b>31.03.2012</b>
a.	Counter guarantees given to Banks	2,671.24	8,487.00
b.	Letters of Credit	490.50	10,950.33

c) Claims against the Company not acknowledged as debt:

1.

<i>in ` Lacs</i>		
Particular	<b>31.3.2013</b>	<b>31.3.2012</b>
Income Tax demands contested by the Company at ITAT/ CIT(Appeal)	5,383.91	6,870.00

The income tax department has adjusted the aforesaid amounts against amounts deposited against demands/ refunds due to the Company for various years for which necessary details are under preparation for appropriate adjustments.

In many cases, Income tax demands at the time of initial assessment by the assessing officer have been waived off by the appellate authorities. Most of the tax demands relate to interest payable on GOI loan which are pending before ITAT. In this connection reference is invited to Note no. 5.

2.

<i>in ` Lacs</i>			
Particulars		31.03.2013	31.03.2012
a	Court cases / cases under Arbitration	3,392.90	3,227.71
b	Others Matters	128.23	647.81

3.

<i>in ` Lacs</i>		
Particular	<b>31.03.2013</b>	<b>31.03.2012</b>
Demand Notice for payment of VAT including penalty for the period 2006-07 to 2009-10	31,927.12	31,927.12

The demands relate to the year 2006-07 to 2009-10 for transfer of right to use helicopters by some of the customers raised by Sales Tax Department of Delhi.

The Company has been advised that since it is paying service tax on such transactions, the demand for payment of VAT does not arise.

No demand notices have been received for the year 2010-11 to 2012-13.

4.

<i>in ` Lacs</i>		
Particular	<b>31.03.2013</b>	<b>31.03.2012</b>
Interest on Govt. of India dues beyond 31.03.2001 (Refer Note no. III below )	28,276.63	25,920.24

The Company is a party to various legal proceedings in the normal course of business and does not expect the outcome of these proceedings to have any adverse financial impact on results of operation or cash flows.

#### (III) Claim of Government of India

In the year 1986, the Company had acquired



a fleet of 21 Dauphin and 21 Westland Helicopters at a project cost of ` 25,090.00 Lacs which was to be funded by the Government of India (GoI) as its contribution to the equity of the Company. However, the Company was provided with equity amounting to ` 11,376.00 Lacs only which included ` 2,450.00 Lacs equity contribution from ONGC. The company utilized such capital contribution alongwith ` 622.97 Lacs from internal resources. The Company utilized such capital contribution towards the projected cost leaving a balance of ` 13,091.03 Lacs. The balance consideration of ` 13,091.03 Lacs was paid by Government of India to the suppliers of helicopters and treated as amount due to Government of India. The Company has accounted for ` 33,931.19 Lacs towards interest on said dues / liability upto 31.03.2001 and has not made any provision towards interest after 31.03.2001 amounting to ` 28,276.63 Lacs upto 31.03.2013 (previous year ` 25,920.24 Lacs) since the Ministry of Finance has confirmed total dues recoverable from the Company upto 31.03.2013 at ` 47,022.22 Lacs representing principal of ` 13091.03 Lacs and interest of ` 33,931.19 Lacs. The Company has made representation to the Govt. of India through the Ministry of Civil Aviation from time to time for waiver off said liability and accrued interest on the basis that the project for import of 42 helicopters, the whole amount was to be funded by GoI through equity contribution. The meeting held with Ministry of Finance on 29.4.2012 regarding settlement of MoF claim, it was decided that a Business Plan for the Company be formulated for XII Five Year Plan (2012-17) keeping in view the prevailing competitive conditions and ONGC's requirement of 5 years vintage Helicopters and how the MoF claim of ` 47,022.22 Lacs would be an impediment to the overall growth of the Company. SBI Capital Services Ltd. was assigned the task to prepare a report on impact of Government of India's claim on Business Plan and Valuation of Pawan Hans

Ltd. Such report after approval of Board in its 133rd meeting was forwarded to MoCA on 02.07.2012 for onward submission to Ministry of Finance.

The matter is under consideration of the Ministry of Finance. MoCA is making efforts that the amount of ` 47022.22 Lacs should be waived off by the Government of India. The necessary adjustments will be made when this issue is finally resolved between the Company and the Govt. of India. The Company has classified the claim of Government of India as " Other Long Term Liabilities" in the Balance Sheet.

#### (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 of poverty alleviation programmes with mutual consultation between the Government of India and the Government of United Kingdom. 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 purchasing the same. The Government of India 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 have been stated at their book value aggregating ` 2239.00 Lacs. The Company had in the earlier years, as a matter of prudence, made 100% provision equivalent to the book value against possible losses on disposal of Westland assets. After adjusting the book value of ` 723.00 Lacs relating to disposal of such assets in 1999-2000, the residual provision of ` 1516.00 Lacs is being carried forward.



- c) During the financial year 1999-2000, the Company had entered into an agreement with a UK firm AES Aerospace Ltd. with the 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 to be shipped. The first shipment was dispatched in December 1999 and the Company had realized sale consideration of Pounds Sterling 4,50,000 (₹ 322.00 Lacs) 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 the dispute created by the Buyer. The Company had initiated arbitration proceedings against the Buyer in terms of the agreement for specific performance and recovery of damages for violation of various contractual obligations. However, in view of the buyer's financial status, the Hon'ble Supreme Court on 13th August 2012 disposed off the petition for arbitration.
- d) Necessary accounting adjustment relating to the Westland assets sold (Cost ₹ 5146.00 Lacs, W.D.V. ₹ 723.00 Lacs) during the financial year 1999-2000 was made 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 collected from the Warehouse in Mumbai, these figures were considered on provisional basis. As the contract for sale of Westland assets was on lump-sum price basis, the loss on disposal of such items was 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/- (₹ 322.00 Lacs) in the absence of item-wise sale price. The same was accounted for during the financial year 1999-2000.
- e) Part of the Westland helicopter lying at PHL's western region premises and the 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 were lying in warehouse at Mumbai. The estimated initial acquisition cost of Westland inventory including capital items lying at Warehouse is ₹ 3250.00 Lacs (written down value- ₹ 450.00 Lacs). The SLP filed by warehousing company and the freight forwarders have been dismissed by the Hon'ble Supreme Court. Shifting of the inventory items from the warehouse of Sagar Warehousing Corporation to company's western region has been completed. Accordingly, steps have been taken for disposal of balance Westland assets after necessary approval. Such helicopters along with the remaining inventory items are 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 of ₹ 647.00 Lacs though fully provided as per para IV-b) above. Request for reconstitution of the Steering Committee has been made to Ministry of Civil Aviation. The Ministry has directed for valuation report of the balance westland assets and a valuer is being appointed. A committee has been constituted on 19.07.2013 by Ministry of Civil Aviation for inspection of Westland helicopter assets proposed to be disposed off by the company.

#### (V) Residential Flats/Quarters

- a) The Company had constructed and capitalized 242 flats during 2002-03 at a cost of ₹ 2270.68 Lacs on land allotted 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 such flats as estimated by the project architect amounts to ₹ 595.00 Lacs.
- b) The Company had purchased 6 nos. residential flats from MHADA, Mumbai



in 1998. Because of litigation involving flat owners and MHADA, these flats are not registered in the name of the company. Estimated provision for stamp duty and registration charges amounting to `13.81 Lacs are being carried in the books of account. However, actual amount of stamp duty and registration can not 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 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, 2013.

#### (VI) Fixed Assets

- a) Rotables and Repairable with gross cost of `4239.94 Lacs and WDV of `2863.15 Lacs are lying with foreign equipment suppliers for repairs as at 31.03.2013. Out of these, Rotables with gross cost of `1629.86 Lacs and WDV of `1166.97 Lacs have been received back after 31st March, 2013. Confirmation from concerned parties that remaining Rotables are still lying with them is being obtained. Efforts are being made with the Original Equipments Manufacturers (OEM) to send back the items duly repaired / overhauled.
- b) Noida Office building under use from 15.04.2010 had been provisionally capitalized at `675.00 Lacs in the year 2010-11, pending conclusion of arbitration proceedings between contractor and the company which are still pending. Also, furniture and fixtures in building were provisionally capitalized at `310.55 Lacs (P.Y. `296.00 Lacs) pending final settlement with the supplier.
- c) The Physical verification of Fixed Assets has been carried out and the process of reconciliation with fixed assets register is in progress. Adjustments for difference between book and physical balances, if any, will be carried out on completion of reconciliation.

