



2016-17

# ANNUAL REPORT



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A STAR ALLIANCE MEMBER 



AIR INDIA

# AIR INDIA LIMITED

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## Board of Directors



**Pradeep Singh Kharola**



**Gargi Kaul**



**Satyendra Kumar Mishra**



**Pankaj Srivastava**



**Vinod Hejmadi**



**Capt. Arvind Kathpalia**



**Dr. R. K. Tyagi**



**Shri Syed Zafar Islam**



**BOARD OF DIRECTORS**

(as on 29 December 2017)

Shri Pradeep Singh Kharola  
Shri Pankaj Srivastava  
Shri Vinod Hejmadi  
Capt. Arvind Kathpalia  
Smt. Gargi Kaul  
Shri Satyendra Kumar Mishra  
Dr. R. K. Tyagi  
Shri Syed Zafar Islam

Chairman & Managing Director

**Company Secretary**

Smt. Kalpana Rao

**Auditors**

M/s. Thakur, Vaidyanath Aiyar & Co.  
M/s. Sarda and Pareek  
M/s. Verma & Verma

**Solicitors**

M/s. M.V. Kini & Co.  
M/s. Suri & Co.

**Bankers**

Allahabad Bank  
Andhra Bank  
Bank of Baroda  
Bank of India  
Canara Bank  
Central Bank of India  
Citibank  
Corporation Bank  
Dena Bank  
Deutsche Bank  
EXIM Bank  
Federal Bank  
HDFC Bank  
JP Morgan Bank  
IDBI Bank  
Indian Bank  
Indian Overseas Bank  
Investec Bank  
IndusInd Bank  
Oriental Bank of Commerce  
Punjab National Bank  
Punjab & Sindh Bank  
State Bank of India  
Standard Chartered Bank  
Syndicate Bank  
UCO Bank  
United Bank of India  
Union Bank of India

**Registered Office**

Airlines House  
113, Gurudwara Rakabganj Road  
New Delhi 110 001

**MANAGEMENT (as on 29 December 2017)**

Shri Pradeep Singh Kharola	Chairman & Managing Director
Shri Pankaj Srivastava	Director-Commercial
Shri Vinod Hejmadi	Director-Finance & Personnel
Capt Arvind Kathalia	Director Operations
Shri Aditya Kumar Joshi	CVO

**EXECUTIVE DIRECTORS**

Shri R. Harihar	ED- Projects
Capt. A.S. Soman	ED-HQ
Shri Pankaj kumar	ED- S & M
Capt. A.K. Govil	ED- Operations & IFS
Smt. H.A. De Singh	ED- Flight Safety
Shri P.S. Negi	ED- Materials Management
Shri A. Jayachandran	ED- Finance
Shri A.B.K.Rao	ED - Engineering
Shri R.J.Shinde	ED- Personnel
Shri A.K.Pathak	ED- Cargo
Smt. Amrita Sharan	ED-Integration & IR
Smt. Aruna Gopalakrishnan	ED-Corporate Affairs
Smt. Seema Srivastava	ED- Strategy & Planning
Capt. Chetan Prakash	ED- Incharge IOCC & CMS (Cockpit & Cabin Crew)
Dr. P.C.Tripathi	ED – Medical Services
Smt. Meenakshi Malik	ED - RMMA
Smt. Kalpana Rao	ED – Finance & Company Secretary
Shri Anil Mittal	ED – Internal Audit
Shri Kirti Rao	ED - Finance
Shri M.Velraj	Offg. ED - Security
Shri Nirmal Kumar	Offg. ED - IT
Shri Shailendra Kumar	Offg. ED - P & F

**REGIONAL EXECUTIVE DIRECTORS**

Shri S.S. Uberoi	RD- Northern Region & GH
Shri Mukesh Bhatia	RD- Western Region
Capt.R.Bhasin	RD- Eastern Region (Coordinating)
Shri M.V.Joshi	RD- Southern Region (Coordinating)

**DEPARTMENTAL HEAD**

Capt.Amitabh Singh	GM-Training
Shri A.N.Kulkarni	GM- Legal



## CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me great pleasure to present to you the 10<sup>th</sup> Annual Report of the Company for the year 2016-17.