- d) Borrowing costs capitalized during the year amount to `61.37 Lacs (P.Y. `61.57 Lacs).

VII) 1) As per the accounting treatment followed by the company, non refundable advances for supply of helicopters are translated at the rate as on date of receipt of the helicopter and the exchange differences are adjusted to advance to supplier's account with corresponding debits / credits to the Statement of Profit and Loss. The Company is of the opinion that the accounting treatment is in line with Accounting Standard AS 11- The Effect of Changes in Foreign Exchange Rate and is being consistently followed by the Company. During the year, the exchange gain of `176.57 Lacs (P.Y. `Nil) on such advances has been credited to the Statement of Profit & Loss by debit to advance to supplier's account.

- 2) In connection with advance to foreign suppliers in the earlier years for purchase of two MI-172 helicopters capitalized during the year, the Company had inadvertently translated the advances at the year end exchange rates on 31.03.2011 and 31.03.2012 and accounted for exchange gain of `117.77 Lacs in these years. The same has been reversed during the year by debiting Prior Period Items and crediting the supplier's account.

VIII) Training costs of Air and Ground crew incurred in connection with the acquisition of helicopters has been capitalized as Intangible Asset and amortized in accordance with the accounting policy. Accordingly, such costs capitalized during the year amounts to `157.06 Lacs (P.Y. `NIL). The Company is of the opinion that the treatment of training costs is in line with Accounting Standard AS-26 Intangible Assets.

IX) The Company is of the opinion that since helicopters owned by the company are certified for airworthiness by DGCA on periodic/ annual basis and have earned revenue during the



year under review, hence, no separate exercise is considered necessary towards impairment in the value of helicopters.

#### X) Inventories

- 1) On physical verification of inventories during the year following shortages/ excess were noticed in the western region.

in ` Lacs

Current Year		Previous Year	
Shortage	Excess	Shortage	Excess
38.37	8.04	5.00	36.42

The reconciliations of physical balance and book records are in progress. Appropriate adjustments will be made on completion of reconciliation.

- 2) The company is in the process of strengthening maintenance of inventory records at its detachments. During the year, the detachments have recorded consumption of inventories of `700.20 Lacs (P.Y. `852.70 Lacs) and closing stock of `492.03 Lacs (P.Y. `286.02 Lacs).
- (XI) 1) The Western Region has carnet deposit with Indian Oil Corporation Ltd. (IOC) amounting to `130.00 Lacs out of which bills amounting to `107.53 Lacs ( P.Y. `107.53 Lacs) has been received and booked in accounts upto 31.03.2008. Net balance amounting to `22.46 Lacs (P.Y. `22.46 Lacs ) is under reconciliation with IOC and is classified under Long Term Loan and Advances against which provision of `22.46 Lacs (P.Y. Nil) has been made during the year.
- 2) In the case of the Northern Region, security deposit paid to IOC is showing a debit balance of `189.30 Lacs as against `214.30 Lacs appearing in the statement of account received from IOC. Also, the trade payable account of IOC is reflecting excess credit of `19.91 lacs as compared to the statement of account received from IOC. The

reconciliation with IOC is in progress.

- (XII) 1) In respect of Receivables at Northern Region, it has been observed that bills amounting to `963.99 Lacs are outstanding for more than three years mainly from various state governments. A provision of `44.01 Lacs is carried in the books for possible doubtful receivables. The outstanding bills are being followed up and the management is of the view that most of the old dues from Central Govt./ State Govt./ Union Territories will be recovered in the due course of time.
- 2) Hitherto, provision for doubtful debts was made for debts remaining outstanding for more than three years. However, during the year, this policy has been changed and provision for doubtful debts is made for debts remaining outstanding for more than seven years in respect of Central Govt./ State Govt. and Union Territories, due to the fact that debt collection in respect of State Govts and Union Territories is slow because of procedural formalities and release of subsidy by Central Govt. to such State Govts and Union Territories. Accordingly no provision for outstanding debts of `919.98 Lacs in respect of Central/ State Govts/ Union Territories has been made in the accounts during the year.
  - 3) In the case of Lakshadweep detachment of Western Region, steps are being taken to retrieve documents pertaining to disbursement of advance for expenses of `18.24 Lacs and expenses of `17.63 Lacs against the advance.
- XIII) In the previous year, Northern Region had passed an entry for `206.00 Lacs crediting Mata Vaishno Devi Shrine Board (Shrine Board) account and debiting sales on account of the amount of tickets relating to "No show customers". As on 31.03.2013, the Northern Region has made an entry of `175.26 lacs debiting the account of Shrine Board and crediting Prior Period



Items. As against a book balance of ₹ 106.21 Lacs debit, the Shrine Board has confirmed a balance as per their books of ₹ 129.68 lacs payable to the company. Difference of ₹ 23.57 Lacs with the Shrine Board is under reconciliation and appropriate entries will be made when the reconciliation is completed.

Pending necessary information from the Shrine Board, ₹ 71.72 Lacs have been credited to advances on account of "No show customers". Meanwhile, Shrine Board has paid ₹ 60.00 lacs in July 2013 and ₹ 19.00 lacs in October 2013.

#### (XIV) Secured Loans

S. No.	Loan From	Limit Sanctioned/ Date ( ₹ / Lacs)	Drawdown upto 31.3.2013 ( ₹ / Lacs)	Repayment upto 31.3.2013 ( ₹ / Lacs)	Interest rate ( Monthly rest)	Payment Schedule	Secured by
1.	ONGC	27,500.00 12/08/2010	16,516.00 (net of . 9,585.00 converted into equity)	5,954.27	SBI base rate plus 1.5%	60 equal monthly installments	Hypothecation of 7 nos. of new Dauphin N3 helicopters
Note:- Loan was negotiated in August, 2010 to finance 80% cost of 7 new Dauphin helicopters acquired from Eurocopter, France.							
2.	Consortium lending by Vijaya Bank and Exim bank						
(a)	Vijaya Bank/ Rupee Term Loan	9,518.00 10/01/2012	9,518.00	NIL	SBI Base rate + 1.25% p.a. + 0.25% p.a. (TP)	36 quarterly installments	Hypothecation of 2 Mi-172 helicopters.
(b)	Exim Bank Rupee Term Loan	9,082.00 10/01/2012	8,466.94	470.39	SBI Base rate + 1.50% p.a.	36 quarterly installments	Hypothecation of 2 Dauphin N3 helicopters
<b>Note:-</b> These loans have been sanctioned by the banks as financing through external borrowings to the extent of 80% of the cost of the helicopters. However, Company's liability for repayment is in terms of rupees and therefore, is neutral to exchange fluctuation.							
3.	NTPC Ltd.	5,430.00 29/04/2010	5,283.63	363.63	6% per annum	120 equal monthly installment.	Hypothecation of Dauphin N3 helicopter
<b>Note:-</b> The financing arrangement is against wet lease of the Dauphin N helicopter to NTPC for one year and thereafter wet lease of new Dauphin N3 for a period of ten years.							

(XV) Confirmation for balances as at 31st March 2013 from Sundry Debtors and Loans and Advances/ Deposits was circulated, but response received was limited. However, in majority of the cases, the debts have since been realized.

#### (XVI) Employees Remuneration and other benefits.

a) Consequent to the pay revision settlement with non-executives non-technical staff on 16.08.2011; non-executive technical staff on 16.07.2012; and executives on 11.12.2012, the Company has made a provision of ₹ 2745.22 Lacs ( P.Y. ₹ 2361.88

Lacs) up to 31.03.2013. Disbursements have been made in the previous year and in the current year leaving a balance of ₹ 697.11 Lacs (P.Y. ₹ 2361.88 Lacs) which has been carried forward for appropriate adjustments in the next year.

b) As regards provision for pension amounting to ₹ 1415.31 Lacs made in the previous year and ₹ 403.40 Lacs in the current year, the Company is exploring the possibility of funding this liability under a scheme which is yet to be finalized. The pension scheme is a defined contribution scheme where the Company's liability is restricted to the contribution made for each year equivalent to 10% of the salary



on which provident fund contribution is made.

- c) During the year, the Company has provided for ₹1500.00 Lacs on estimated basis on account of licence related allowances for pilots and engineers, pay & allowances for contract employees' and staff employed through contractors including ₹203.86 Lacs for the previous year in case of contract employees.

d) Retirement Benefit Plans

(1) Contribution to Provident Fund

The Company makes provident fund contribution to defined contribution retirement benefit plan for eligible employees. Under the scheme, the Company is required to contribute a specified percentage of the basic salary to fund the benefits. The contributions as specified under the law are paid to the provident fund trust set up by the Company. The Company is liable for monthly contribution and any shortfall in the fund assets based on GOI specified minimum rates. Such contribution and shortfall, if any, are expensed in the year of payment.

(2) Gratuity

The Company has a defined benefit gratuity plan. Every employee who has rendered continuous service of five years or more is entitled to get gratuity subject to a maximum of ₹10.00 Lacs on superannuation, resignation, termination, disablement or on death. The gratuity scheme is funded by the company and is managed by a separate trust. The liability for the same is recognized

on the basis of actuarial valuation.

- (3) Post Retirement Medical Benefit Scheme. (PRMBS).

The Company has Post-Retirement Medical Benefit Scheme under which a retired employee and his/ her spouse are provided medical facilities in the empanelled hospitals subject to a ceiling fixed by the Company. The liability for the same is recognized on the basis of actuarial valuation.

- (4) Leave (Earned Leave / Half Pay Leave)

The Company provides for earned leave benefit (including compensated absence) and half-pay leave to the employee of the Company which accrues annually at 30 days and 20 days respectively. 75% of the earned leave is en-cashable while in service. Half-pay leave is en-cashable only on separation beyond the age of 50 years upto the maximum of 240 days and no commutation of Half Pay Leave is permissible. The liability for the same is recognized on the basis of actuarial valuation.

- (5) Baggage Allowance on retirement.

The Baggage Allowance represents post retirement reimbursement towards travel for the employee/ family members and shifting of baggage to any place in India where the employee intends to settle after retirement. The liability for the same is recognized on the basis of actuarial valuation.

- (6) The following table sets out the status of retirement benefit plans the recognized in the financial statements:-

Particulars	2012-13			2011-12		
	Opening Liability (in ` Lacs)	Created/ Adjusted during the Year (in ` Lacs)	Closing Liability (in ` Lacs)	Opening Liability (in ` Lacs)	Created/ Adjusted during the Year (in ` Lacs)	Closing Liability (in ` Lacs)
Earned Leave	1252.12	101.17	1353.29	1109.52	142.60	1252.12
Half Pay Leave	499.95	56.56	556.51	607.06	(107.11)	499.95
PostRetirementMedical Benefit Scheme.	309.89	99.74	409.63	272.86	37.03	309.89
Baggage Allowance upon Retirement	12.00	1.57	13.57	11.19	0.81	12.00
<b>Total</b>	<b>2073.96</b>	<b>259.04</b>	<b>2333.00</b>	<b>2000.63</b>	<b>73.33</b>	<b>2073.96</b>



(7) Defined benefits plan recognized in the financial statement as per actuarial valuation as on 31st March, 2013 are detailed below :-

(Fig. in ` Lacs)							
Particulars	2012-13			2011-12			
	Leave Encashment (EL & HPL) (Non-funded)	Baggage Allowance/ PRMBS (Non-funded)	Gratuity (funded)	Leave Encashment (EL & HPL) (Non-funded)	Baggage Allowance/ PRMBS (Non-funded)	Gratuity (funded)	
<b>A) Changes in Present Value of Obligation</b>							
i Present value of obligation as at the beginning of the period	1752.08	321.88	2615.75	1716.58	284.05	2442.08	
ii Interest Cost	140.18	25.76	209.26	137.32	22.72	195.37	
iii Past Service Cost	-	-	-	-	-	-	
iv Current Service Cost	130.99	12.90	164.30	131.74	10.60	155.21	
v Curtailment / Settlement cost	-	-	-	-	-	-	
vi Benefits paid	(258.63)	(18.73)	(151.54)	(176.71)	(17.72)	(115.13)	
vii Actuarial (gain) / loss on obligation ( Balancing figure)	145.20	81.39	126.29	(56.86)	22.24	(61.78)	
viii Present value of obligation as at the end of the period	1909.80	423.20	2964.06	1752.08	321.89	2615.75	
<b>B) Changes in fair value of plan assets</b>							
i Fair Value of plan assets as at the beginning of the period	-	-	3044.89	-	-	2748.11	
ii Expected return on plan assets	-	-	251.81	-	-	214.63	
iii Contributions	-	-	-	-	-	-	
iv Benefits paid	-	-	(151.54)	-	-	(115.13)	
v Actuarial gain / (loss) on obligation	-	-	0.55	-	-	23.61	
vi Fair value of plan assets as at the end of the period	-	-	3145.71	-	-	2871.22	
<b>C) The amounts to be recognized in the balance sheet</b>							
i The present value of obligation as at the beginning of the period	1909.80	423.20	2964.06	1752.08	321.89	2615.75	
ii Fair value of plan assets as at the end of the period.	-	-	3145.71	-	-	2871.22	
iii Net Assets / ( liability ) recognized in balance sheet.	(1909.80)	(423.20)	181.65	(1752.08)	(321.89)	255.47	
<b>D) Expenses recognized in the Statement of Profit and Loss A/c</b>							
i Current Service Cost	130.99	12.90	164.30	131.74	10.60	155.21	
ii Past Service Cost.	-	-	-	-	-	-	
iii Interest Cost.	140.18	25.76	209.26	137.32	22.72	195.37	
iv Expected return on plan assets	-	-	(251.81)	-	-	(214.63)	
v Curtailment / settlement cost	-	-	-	-	-	-	



(Fig. in ` Lacs)

	Particulars	2012-13			2011-12		
		Leave Encashment (EL & HPL) (Non-funded)	Baggage Allowance/ PRMBS (Non-funded)	Gratuity (funded)	Leave Encashment (EL & HPL) (Non-funded)	Baggage Allowance/ PRMBS (Non-funded)	Gratuity (funded)
vi	Net Actuarial gain / (loss) recognized in the period.	145.20	81.39	125.75	(56.86)	22.24	(85.39)
vii	Expenses recognized in the statement of profit and loss	416.37	120.04	247.49	212.20	55.56	50.56

The principal assumptions used in determining employee benefits are given below:-

Particulars	EL and HPL for all Employees (non-funded)	Baggage Allowance/ PRMBS for all Employees (non-funded)	Gratuity (Funded)
Discount Rate	8.00%	8.00%	8.00%
Expected rate of return on plan assets.	-	-	8.27%
Future cost increase / Salary escalation rate	6.00%	6.00%	6.00%
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%

The above information is as certified by the actuary and accepted by the auditors.

8) Total Plan Assets in respect of Gratuity Trust are invested in the following manner:-

Sl. No.	Major category of plan assets	As at 31 <sup>st</sup> March 2013	As at 31 <sup>st</sup> March 2012
		<b>% age of total plan assets</b>	
1	Govt. securities / special deposit with RBI	62.80	63.96
2	High quality corporate bonds	28.28	30.99
3	Insurance companies	NIL	NIL
4	Mutual funds	NIL	NIL
5	Cash and cash equivalents, Bank balance	0.75	0.50
6	Term deposits	7.55	3.26
7	Equity	0.62	1.29

9. On reconciliation of gratuity provision made in the earlier years with the value of plan assets at the end of these years, it was noticed that provision for gratuity was made in excess by ` 429.14 Lacs upto 31.03.2012. During the year, this amount

has been credited to Prior Period Items. The current year's provision based on plan assets as on 31.03.2013 amounting to ` 247.49 Lacs has been debited to the current year's statement of profit and loss.



#### 10. Pension

For pension contributions reference should be made to Note no. XVI (b).