I am glad to inform that for the second consecutive year, Air India has posted an operating profit of Rs.2980.3 million during 2016-17 as against Rs.1050 million during 2015-16. This was possible due to improvements in terms of increased Passenger Load Factor, increased revenues, robustness in operations, etc.



I wish to now present the Civil Aviation scenario globally and within India to give a brief background and thereafter, the results of Air India Limited for the financial year 2016-17 :

### CIVIL AVIATION SCENARIO

#### World

Air Transportation provides a significant boost to economic development. Asia dominated the ranks of the fastest growing origin-destination passenger markets in 2016. An ongoing increase in unique city-pair routes has helped to enable the flow of goods, capital, technology and ideas. The number of unique city-pair connections exceeded 18400 in 2016, over 700 more than in 2015 and almost double the connectivity by air 20 years ago. In 2016, Industry-wide Revenue Passenger Kilometers (RPKs) grew by 7.1% and Freight Tonne Kilograms (FTKs) by 3.6%. More than 3.8 billion passenger segments were flown in 2016, an increase of 250 million compared with 2015, and the all time high Passenger Load Factor of 80.4% achieved in 2015, was retained.

The price to users of air transportation, meanwhile, continues to fall, after adjusting for inflation. Compared with 20 years ago, real transportation costs have more than halved. In addition, enhanced service offerings and non-stop connections have expanded choice for consumers. Due to reduced air transportation costs and improved connectivity, the value of international trade was USD 5.5 trillion in 2016 and IATA estimates that air travellers spent around USD 650 billion in 2016.

Passenger demand was also supported by lower fares in 2016. Jet fuel prices climbed to about USD 60 a barrel at the end of 2016 - nearly twice the 12 year low reached in January 2016, yet still much lower than the average between 2011 and 2014, helping keep airfares down. Fuel remains a major cost for airlines, but its share of airlines' costs declined to 19.2% in 2016, the lowest proportion since 2004, helping to lower the industry-wide breakeven load factor for the fourth consecutive year.

It was a year of near-record operating profits in 2016, the operating margin of 8.9% of revenues was up from 8.6% in the previous year and more than three times that achieved in 2012. After allowing for interest charges, taxes and write-downs, the USD 34.8 billion net post-tax profit that airlines generated was slightly down from USD 35.9 billion in 2015.

#### India

India is the 9<sup>th</sup> largest aviation market in the world, well on its way to become the third largest aviation market by 2020, and may be the largest by 2030. The aviation industry in India promises huge growth potential due to large and growing middle class population with increasing disposable incomes, fall in price of Aviation Turbine Fuel, increase in tourism, visa reforms etc. The Civil Aviation Industry in India has ushered in a new era of expansion, driven by factors such as Low Cost Carriers (LCCs), modern airports, Foreign Direct Investment in domestic airlines, advanced information technology (IT) inventions and growing emphasis on regional connectivity.



The National Civil Aviation Policy, 2016 has provided a significant fillip to the industry. The centre-piece of the Policy is to make regional air connectivity a reality. The Policy aims to take flying to the masses by making it affordable and convenient, establish an integrated eco-system which will lead to significant growth of the civil aviation sector to promote tourism, employment and balanced regional growth, enhance regional connectivity through fiscal support and infrastructure development and enhance ease of doing business through deregulation, simplified procedures and e-governance. Further, in April 2017, the Government of India has launched regional connectivity scheme UDAN (Ude Desh Ka Aam Nagrik) to make flying affordable for common man.

The GoI envisions airport infrastructure investment of USD 11.4 billion under the Twelfth Five Year Plan (2012-17). It has opened airport sector to private participation, six airports across major cities are being developed under the PPP model. The Airports Authority of India aims to bring around 250 airports under operation across the Country by 2020.

Towards the growth in Civil Aviation in India, the Government has taken various initiatives including construction of 18 Greenfield airports, revival of 50 un-served and under-served airstrips, development of small airports, Viability Gap Funding to airline operators, etc.