11. Gratuity expense has been recognized in “Contribution to Provident and Gratuity funds” and pension & leave encashment in “Salaries and wages” under Note 24.

#### (XVII) Insurance Claims

- a) The insurance claim of Dauphin helicopter, VT-SOK which met with an accident on 16.12.2010 at Chandigarh, was settled by The New India Assurance Company Ltd. under Constructive Total Loss (CTL) in May, 2013. This claim was accounted in the F.Y. 2011-12 based on virtual certainty. The net realized value from the Insurance Company is ₹ 1392.21 Lacs after necessary deduction.

Further, the salvage value of ₹ 245.27 Lacs of the helicopter pertains to 2 nos. aerial 2C engine, rotables and metallic/non metallic scrap. The aerial 2C engines and rotables are subject to bench check, repair and overhaul, etc. before being made serviceable; hence these are classified as “Capital Work in Progress”.

- b) On 28th June 2013, Dauphin N3 helicopter Regn No VT-PHZ met with an accident, when the helicopter was on rescue mission in Uttarakhand from Mateli to Harshil. Damage to the tail portion of the aircraft is reported. The incident has been reported to New India Assurance Company Ltd with whom the helicopter is insured. The estimated repair cost due to damage would be worked out in due course of time after investigation / inspection and assessment by insurance surveyor, hence, no adjustments are required to be made in the financial year

under review.

- c) One Bell helicopter (VT PHH), insured for ₹ 875.00 Lacs, did a hard landing at Katra, Jammu & Kashmir on 30th December, 2012 without any fatalities. The Company has preferred necessary claims with the Insurance Company. As the Insurance Surveyor’s report has not been received and assessed value is not known, the claim has not been accounted for in the books and the helicopter is being carried at the book value of ₹ 83.71 Lacs.

#### (XVIII) Taxation

- a) In view of taxable loss for the years ended 31.03.2007 to 31.03.2013, the Company is liable to pay Minimum Alternate Tax (MAT) under section 115JB of the Income Tax Act, 1961. The Company has paid MAT amounting to ₹ 3957.50 Lacs for these years (including ₹ 650 Lacs for the current year). Although MAT paid by the company is adjustable in future in ten years against normal income tax liability, as a matter of prudence, the Company has decided to avail credit for MAT in the year the same becomes eligible for deduction from normal tax liability.

- b) Amount recoverable/adjustable towards refunds from the Income Tax Department amounting to ₹ 7402.68 Lacs have been shown under “Long Term Loans & Advances” and includes ₹ 6521.26 Lacs relating to completed assessments by the assessing officer upto the year ended 31.03.2010 and ₹ 881.42 Lacs in respect of assessments yet to be completed. In respect of ₹ 6521.26 Lacs relating to completed assessments, amount to be refunded or additional tax liability, if any, is not quantifiable at this stage.



The Company has filed appeals to the Income Tax Appellate Tribunal against disallowances made by the assessing officer and confirmed by the CIT (Appeals). These appeals mainly relate to Company's claim of interest payable to the Central Government/ interest on tax free bonds for the financial years 31.03.1997 to 31.03.2002. Pending decision by the Govt. of India on Company's request for waiver of interest on amount from GOI (Refer Note No. 27(iii)), these appeals are presently pending before ITAT. The amount of additional tax liability or refund, if any, that may become due to the Company is not quantifiable at this stage.

- c) In line with the provisions of Accounting Standard (AS 22) "Accounting for Taxes on Income", the Company has reassessed cumulative taxable losses for the financial year 2007-08 to 2011-12. Based on examination of past profitability, estimation of profit projections for future and reversal of deferred tax liability in subsequent years and as a matter of prudence, the cumulative unabsorbed depreciation to the extent of ` 11148.93 Lacs (P.Y. ` 3722.23 Lacs) has been recognized for taking credit for deferred tax assets in the current year. Taxable loss comprising of unabsorbed depreciation has been assessed by the Tax department up to the A.Y. 2010-11 under section 250/143(3) of the Income Tax Act, 1961.

Accordingly, deferred tax assets on the balance unabsorbed depreciation amounting to ` 3887.59 Lacs up to financial year 2011-12 and ` 5894.12 lacs for financial year 2012-13 will be reviewed in subsequent period, in accordance with the provisions of AS 22.

- d) The matter of claiming service tax on input services at the Corporate Office is being examined and appropriate steps are being taken to quantify the amount and claim credit against output services.

#### (XIX) Investment in Equity Share (non listed) at cost

The Company has invested ` 289.34 Lacs during 2009-10 towards equity contribution (non listed) in National Flying Training Institute Pvt. Ltd., Gondia, Maharashtra. The investee company has accumulated losses of ` 1789.44 Lacs against paid up share capital of ` 6468.52 Lacs as on 31.03.2012. However, considering long term interest of the Company in the institute, no provision has been made for impairment in this investment.

#### (XX) Heliport Project

The Government has approved building a Heliport at Rohini, New Delhi by the Company on behalf of the Ministry of Civil Aviation ( MoCA) at estimated cost of ` 6400.00 Lacs to be funded as under:-

- (i) ` 1900.00 Lacs as Grant in Aid by the Government towards the land cost.  
(ii) Government equity towards 80% of the cost of infrastructure development aggregating ` 3600.00 Lacs.  
(iii) Company contribution of ` 900.00 Lacs being 20% of the project cost.

The Company has received ` 3600.00 Lacs upto March, 2013 as equity contribution from GOI towards the Heliport Project costs.

The expenses incurred on the project till 31.3.2013 are summarized below:-



Particulars	in ` Lacs	
	31.3.2013	31.3.2012
Cost of land –Funded by GOI	1900.00	1900.00
Cost of land –Not Funded by GOI	7.01	7.01
Payment to consultants for designing and project planning	44.18	—
CWIP consisting expenses on boundary wall etc.	251.53	241.08
<b>Total</b>	<b>2202.72</b>	<b>2148.09</b>
Amount received from the Government of India	5500.00	5500.00
Amount invested in fixed deposit with banks as ear marked fund for the project	3297.29	3351.91

### (XXI) 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 approved by Ministry of Civil Aviation. DGCA had released an amount of `1000.00 Lacs for this purpose in April 2010. The expenses incurred upto 31.03.2013 out of the said advance are given below:-

Particulars	Upto 31/03/2013	Upto 31/03/2012
	in ` Lacs	in ` Lacs
A -Advance received from DGCA in April, 2010	1000.00	1000.00
-Total interest accrued & earned	179.86	135.62
<b>Total fund</b>	<b>1179.86</b>	<b>1135.62</b>
B - Amount disbursed to NBCC	945.34	208.00
- Amount incurred by the company towards project cost	26.65	10.47
<b>Total Disbursement/ expenditure</b>	<b>971.99</b>	<b>218.47</b>
C <b>Balance available with bank</b>		
- In Current account	39.51	12.18
- In Fixed Deposits	150.00	850.00
- Interest accrued	18.36	54.97
<b>Total</b>	<b>207.87</b>	<b>917.15</b>

### (XXII) Corporate Social Responsibility / Sustainable Development Fund

1. In the previous year, the Company had created a provision for Corporate Social Responsibility (CSR) as per guidelines issued by Government of India, Department of Public Enterprises @ 3% on Profit after Tax (PAT) as under:-

Financial Year	Profit After Tax (in ` Lacs)	Provision for CSR (in ` Lacs)	Expenditure Incurred (in ` Lacs)
2009-10	3558.86	106.77	23.51
2010-11	1850.60	55.52	—
2011-12	(1035.12)	—	—
<b>Total</b>		<b>162.29</b>	<b>23.51</b>

In view of the loss for the year ended 31.03.2012, no provision has been created during the year.

The unutilized balance of `138.78 Lacs is being carried forward for use in future.

2. During the year, the Company has made provision for Sustainable Development Fund for the year ended 2009-10 and 2010-11 amounting to `27.05 Lacs as per guidelines issued by DPE office memorandum no. 3(9)/2010-DPE(MoU) dated 23.09.2011 as under:-

Financial Year	Profit After Tax (in ` Lacs)	Provision for SDF (in ` Lacs)
2009-10	3558.86	17.79
2010-11	1850.60	9.26
2011-12	(1035.12)	—
<b>Total</b>		<b>27.05</b>

No expenditure has been incurred till 31.03.2013 and the entire balance of `27.05 Lacs is being carried forward for use in future.