## **PERFORMANCE OF THE COMPANY**

### **Stand-alone**

I am glad to inform that for the second consecutive year, Air India has posted an operating profit of Rs.2980.3 million during 2016-17 as against Rs.1050 million during 2015-16 (recasted to Rs.3235.0 million in 2016-17). Further, during the financial year 2016-17 the Company had incurred a net loss of Rs.57,651.7 million as against Rs.38,367.8 million in the year 2015-16, representing an increase of Rs.19283.9 million. This was mainly on account of Exceptional/Extra-Ordinary Provision of Rs.21453.9 million towards JDC Recommendations for Pay Structure rationalization amounting to Rs.12981.6 million and write off of Rs.8472.3 million towards SFIS Scrips Revenue. Number of passengers carried during 2016-17 increased to 19.1 Million as against 18 Million during 2015-16.

Passenger Revenue increased from 156562.5 million in 2015-16 to Rs.159978.1 Million in 2016-17. Cargo Revenue decreased to Rs.10271.9 Million in 2016-17 from Rs.10545.4 Million in 2015-16. Total Revenue increased from Rs.206103.3 Million in 2015-16 to Rs.221776.8 Million in 2016-17.

### **Consolidated Results**

The CFS represented consolidation of parent company's financials with the financials of 5 subsidiary companies viz. AASL, AIXL, AIESL, AIATSL & HCI and one joint venture viz. AISATS. The Group posted an Operating Profit of Rs.2119.8 million as against the previous year Operating Profit of Rs.604.9 million (recasted to Rs. 2983.4 million in the current year).

However, the Consolidated Net Loss of the Group for 2016-17 was Rs. 62885.2 million which was more by Rs.19778.7 million compared to the previous year's loss of Rs.43106.5 million. The increase in net consolidated loss was on account of Exceptional/Extra-Ordinary Provision of Rs.12981.6 million towards JDC Recommendations for Pay Structure rationalization and write off of Rs.8472.3 million towards SFIS Scrips Revenue, done by Air India.

## **PROPOSED DISINVESTMENT**

In view of the NITI Aayog recommendations on the disinvestment of Air India followed by the recommendations of the Core Group of Secretaries on disinvestment, the Cabinet Committee on Economic Affairs (CCEA) has given an in principle approval for considering strategic disinvestment of Air India and five of its subsidiaries in its meeting held on June 28, 2017. CCEA has also approved constitution of an Air India Specific Alternative



Mechanism (AISAM) to guide the process on strategic disinvestment from time to time and decide the following:

1. Treatment of unsustainable debt of Air India;
2. Hiving off of certain assets to a shell company;
3. Demerger and strategic disinvestment of three profit-making subsidiaries;
4. The quantum of disinvestment; and
5. The universe of bidders.

M/s. EY have been appointed as Transaction Advisors, M/s. Cyril Amarchand Mangaldas as Legal Advisors and M/s. RBS& Co. as Asset Valuers for this purpose.

### **ACKNOWLEDGEMENT**

I take this opportunity to thank the Ministry of Civil Aviation and Finance Ministry for their unstinted support. I also acknowledge the support extended by all other authorities including banks and regulatory agencies and assure that we will continue our course on a growth trajectory, taking Air India to greater heights. I would like to thank my colleagues on the Board for their valuable guidance.

I would like to thank all employees of Air India Limited for exemplary efforts to show the world the strength and resilience of our team spirit in pursuit of excellence. I want to thank each one of our employees for his/her contribution, and for always rising to the occasion to uphold the image of Air India.

On behalf of the Board, I seek continued support, as always.

Sd/-  
**(Pradeep Singh Kharola)**



## **VISION**

To be the leader in Indian aviation and India's Ambassador to the world.

## **MISSION**

### **Leadership**

#### Customer

- Provide safe, reliable and on-time services
- Deliver the highest quality of service around the world
- Be the epitome of Indian hospitality

#### Processes

- Continuously improve standards of safety and efficiency
- Operate and maintain a young and modern fleet
- Provide the best and most efficient network
- Create economic value

#### People

- To be the employer of choice
- Build a highly motivated and professional team
- Maintain highest degree of transparency and ethics
- Be a responsible corporate citizen

### **India's Ambassador**

- Be India's flag carrier in spirit and action
- Provide seamless travel within India and the world
- Connect Indians worldwide

### **Values**

- Zeal to excel and zest for change
- Integrity and fairness in all matters
- Respect for dignity and potential of individuals
- Strict adherence to commitments
- Ensure speed of response
- Foster learning, creativity and team-work
- Loyalty and pride in the Company

**DIRECTORS' REPORT**

The Shareholders,

On behalf of the Board of Directors, it gives me immense pleasure in presenting to you, the Tenth Annual Report on the performance of the Company together with the Audited Accounts, Auditors' Report and Comments of the Comptroller and Auditor General of India on the accounts for the financial year ended 31 March 2017.

**1. REVIEW OF PERFORMANCE – HIGHLIGHTS****1.1 Financial Performance**

The financial performance of the Company during the year 2016-17 was as under:

(Rupees in Million)

<b>Particulars</b>	<b>2016-17</b>	<b>2015-16</b>
Total Revenue	<b>221776.8</b>	206103.3
Total Expenses	<b>257974.6</b>	243613.3
Profit/(Loss) before Exceptional and Extraordinary Items & Tax	<b>(36197.8)</b>	(37510.0)
Exceptional Items	<b>(12981.6)</b>	-
Profit/(Loss) before Extraordinary Items & Tax	<b>(49179.4)</b>	(37510.0)
Extraordinary Items	<b>(8472.3)</b>	(857.8)
Profit/(Loss) before Tax	<b>(57651.7)</b>	(38367.8)
Less: Provision for Tax	-	-
Net Profit/(Loss)	<b>(57651.7)</b>	(38367.8)

**1.2 Physical Performance**

<b>Particulars</b>	<b>Unit</b>	<b>2016-17</b>	<b>2015-16</b>
ASKMs (Scheduled Services)	Million	<b>54155</b>	51208
ASKMs (Total)	Million	<b>54519</b>	51517
PKMs (Scheduled Services)	Million	<b>41316</b>	8694
PKMs (Total)	Million	<b>41316</b>	38695
ATKMs (Scheduled Services)	Million	<b>7272</b>	6881
ATKMs (Total)	Million	<b>7313</b>	6916
RTKMs (Scheduled Services)	Million	<b>4748</b>	4327
RTKMs (Scheduled Services)	Million	<b>4748</b>	4327
RTKMs (Total)	Million	<b>4748</b>	4327
Passenger Load Factor	%	<b>76.3</b>	75.6
Overall Load Factor	%	<b>65.3</b>	62.6
Number of Passengers Carried (Scheduled Services)	Million	<b>19.1</b>	18.0
Number of Passengers Carried (Total)	Million	<b>19.4</b>	18.4
Freight Carried	Tonnes	<b>196918</b>	192809
Total Revenue Hours Flown	No.	<b>405164</b>	356182



## 2. OTHER FINANCIAL INFORMATION

### 2.1 Share Capital

#### Authorised Share Capital

The Authorised Share Capital of the Company is Rs.30,000,00,00,000/- divided into 3,000,00,00,000 equity shares of Rs.10/- each.

#### Issued, Subscribed & Paid-up Share Capital

As on 31 March 2017 the Issued, Subscribed & Paid-up Share Capital of the Company was Rs.26,753,00,00,000/- divided into 26,753,000,000 fully paid up equity shares of Rs.10 each. During the year 2016-17, Government of India infused Rs.24652.1Million towards equity capital.

### 2.2 Debentures

The Company has issued 136,000 Redeemable, Unsecured Non-Convertible Debentures of face value of Rs.1 Million each guaranteed by Government of India. Details regarding Maturity Profile and Rate of Interest have been given in Note 4.1 of the Financial Statement.

Debenture Redemption Reserve, as required under Section 71 (4) of the Companies Act, 2013, has not been created in view of the absence of any profits earned by the Company.

Debentures of the Company are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The address of the Transfer Agent of the Company is M/s Link Intime India PvtLtd., C101, 247 Park, LBS Marg, Vikhroli (West), Mumbai 400 083.