### (XXIII). Obligation towards operating leases.

Rental expenses of `546.34 Lacs (P.Y. `444.21 Lacs ) in respect of cancellable operating leases have been charged to the



Statement of Profit and Loss. The company has not entered into non-cancellable operating leases.

#### (XXIV) Provisions

(Fig. in `/Lacs)				
Particulars	Opening Balance as on 01.04.2012	Created during the year	Utilized during the year / Other Adjustments/ transfer/ Reversals	Closing Balance as on 31.03.2013
Impairment of Assets	1600.12	2.61	—	1602.73
Provision for Revision of Pay & Allowances from 01.01.2007 including pension	3777.20	2286.73	2049.68	4014.25
Doubtful Debts/ Advances	1235.25	176.57	58.40	1353.42
Non moving inventories/ Life expired items, etc.	1395.93	269.87	6.33	1659.47
Dividend	—	233.96	—	233.96
Corporate Tax on Dividend	—	39.76	—	39.76

#### (XXV) 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, Joint Secretary, Ministry of Civil Aviation and Chairman & Managing Director, PHL from 23.3.2012(A/N) onwards.

##### b. Transactions

(i) Sh. Anil Srivastava, IAS, Salary : `NIL

c. ONGC Ltd – Equity Shareholder - 49% - `12,035.00 Lacs

Transaction :-	F.Y. 2012-13	F.Y. 2011-12
	(in ` Lacs)	(in ` Lacs)
Helicopter Hire charges	19481.11	20305.00
Income from Operation & Maintenance Contracts	207.40	-
Trade receivables as on 31 <sup>st</sup> March ( debit)	3240.43	4478.08
Secured Loan ( received)	-	7675.13
Loan repaid ( Principal Amount)	2629.75	2340.86
Interest Paid	1340.24	1439.59
Outstanding Loan ( Principal Amount)	10561.73	13191.48
Interest accrued as on 31 <sup>st</sup> March	98.58	127.76

#### (XXVI) Earnings Per share have been computed as under:-

	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
Net Profit/(Loss) after tax	<b>`1169.82 Lacs</b>	<b>` (1035.12) Lacs</b>
Weighted average no of Equity Share outstanding	245616	245616
Earnings per share (Basic and diluted)	<b>` 476/-</b>	<b>` (421/-)</b>
Face value is ` 10,000 per share		

#### (XXVII). ADDITIONAL INFORMATION

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

(In Rupees/Lacs)		
	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
i) Stores, Spares & Consumables (Net)	6,577.75	7,550.49
ii) Test Tool/ Ground Support Equipment	59.25	49.70
iii) Goods-in-Transit	24.84	113.39
iv) Stocks under Inspection	53.69	220.27
v) ATF	12.00	13.82
<b>TOTAL</b>	<b>6,727.53</b>	<b>7,947.67</b>



- b) Value of imports calculated on CIF basis:-

(in ` Lacs)		
	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
1) Helicopters & Accessories	12,469.19	25,186.39
ii) Stores, Spares & Consumables	1,377.52	3494.27
iii) Airframe & Aero Engine Equipments-Rotables	1,501.89	2,375.12
iv) Test equipment/Ground Support Equipment/ Loose Tools	105.89	136.55
v) Goods-in-Transit / Goods under Inspection	73.01	630.10
vi) Capital Goods/Other Items	70.56	29.08
<b>TOTAL</b>	<b>15,598.06</b>	<b>31,851.51</b>

- c) Expenditure in Foreign Currency during the financial year:-

(in ` Lacs)		
	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
i) Helicopters & Accessories	12,112.81	25,186.39
ii) Stores, Spares & Consumables	1,358.56	3,450.47
iii) Airframe & Aero Engine Equipments-Rotables	1,491.99	2,358.87
iv) Test equipment/ Ground Support Equipment/ Loose Tools	105.46	135.66
v) Foreign Travelling/ Foreign Training	216.66	263.35
vi) Goods in Transit/ Goods under Inspection	72.62	624.07
vii) Repair Charges	6,195.96	6,856.66
viii) Capital Goods/ Other Items	59.39	27.66
<b>TOTAL</b>	<b>21,613.45</b>	<b>38,903.13</b>

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

	VALUE (in ` Lacs)		PERCENTAGE	
	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
Imported	2,295.32	3,899.02	95.9%	96.5%
Indigenous	97.63	140.19	4.1%	3.5%
<b>TOTAL</b>	<b>2,392.95</b>	<b>4,039.21</b>	<b>100.00%</b>	<b>100.00%</b>

- e) Earnings in Foreign Exchange during the financial year :

(In ` Lacs)		
	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
Helicopter Hire charges	9,688.87	16,272.51
<b>TOTAL</b>	<b>9,688.87</b>	<b>16,272.51</b>

- f) Remuneration paid to Directors including Chairman & Managing Director

- i.) Remuneration paid to Chairman & Managing Director:-

(In ` Lacs)		
	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
i) Salary	-	14.35
ii) Allowances & Perquisites	-	5.65
iii) Provident Fund/ Gratuity	-	1.69
<b>TOTAL</b>	<b>-</b>	<b>21.69</b>

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

(XXIX). Since it is not possible to define the normal operating cycle, the same has been assumed to have duration of 12 months and the classification of assets and liabilities into long term and short term has been done accordingly for the purpose Schedule VI (revised) of the Companies Act, 1956.



(XXX). Segment Reporting

The Company has only one segment consisting of providing helicopter services. Segment Reporting as per Accounting Standard 17 is not applicable to the Company.

XXXI) The name of the Company has

been changed from Pawan Hans Helicopters Ltd. to Pawan Hans Ltd. w.e.f. 14.01.2013.

XXXII). Previous year figures have been regrouped wherever considered necessary to correspond with current year figure.

For and on behalf of the Board of Director

Anil Srivastava  
Chairman-Cum-Managing Director

S.Machendranathan  
Director

Sanjiv Bahl  
Executive Director

Sanjiv Agrawal  
Company Secretary & GM (Legal)

Subir Das  
General Manager(F&A)

Place : New Delhi.

Dated : 30<sup>th</sup> October. 2013



## Cash Flow Statement for the year ended 31st March, 2013

Particulars	31 <sup>st</sup> March, 2013	(In ` Lacs) 31 <sup>st</sup> March, 2012
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit Before Tax</b>	2,793.71	2,243.14
Adjustments For :		
Depreciation and Amortization Expense	7,409.61	6,035.48
Interest Income	(1,039.20)	(928.09)
Loss on Sale of Fixed Assets	1.38	0.75
Finance Costs	2,851.16	1,445.73
Rotables, Stores & Spares Written Off	151.03	213.82
Provisions	804.28	(57.48)
Misc. Expenses Written Off	-	53.87
	<b>10,178.26</b>	<b>6,764.08</b>
<b>Operating Profit Before Working Capital Changes</b>	<b>12,971.97</b>	<b>9,007.22</b>
Adjustments For :		
Trade Receivables	(4,176.22)	1,421.88
Loans & Advances and Other Assets	1,273.53	3,267.68
Inventories	956.60	(1,219.32)
Trade Payables, Other Liabilities and Provisions	(2,708.43)	534.98
<b>Cash Generated From Operations</b>	<b>(4,654.52)</b>	<b>4,005.21</b>
Income Tax Paid	803.49	1,069.46
<b>Net Cash From Operating Activities</b>	<b>7,513.96</b>	<b>11,942.97</b>
<b>B. Cash Flow from Investing Activities</b>		
Fixed Assets (net)	(13,276.42)	(26,821.52)
Interest Received	1,039.20	928.09
Capital Work-in Progress	(240.97)	(495.38)
<b>Net Cash Used In Investing Activities</b>	<b>(12,478.19)</b>	<b>(26,388.81)</b>
<b>C. Cash Flow from financing Activities</b>		
Finance Costs	(2,851.16)	(1,445.73)
Proceeds from Long Term Borrowings	9,853.47	21,090.22
Repayment of Long Term Borrowings	(3,463.78)	(2,340.85)
<b>Net Cash From Financing Activities</b>	<b>3,538.53</b>	<b>17,303.64</b>
<b>Net (Decrease)/Increase In Cash And Cash Equivalents</b>	<b>(1,425.70)</b>	<b>2,857.80</b>
<b>Opening Cash and Cash Equivalents</b>	<b>13,993.19</b>	<b>11,135.39</b>
(including ` 5759.12 Lacs under lien)		
<b>Closing Cash and Cash Equivalents</b>	<b>12,567.49</b>	<b>13,993.19</b>
(including ` 1878.89 Lacs under lien)		

**Notes:**

1. Figures in Brackets indicate cash outflows.
2. The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard (AS)-3 "Cash Flow Statements".

**For and on behalf of the Board of Director**

**For Khanna & Annadhanam**  
Chartered Accountants  
(Firm Registration No.1297-N)

(Anil Srivastava)  
Chairman-Cum-Managing Director

(S.Machendranathan)  
Director

(Ashish Ahluwalia)  
Partner  
(M.No.088514)

(Sanjiv Bahl)  
Executive Director

(Sanjiv Agrawal)  
Company Secretary & GM(Legal)

(Subir Das)  
General Manager (F & A)

Place : New Delhi  
Date : 30<sup>th</sup> October, 2013



*Annexure 'A' to the Director Report*

**STATUTORY AUDITOR'S REPORT**

**Management's Replies**

**To,  
The Members  
Pawan Hans Limited  
(Formerly known as Pawan Hans Helicopters Limited)**

**Report on the Financial Statements**

We have audited the accompanying financial statements of PAWAN HANS LIMITED (the Company) which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information incorporating the accounts of Western Region audited by Branch Auditors appointed by the Comptroller and Auditor General of India.

**Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### **Basis for Qualified Opinion**

- 1. In the case of the Northern Region, security deposit account of Indian Oil Corporation (IOC) is showing a debit balance of `189.30 Lacs as against `214.30 Lacs appearing in the statement of account received from IOC. Also, the trade payable account of IOC is reflecting excess credit of `19.91 Lacs in the books of the Company as compared to the statement of account received from IOC. We have been informed that the reconciliation with IOC is in progress. Refer Note No. 27(XI)(2).**
- 2. In the previous year, sales of `206.00 Lacs were reversed by debiting sales account and crediting Mata Vaishno Devi Shrine Board (Shrine Board) account. On 31.03.2013, the account of Shrine Board has been debited by `175.26 Lacs by crediting Prior Period Items. We were informed that necessary details in support of these entries are being obtained from the shrine board. Also, pending necessary information from the shrine board, `71.72 Lacs have been credited to advance on account of "No show customers".**

Difference of `25 lakhs in Indian Oil Corporation (IOC) security deposit A/C is due to the fact that certain payments made to them were wrongly classified as security deposit by the M/s. IOC, instead of advance / payment against carnet card. The reconciliation is under progress and the difference has been identified for which necessary rectification will be passed by IOC. `19.91 Lacs pertain to bills of IOC detachments booked by us but not accounted by IOC.

The Shri Mata Vaishno Devi Shrine Board has taken over the entire e- ticket booking w.e.f. October, 2011 viz-a-viz earlier when 50% booking was done by PHL and 50% was done by other operator, through their own e- ticketing systems. Earlier "No Show" passenger were taken as income by each operator, shrine board was paid only on the basis of passenger actually travelled. As a result of the change in the booking system. "No show" passenger were initially retained by shrine board.

With respect to credit of `71.72 Lacs in the accounts, reconciliation is in advance stage



and the necessary recovery of balance amount and rectification entries will be passed in next year. Rectification entries will be passed in current Financial Year.

**As against a debit book balance of ` 106.21 Lacs in the books of the Company, the Shrine Board has confirmed a credit balance of ` 129.68 Lacs payable to the Company leaving a balance of ` 23.47 Lacs which needs to be reconciled. Refer Note No. 27(XIII).**

- 3. Advance Income Tax includes ` 6521.26 Lacs relating to the years in respect of which income tax assessments have been completed. In the absence of details of advance tax, tax at source, provision for income tax, income tax demands, refunds received etc, we are unable to form an opinion regarding the recoverability of the aforesaid amount shown under Long Term Loans and Advances. Refer Note No. 27(XVIII)(b).**

On taking up the matter with shrine board it has paid a total of ` 79 Lacs till date i.e. ` 60 lakhs to PHL in July, 2013 and ` 19 lakhs in Oct.13 on account of " No Show Passengers" and balance of ` 23.47 lacs are under reconciliation.

Detailed analysis /reconciliation has been made of Income Tax in respect of assessments have been completed. Since Pawan Hans is under appeal before the ITAT forum the Company is of the view that the assessment orders issued by AO/CIT (Appeal) are subject to final review/decision by ITAT. The Company had filed its appeal at the ITAT level in respect of the A.Y. 1997-98 to A.Y. 2002-03 against the disallowances made by the Assessing Officer and the CIT (A), mainly covering the matter with respect to interest on Government of India(GOI) dues claimed by the Company amounting to ` 5996.31 Lacs. In the above assessment years, the Company had deposited taxes and interest thereon under protest with Tax Deptt. Further, the refund due had been adjusted by the Income Tax Deptt for disallowances made by the A.O. As per the directions of ITAT matter relating to claim of interest by Ministry of Finance (MOF) in respect of Westland helicopters need to be settled first between Ministry of Civil Aviation (MOCA) and Ministry of Finance (MOF). Thereafter, the final decision by ITAT will be taken up. In this connection, the matter regarding waiver of MOF claim has been taken up by MOCA with MOF. It may also be added that Company has received refunds in the last ten years amounting ` 6338.46 Lacs towards Income Tax. The Company is therefore hopeful of recovery of income tax retained by the TAX Department.

- 4. At the Corporate Office, service tax on input services has been charged off and not adjusted against output services under Cenvat Credit Rules. The amount**

The Company had taken up the matter with Service Tax Dept already made Corporate Office( CO) as " Distributor of Cenvat credit". Accordingly, Cenvat credit of CO will be used



**in this regard has not been quantified. Refer Note No. 27(XVIII)(d).**

- 5. Advances to suppliers for purchase of helicopters were established at the exchange rate ruling on the date advances were paid. These have been restated at exchange rate ruling on date of receipt of the helicopters resulting in exchange gain of `176.57 Lacs which has been credited to the Statement of Profit and Loss. In our opinion, this treatment is not in line with Accounting Standard (AS) 11- "The Effects of Changes in Foreign Exchange Rates" and the advances, being non-monetary items, should have been carried at original rate of exchange. This has resulted in overstatement of net profit for the year after tax by `128.72 Lacs. Refer Note No. 27(VII)(1).**
- 6. During the year, the Company incurred costs of `157.06 Lacs for training of air and ground crew in connection with acquisition of new helicopters and treated the expenditure as 'Intangible Asset' to be amortized over a period of five years. In our opinion, training costs do not constitute an 'Intangible Asset' in terms of Accounting Standard (AS) 26-"Intangible Assets"; and these costs should have been charged off to the Statement of Profit and Loss. This has resulted in net profit for the year after tax being overstated by `104.19 Lacs. Refer Note No. 27(VIII).**
- 7. During the year, the Company has changed its accounting policy relating to provisioning of doubtful debts. Whereas in the previous year, debts due from Central Government/State Governments/Union Territories for a period of more than three years were considered doubtful and provided for, in the current year debts due from such customers which have been outstanding for more than seven years have been considered doubtful and provided for. No cogent reason for the change in the accounting policy has been explained to us. The Company has identified debtors of `963.99 Lacs which are outstanding**

by both the Regions in the current Financial Year.