### 2.3 Aircraft Project Loans

As on 31 March 2017, the position of aircraft loans, including future lease obligations in respect of finance leases and Non Convertible Debentures issued for Aircraft financing, was as under :

	(Rupees in Million)
Total Loan due as on 1 April 2016	222,035.22
Add: Amount drawn during 2016-17	29,056.40
Less: Amount repaid during 2016-17	72,158.41
Less: Exchange adjustments due to revision in rates of Currencies	5,334.20
Balance as on 31 March 2017	173,599.01

### 2.4 Annual Plan Outlay 2016-17

	(Rupees in Million)	
	Approved	Actual
<b>Aircraft Projects</b>		
Payment to aircraft/spare engine manufacturers	1,120.00	3,145.20
<b>Non-Aircraft Projects</b>		
Other capital expenditure	2,400.00	2,252.10
Equity infusion by Government of India **	17,130.00	24,652.10
<b>TOTAL PLAN OUTLAY</b>	<b>20,650.00</b>	<b>30,049.40</b>



\*\* An additional amount of Rs.7,522.1 Million was received from the Government by way of Final Supplementary Grants for FY 2016-17.

## 2.5 Annual Plan Outlay 2017-18

The Annual Plan Outlay for the year 2017-18 is Rs.23,080.00 Million. The Company has spent Rs.21,975.30 Million up to December 2017. In addition to this, an amount of Rs.30,038.3 Million has also been spent on the acquisition of 4 B787 aircraft. This was because as per the approved TAP / FRP, all aircraft acquisition by Air India were to be done through Sale and Lease Back (SLB) mode. However, subsequent to Government of India's decision to disinvest Air India, it has now been decided that all remaining aircraft will be financed through Bridge Loan / Bank Financing. Accordingly, 4 B787 aircraft which have been received during the current Financial Year 2017-18 have been capitalized in the books till December 2017.

## 2.6 Twelfth Five Year Plan – 2012-13 to 2016-17 (Approved)

(Rupees in Million)

Aircraft Projects	11,730.00
Non-Aircraft Projects	18,650.00
Budgetary support from Government	1,50,960.00
<b>Total Plan Outlay</b>	<b>1,81,340.00</b>

## 2.7 Financial Accounting

The Financial Statements have been prepared in compliance with Accounting Standards issued by The Institute of Chartered Accountants of India (ICAI) and provisions of the Companies Act, 2013.

## 3. MEETINGS OF THE BOARD OF DIRECTORS

Five Meetings of the Board of Directors were held during the year, the details of which are given in the Corporate Governance Report that forms part of this Report. The intervening gap between the Meetings was within the limit prescribed under the Companies Act, 2013.

## 4. INFORMATION ABOUT SUBSIDIARY AND JOINT VENTURE COMPANIES

The following are the wholly owned subsidiaries of the Company :

Air India Air Transport Services Limited

Air India Express Limited (Formerly known as Air India Charter Limited)

Air India Engineering Services Limited

Airline Allied Services Limited

The Company also holds 80.38% Equity Shares of Hotel Corporation of India Limited and remaining 19.62% Shares are held by the President of India.



Further AISATS Airport Services Pvt. Ltd. is a Joint Venture between Air India Limited and Singapore Airport Terminal Services (SATS) in the ratio of 50:50. AISATS provides ground handling services to airlines at certain Metro airports in pursuance of Government of India Notification on the Ground Handling Policy.

## 5. INDUSTRIAL RELATIONS

Relations with the work force continued to be cordial during the year 2016-17.

## 6. ENCOURAGEMENT/ASSISTANCE TO SMALL SCALE INDUSTRIAL UNITS

The Company continued to support the MSME Units / Social Welfare/ Charitable Organizations. The procurement from MSME Units and the selective sourcing / procurement from social / charitable organisations amounted to Rs.651.90 Million during the year.

## 7. ENVIRONMENT PROTECTION

### Environment Management System

Green Week was celebrated from 5 - 10 June 2016 to spread awareness about environment protection and also promote Swachh Bharat. Tree Plantation drives and Swachh Bharat campaigns were launched in which employees across different levels and departments at various locations participated.

In Delhi, a 50KWH Solar Power Plant was inaugurated on 10 June 2016 followed by a Tree Plantation Drive.

Our Corporate EMS Department is responsible for monitoring the Fuel Efficiency and Environment emissions reporting to meet regulatory compliance of various regulatory bodies such as EU-ETS, IATA and DGCA.

The Company was able to reduce its fuel consumption by 93154 tonnes as compared to the previous year. Fuel efficiency had improved by 12.17% in 2016 as compared to 2015 by utilising fuel efficient aircraft, implementation of fuel efficiency measures and better load factors.

### EU-ETS

Air India was audited by M/s Verifavia, an EU accredited verifier for emissions due to European flights under the European Union Emissions Trading Scheme (EU-ETS) in March 2017. Air India successfully met the audit requirements which covered EMS, Flight Operations, Engineering and Finance Departments, submitted its Emissions Report and surrendered the Carbon credits due to emissions from intra-Europe flights before the deadline of 31 March 2017. Air India is now fully compliant with EU-ETS Emissions Regulations.

## 8. VIGILANCE

Vigilance Department of Air India performs important Managerial functions which can broadly be divided into Preventive and Proactive. Vigilance Department works consistently towards building a Corruption-free Organisation and also aims to achieve good Corporate Governance.

Guided by the Central Vigilance Commission, Air India has been making continuous reviews of Rules, Procedures and Standard Practices with an endeavour to promote integrity, transparency and accountability in public life.



As a result of systemic improvements suggested by the Vigilance Department, most of the Departments have either developed SOPs for their Departments or are in the process of developing such SOPs. Already existing procedures are being supervised and adhered to, to minimise anomalies and procedural lapses.

Vigilance Department is consistently following up the proceedings with the concerned Disciplinary Authority for early disposal of cases / submission of Action Taken Reports (ATRs). Constant follow-up is also being done for CVC referred cases with all the Regional Directors / Departmental Heads .

A total of 53 Station Inspections and 495 Surprise Checks were conducted by Vigilance Teams during the year across the network. This resulted in substantial recovery of Rs.73.26 million due to Vigilance Activities during the year.

## 9. OFFICIAL LANGUAGE IMPLEMENTATION

In order to monitor progressive use of Hindi in the office, meetings of 57 Official Language Implementation Committees constituted on all India level were held regularly.

In order to facilitate officers/employees in doing their official work in Hindi and to work on computers in Hindi, Desk-to-Desk workshops were organized for various Departments of Headquarters, Delhi and at Varanasi and Kochi Stations. 127 officers and employees were trained in these workshops. Moreover, a motivational talk in Hindi was organised for higher level officers on 27 June 2016 in which 40 officers participated. Further, 81 Desk-to-Desk programmes / workshops were organised at Regional level to address difficulties confronted by officers / employees in doing their official work in Hindi and 374 officers / employees were imparted training.

Chairman & Managing Director was awarded for excellent writings in Hindi by the Ministry of Civil Aviation. Under the category of Hindi Magazines published by subordinate organisations of Ministry of Civil Aviation, Air India's Hindi Magazine "Vimanika" was awarded First Prize and General Manager (Commercial), Eastern Region was awarded for excellent work in Hindi. "Vimanika" was also awarded with a third prize by Town Official Language Implementation Committee (Undertakings), Delhi.

Information given on website and online reservation system was updated in Hindi on regular basis. Material related to inflight entertainment system in Hindi was also updated from time to time. Hindi Fortnight was celebrated on all India level and competitions were organized for employees. In addition, selected pilots and cabin crew from all the regions were awarded for the best Hindi announcements.

## 10. IMPLEMENTATION OF RESERVATION POLICY

The Reservation Policy has been implemented as per the Presidential Directives issued in the year 1975, along with the revised Directives effective 1991 and 1996.

### SC/ST/OBC – Number of employees as on 31 March 2017

Total No. of employees	Total No. of SC employees	% of SC employees	Total No. of ST employees	% of ST employees	Total No. of OBC employees	% of OBC employees
17677	3667	20.74	1311	7.41	1254	7.09



## 11. CORPORATE GOVERNANCE

The Company's Corporate Governance philosophy is to continuously strive to attain higher levels of accountability, transparency, responsibility and fairness in all aspects of its operations. The Company remained committed towards protection and enhancement of overall long term value for all its stakeholders – customers, lenders, employees and the society. The Company also acknowledges and appreciates its responsibility towards the society at large and has embarked upon various initiatives to accomplish this.

During the year under review, the Company continued its pursuit of achieving these objectives through adoption of competitive corporate strategies, prudent corporate and business policies and plans, strategic monitoring and mitigation of risks, while at the same time, creating checks and balances in an organization that values people, propriety, equity and fair play. The Company follows sound business practices and conducts its business in a transparent manner. The Company remained committed towards ensuring observance of Corporate Governance principles in all its dealings.