As explained in Note no. 27(VII) of Notes to Accounts, as and when the Company pays advances to foreign supplier for purchase of capital goods, it translates the foreign currency payment at the FE rate on the payment date. On receipt of Capital goods, the Company translates the foreign currency value of such assets at the FE rate prevailing on the date of transaction as notified by Vijaya Bank. Difference of total value paid and the value at which such goods are capitalised are debited /credited to statement of Profit & Loss Account. This is as per consistent accounting policy followed by the Company in conformity with AS-11 "

Foreign Training cost of air and ground crew are capitalized as Intangible assets as per clause no 6.1 and 6.2 read with clause no 20 and clause 21 of AS-26 with defined future economic benefits. Training cost incurred by Pawan Hans in respect of Air and Ground crew are protected by the legal right of the Company through a service bond of 5 years and value of `25 Lacs each and in case any of the pilot/ engineer defaults on terms and conditions of Bond, before completion of tenure of 5 years, such bonds are legally enforceable. It is also on record that employees had paid bond money in the past to the Company.

The Company has changed the Accounting Policy relating to creating provision for outstanding amounts from three years to seven years in respect of Central/ State Governments and Union Territories outstandings because of the fact that debt collection in respect of Central/ State Governments and Union Territories are slow due to their procedural formalities and delays in release of Central Government subsidy. However, when there is a virtual certainty in respect of a debt being doubtful of recovery, necessary provision is made in the Books of Accounts.

The Company is of the opinion that by making provision against Central/ state Governments and Union Territories debts after 3 years



for more than three years at Northern Region only. The provision held in respect of these debtors is `44.01 Lacs. This change in the accounting policy has resulted in increase in net profit for the year after tax by `621.49 Lacs ( `919.98 Lacs less deferred tax effect of `298.49 Lacs). Refer Note No. 27(XII)(2).

8. For the year ended 31.03.2012, the Company had recognized deferred tax asset on accumulated depreciation of `3722.23 Lacs upto the financial period ended 31.03.2011 for the first time whereas deferred tax liability (DTL) and deferred tax asset (DTA) for the other items were recognized upto the year ended on 31.03.2012. The non-recognition of DTA on unabsorbed depreciation for the year ended on 31.03.2012 as required under Accounting Standard (AS) 22- "Accounting for Taxes on Income" resulted in increase of DTL by `3491.91 Lacs and decrease of profit for the year and cumulative balance of statement of Profit and Loss by the same amount. The auditors of the Company for the previous year had qualified last year's audit report on this matter.

During the year, The Company has recognized DTA of `3617.27 Lacs on unabsorbed depreciation of `11148.93 Lacs as against DTA of `6790.95 Lacs on actual unabsorbed depreciation of `20930.64 Lacs. Non recognition of DTA on full amount of unabsorbed depreciation of `20930.64 Lacs has resulted in understatement of net profit for the year after tax and cumulative balance of Statement of Profit and Loss by `3173.68 Lacs and overstatement of DTL by the same amount. Refer Note no. 27 (XVIII) (c).

will not reflect true operational profit of the Company for that particular year.

In this respect it is to explain that the unabsorbed depreciation and carry forward losses which can be set off against future taxable income are 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 examination of past records of financial performances and estimation of profit projections by SBI Caps and based on the availability of the firm long term charter contracts of the helicopters with customers like ONGC, A & N Administration, Lakshadweep Administration, NTPC, Himachal Pradesh and Arunachal Pradesh, the generation of taxable profit in future has been assessed. Accordingly, this would start from F.Y.2014-15 and onwards and from F.Y. 2014-15 a situation of net taxable income would arise.

In view of above and also following the prudent approach in recognizing the assets, the company has considered recognizing of taxable losses as deferred tax to the extent of only `11148.93 lacs pertaining the period F.Y. 2007-08 to 2011-12 out of total taxable losses of `14513.36 lacs including taxable losses as per revised income tax return for the F.Y. 2011-12. The taxable losses pertaining to 2012-13 amounting `6121.71 lacs will be assessed and reviewed for recognizing as deferred tax asset at the next balance sheet date which is entirely in accordance with AS-22.

In case of other deferred tax assets to the tune of `2836.34 lacs which comprises of various provisions like for employee benefit, slow moving ,non moving inventories, doubtful



debt and advances and Corporate Social Responsibility /sustainable development fund have been considered upto the financial year 2012-13 which is based on the fact that these assets have reasonable certainty to be paid / reversed in subsequent financial years. In our Opinion, this is in conformity with the AS-22.

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

**9. The auditors of Western Region have qualified their report as under:**

- i) **“In connection with the non availability of balance confirmations 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, 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.” Refer Note No. 27(XV).**
- ii) **“The Company has during the year given an advance of `48.06 Lacs on various dates to one of its detachments operations at Lakshadweep. Out of the said advance, the Company does not have any documentary evidence in respect of advance of `18.24 Lacs. The said sum of `18.24 Lacs has been transferred to "Advance Others (Various)" account in the name of the said detachment grouped under Short Term Loans and Advances. The company has made provision for various expenses totaling to `17.63 Lacs against the said advance amount and credited Outstanding Liabilities Revenue account which**

In respect of trade receivable at Western Region the majority of amount have since been realised. While in the case of trade payable, the liability has been extinguished as per the terms of credit.

Necessary documents pertaining to the advance are under compilation for corroboration. However, based on conservative accounting principles necessary provision has been made towards expenses, the purpose for which it has been incurred.



is grouped under Trade Payables. We have neither been provided any supporting documents of providing such an advance amount to the detachment of `18.24 Lacs nor has the company provided us documents pertaining to expenses amounting of `17.63 Lacs. In the absence of corroborative evidence regarding the same we are unable to comment on the adjustments, if any required to be made in this respect and its consequential effect on the financial statements of the company.” Refer Note No. 27(XII)(3).

iii) “Rotables under the head Fixed Assets includes Rotables sent for 'repair vendors' located outside India of `3888.17 Lacs (Gross Value before deducting depreciation). Out of the said amount of Rotables the company does not have any confirmation, for Rotables of `696.49 Lacs (Gross Value before deducting depreciation), from such 'repair vendors' confirming the holding of such assets by them. In absence of confirmations as stated above we are unable to comment on the existence of such assets and adjustments, if any required to be made in this respect and its consequential effect on the financial statements of the company.” Refer Note No. 27(VI)(a).

In respect of paragraphs 1 to 4 and paragraph 9 above, from the available information we have not been able to determine the adjustments which will be required on resolution of these matters.

In respect of paragraphs 5 to 8 above, had the observations made by us been considered, expenses would have increased by `1233.04 Lacs, tax expense (including deferred tax) would have reduced by `3552.32 Lacs and net profit for the year and shareholders' funds would have increased by `2319.28 Lacs.

All the items are sent to repair vendors, who are also OEM's (Original Equipment Manufacturer ) pertaining to the year 2011-12 & 2012-13 . All these items are specialized avionics items where in TAT (Turn Around Time) for repair is very – very high, because many of the items are no more in production line., However, out of `696.00 Lacs (WDV of `444.00 Lacs), value of items which has been sent during the last 6 months i.e. from Oct,2012 to March 2013 itself account to nearly 553.00 Lacs. Further subsequent to year end items worth `143.00 Lacs (WDV `67.00 Lacs) has already been received back and follow up is being done for repair/ retrieval of the balance items.

Observation of Audit at para 1 to 4 & 9 of the Auditors Report has been explained above in detail.

Observation of Audit at para 5 to 8 of the Auditors Report has been explained above in detail.



## Qualified Opinion

**In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in paragraphs 1 to 4 and paragraphs 9 in the Basis of Qualified Opinion paragraph and the effect of the matters described in paragraphs 5 to 8 in the Basis of Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:**

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31,2013;**
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date ; and**
- (c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.**

## Emphasis of Matter

Reference is invited to:

1. Note No. 27(III) regarding claim of Government of India amounting to `47022.22 Lacs for which the company has requested for a waiver from the Government. Matter is being pursued through Ministry of Civil Aviation ( MoCA) with Ministry of Finance (MoF) for an early decision on the matter.
2. Note No. 27(XVI)(a) regarding balance provision of `697.11 lacs carried forward for adjustments in the next year against pay revision settlement. Payment of certain allowances have been made subsequent to closure of financial year for which provision exists in Books of Accounts as on 31st March,2013. It also includes leave benefits on superannuation beyond a certain limit, which is retained by the Company.
3. Note No. 27(XVI)(b) regarding provision of `1415.31 Lacs in the previous years towards newly introduced pension scheme and a further provision of `403.40 Lacs made during the year. The amount provided has not been funded so far. Board of Directors have approved the Pension scheme and now it is being forwarded to Ministry of Civil Aviation for approval.
4. Note no. 27(XVI) (c) regarding provision of `1500.00 Lacs made during the year on estimated basis on account of license related allowance for pilots, engineers Revision of licence related allowances outside cafeteria approach for Pilots/AMEs is under consideration.



and contract employees by debit to the Statement of Profit and Loss. The provision in case of contract employees includes ₹ 203.86 Lacs for the period falling in the previous year.

5. Note no. 27 (XVI) (d) (9) regarding reconciliation of gratuity provision during the year and consequential adjustments. Noted for compliance.

Our opinion is not qualified in respect of above matters.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Companies Act, 1956, 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 **except for the matters described in the Basis for Qualified Opinion paragraph;**
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books, **with the exception of stock records not being maintained at bases in Western Region**, and proper returns adequate for the purposes of our audit have been received from branch (Western Region) not visited by us. The branch auditor's report dated 27th August, 2013 relating to Western Region has been forwarded to us and has been appropriately dealt with; No comments
  - c. The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account and with audited returns No comments



received from branch not visited by us;

- d. Except for the effects of the matters described in paragraphs 5, 6 and 8 in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;**
- Audit observation at para 5,6 &8 has been explained in detail above.
- e. As per the information and explanations given to us, in view of the general circular no.8/2002 dated 22-03-2002 issued by Department of Company Affairs, the Government Companies are exempt from applicability of the provisions of Section 274(1)(g) of the Companies Act, 1956.
- No comments

For Khanna & Annadhanam  
Chartered Accounts  
(Firm's Registration No. 1297-N)  
  
(Ashish Ahluwalia)  
Partner  
Membership No. 088514

Place : New Delhi  
Date 30.10.2013



*ANNEXURE TO THE AUDITOR'S REPORT*

*Management's Reply*

*PAWAN HANS LTD, NEW DELHI*

(Referred to in our audit report of even date)

In our opinion and according to the information and explanation given to us, considering the nature of the Company's business / activities during the year, following clauses of paragraph 4 of the Order are not applicable to the Company

No comments.

Clause no.	Brief Content
vi	Acceptance of deposit from public
viii	Maintenance of cost records.
xii	Granting loans and advances against pledge of shares and debentures etc.
xiii	Clause relating to Chit Funds / Mutual Funds / Societies
xiv	Trading in shares, debentures etc.
xv	Guarantee for loans taken by others from banks and financial institutions.
xviii	Preferential allotments of shares to parties and companies under section 301 of the Companies Act, 1956
xix	Issue of debenture during the year
xx	Raising money by public issue.

In respect of other clauses, we report as under:-

(i) In respect of fixed assets :

**(a) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets except that such records in the case of western region have not been maintained.**

It is under compilation.

**(b) According to the information and explanation given to us, the fixed assets at the Corporate Office and Northern Region have been physically verified by the Management. However, the total value of fixed assets covered by physical verification has not been made available to us. The process of reconciliation of physically verified fixed assets with book balances is in the progress. In the case of Western**

It is expected to be completed shortly.

The process of physical verification of Fixed Assets at Western Region has been completed.

Most of the items have been received back subsequent to close of the financial year.



**Region, the process of physical verification of fixed assets is in progress and yet to be completed.**

**Further, in case of Rotables sent for repair and lying with the vendor located outside India with written down value of ₹ 1696.18 Lacs, confirmation from the vendors to whom these rotables have been sent for repair were not available.**

- (c) In our opinion, a substantial part of the fixed assets have not been disposed off by the Company during the year. No comments.

**(ii) In respect of its inventories:**

- (a) **According to the information and explanation made available to us, the inventory has been physically verified during the year by the management at reasonable intervals except inventory of stores and spares of Westland Helicopters. In the case of 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 of such items of stores and spares over a period of three years and accordingly a part of the inventory of such items has also been verified at the close of the year.** No comments.

**In case of stock of stores and spares at the detachments, the issue are made from Mumbai and at the year end the closing stock of stores and spares at detachment is recorded based on physical verification reports submitted by respective detachment and hence the control exercised is limited.** Strict control will be exercised in respect of materials movement at detachments.

- (b) An explained to us, the inventories were physically verified during the year by management at reasonable intervals. At the Western Region, high value items are verified only at the Noted for compliance.



close of the year and other inventory is verified once in three years and hence only a part of the inventory was verified at the end of the year. The inventory lying at various detachments is verified at the close of the year. **In our opinion, the procedure of inventory verification are reasonable but need to be improved.**

- (c) In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of inventory and discrepancies noticed on physical verification, which were not material, have been properly dealt with in the books of account. **However, at Western Region, in the case of detachments, proper records are not maintained and do not provide the required details. The discrepancies noticed between physically verified inventories and book records have not been adjusted for a long period. However, adhoc provision for shortages found on physical verification has been made in the books.** Noted for compliance.
- (iii) Accordingly to the information and explanations given to us by the management and records produced, there are no parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (a) to (iii) (g) of paragraph 4 of the Order are not applicable. No comments.
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed and major weakness in such internal control system. No comments.
- (v) a) The particular of contracts or arrangements that need to be entered into the register in pursuance of section 301 of Companies Act, 1956, have been properly entered. No comments.



- b) Accordingly to the information and explanation given to us, transaction made in pursuance of such contract or arrangement have been made at price which reasonable having regard to the prevailing market prices at the relevant time. No comments.
- (vii) **In our opinion , the Company does not have an internal audit system commensurate with the size of the company and nature of its business. The internal audit function has been outsourced to two firms of chartered accountants with conduct internal audit on half yearly basis. The internal, audit report is recieved after consideration time and ther for corrective action is delayed . No action taken report is prepared and presented to the management on a regular basis.** It is proposed to conduct concurrent Audit of Bases at Regions.
- (ix) Accordingly to the information and explanations given to us and according to the book and records as produced and examined by us , in our opinion:-
- a) The company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. No comments
- b) The details of disputed statutory dues which have not been deposited is as follow: The amounts have been considered under Contingent Liability in Note no. 27(II).

Nature of Demand	Financial Year	Amount (In ` Lacs)	Forum which dispute is pending
CST, Interest & Penalty	2006-07	818.96	Commissioner of Trade & Taxes , Delhi
CST, Interest & Penalty	2007-08	784.71	Commissioner of Trade & Taxes , Delhi
CST, Interest & Penalty	2008-09	853.63	Commissioner of Trade & Taxes , Delhi
CST, Interest & Penalty	2009-10	735.41	Commissioner of Trade & Taxes , Delhi
	<b>Total</b>	<b>31927.12</b>	



Reference is invited to Note No XVIII relating to income tax matters. Due to reason explained therein, it is not possible to ascertain the extent of disputed income tax which has not been deposited.

- (x) The Company does not have any accumulated losses at 31st March, 2013. The Company has not incurred cash losses in the financial year ended on that date and in the immediately preceding financial year. No comments.
- (xi) Accordingly, to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank, ONGC and NTPC from whom loans have been taken. No comments.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained. No comments.
- (xvii) In our opinion and according to the information and explanation given to us, the company has not raised any funds on short term basis. No comments.
- (xxi) To the best of our knowledge and accordingly to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year. No comments.

For Khanna & Annadhanam  
Chartered Accountants  
(Firm's Registration No 1297-N)

(Ashish Ahluwalia)  
Partner  
Membership No 088514

Place: New Delhi  
Dated: 30.10.2013



*Annexure 'B' to the Director 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 LIMITED FOR THE YEAR ENDED 31 MARCH 2013**

The preparation of financial statements of Pawan Hans Limited for the year ended 31 March 2013 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 Standards on Auditing 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 30 October 2013.

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 Limited for the year ended 31 March 2013. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement 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**

(Vimalendra Patwardhan)  
Principal Director of Commercial Audit  
& ex-officio Member, Audit Board-I,  
New Delhi

Place: New Delhi  
Dated: 6 December 2013