Integrity Pact Programme was implemented effective 8 February 2008. It has been made mandatory to incorporate Integrity Pact in respect of all contracts with a value of Rs.100 Million and above.

The detailed Corporate Governance Report attached separately forms part of this Annual Report.

## 12. CHANGE IN NATURE OF BUSINESS

There is no change in the nature of business of the Company.

## 13. DIVIDEND

In view of the losses suffered during the year 2016-17, the Directors have not recommended any dividend.

## 14. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

Since there was no unpaid / unclaimed dividend for the past years, the provisions of Section 125 of the Companies Act, 2013 did not apply.

## 15. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has provided loans / guarantees to its Subsidiaries and has made investment in compliance with the provisions of the Companies Act, 2013. The details of such investments made and loans / guarantees provided as on 31 March 2017 are given in the Stand-alone Financial Statements under Notes 9, 10 and 25B.

## 16. DEPOSITS

The Company has not accepted any deposits during the year under review.

## 17. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee formulates and review policies related to remuneration / perquisites / incentives within the parameters of Guidelines issued by the Government of India. Air India being a Government Company, appointment / nomination of all the Directors is made by the President of India through the Ministry of Civil Aviation including fixation of remuneration of Directors and Employees.



As required under Section 178(1) of the Companies Act, 2013, as on 31 March 2016, the Nomination and Remuneration Committee comprised of three Non-Executive Directors :

<b>Name of the Director</b>	<b>Position held in the Committee</b>	<b>Category of the Director</b>
Prof Ravindra Dholakia	Chairman	Part-time Non-Official Director
Prof Prem Vrat	Member	Part-time Non-Official Director
Jt Secretary, Ministry of Civil Aviation	Member	Non-Executive Part-time Director
Shri Ashwani Lohani	Member	Executive Non-Independent Director

On completion of their tenure, Prof Ravindra Dholakia and Prof Prem Vrat ceased to be Independent Directors on the Board of the Company. Shri Syed Zafar Islam and Dr R K Tyagi were appointed as Independent Directors on the Board of the Company effective 31 May 2017 and the Nomination and Remuneration Committee was reconstituted as under :

<b>Name of the Director</b>	<b>Position held in the Committee</b>	<b>Category of the Director</b>
Dr. R. K. Tyagi	Chairman	Part Time Non Official Director
Shri Syed Zafar Islam	Member	Part Time Non Official Director
Jt Secretary, Ministry of Civil Aviation	Member	Non Executive Part-time Director
Chairman & Managing Director	Member	Executive Non Independent Director
Director (Personnel)	Member	Functional Director

Air India is a Government Company and as per Ministry of Corporate Affairs' Notification dated 5 June 2015, exemptions have been given to Government Companies from the applicability of Section 178 (2) / (3) / (4) pertaining to Directors.

## 18. AUDIT COMMITTEE

In compliance with the provisions of Section 177 of the Companies Act, 2013 and DPE Guidelines, the Company has constituted the Audit Committee of the Board. As on 31 March 2017, the following were the Members of the Audit Committee :

<b>Name of the Director</b>	<b>Position held in the Committee</b>	<b>Category of the Director</b>
Ms. Gargi Kaul	Chairperson	Non Executive Part-time Director
Shri Ashwani Lohani	Member	Chairman & Managing Director
Shri Satyendra Kumar Mishra	Member	Non Executive Part-time Director
Director (Finance)	Special Invitee	Functional Director
GM-Internal Audit	Special Invitee	General Manager



However, on appointment of Shri Syed Zafar Islam and Dr R K Tyagi as Independent Directors on the Board of the Company effective 31 May 2017, the Audit Committee was reconstituted as under :

<b>Name of the Director</b>	<b>Position held in the Committee</b>	<b>Category of the Director</b>
Shri Syed Zafar Islam	Chairperson	Part Time Non Official Director
Dr R K Tyagi	Member	Part Time Non Official Director
Jt Secretary & Financial Advisor, MOCA	Member	Non Executive Part-time Director
Chairman & Managing Director	Permanent Invitee	Chairman & Managing Director
Director (Finance)	Special Invitee	Functional Director
ED-Internal Audit	Special Invitee	Executive Director

## 19. MANAGEMENT DISCUSSION & ANALYSIS REPORT

A detailed Management Discussion and Analysis Report is given separately.

## 20. PERFORMANCE EVALUATION OF BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

As per the Notification dated 5 June 2015 of the Ministry of Corporate Affairs, provisions of Section 134(3)(p) of the Companies Act, 2013 shall not apply in case the Directors are evaluated by the Ministry, which is administratively in charge of the Company as per its own evaluation methodology. Air India being a Government Company, the performance evaluation of the Directors is carried out by the Administrative Ministry (MOCA), Government of India, as per applicable Government guidelines.

## 21. POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION

Air India being a Government Company, is exempted to furnish information under Section 134 (3) (e) of the Companies Act, 2013 as per the Notification dated 5 June 2015 of the Ministry of Corporate Affairs.

## 22. DECLARATION OF INDEPENDENCE

There were no Independent Directors on the Board of the Company on 31 March 2017.

As per the Notification dated 31 May 2017 issued by the Ministry of Civil Aviation, Government of India, Dr R.K. Tyagi and Shri Syed Zafar Islam were appointed as Independent Directors on the Board of the Company for a term of 3 years.

The Board of Directors confirms that the Independent Directors duly appointed by the Company have given the declaration and they meet the criteria of independence as provided under Section 149(6) of the Companies Act, 2013.

## 23. DIRECTORS AND KEY MANAGERIAL PERSONNEL

During 2016-17, the following changes have occurred in the constitution of the Board of Directors of the Company :



Sr. No.	Name	Designation	Date of Appointment	Date of Cessation	Mode of Cessation
1	Shri B S Bhullar	Nominee Director (MOCA)	01.01.2015	02.02.2017	Nomination not extended by MOCA
2	Shri Satyendra Kumar Mishra	Nominee Director (MOCA)	02.02.2017		
3	Shri N K Jain	Director (Personnel)	05.07.2012	03.02.2017	Ceased to be Director
4	Smt Renuka Ramnath	Independent Director	29.05.2013	28.05.2016	Ceased to be Director
5	Shri Ravindra Dholakia	Independent Director	29.05.2013	28.05.2016	Ceased to be
6	Shri Prem Vrat	Independent Director	29.05.2013	28.05.2016	Ceased to be
7	Shri Gurcharan Das	Independent Director	29.05.2013	28.05.2016	Ceased to be Director
8	Shri K K Nohwar	Independent Director	29.05.2013	28.05.2016	Ceased to be Director

#### 24. SEXUAL HARASSMENT

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during the year 2016-17:

No. of Complaints received	14
No. of Complaints disposed off	13

#### 25. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm :

- that in the preparation of the annual accounts, the applicable accounting standards had been followed and wherever there are deviations, necessary disclosures have been given;
- that the selected accounting policies were applied consistently, other than disclosed in the Notes to Accounts, and the Directors made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2016 and of the profit or loss of the Company for the period ended on that date;



- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a 'Going Concern' basis; and
- the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## **26. COMMENTS OF COMPTROLLER AND AUDITOR GENERAL OF INDIA**

The comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31 March 2017 and the replies of the Management are annexed to this report.

## **27. AUDITORS**

M/s Varma & Varma, Kochi, M/s Thakur Vaidyanath Aiyar & Co., Delhi and M/s Sarda & Pareek, Mumbai were appointed Joint Statutory Auditors for the year 2016-17 by the Comptroller & Auditor General of India.

Management clarifications / explanations to the qualifications or adverse remarks in the Auditors' Report is annexed to this Report. The Notes on financial statements are self-explanatory and need no further explanation.

## **28. SECRETARIAL AUDITORS**

The Board has appointed M/s Jiwan Parkash Saini, Company Secretaries, New Delhi to conduct the Secretarial Audit for Financial Year 2016-17. The Secretarial Audit Report for the Financial Year ended 31 March 2017 along with Management clarifications / explanations to the qualifications or adverse remarks of the Auditor is annexed to this Report.

## **29. EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of Annual Return is annexed to this Report in specified Form MGT-9.

## **30. MATERIAL CHANGES AND COMMITMENTS**

As required under the provisions of Section 134(3)(l) of the Companies Act, 2013, following changes have occurred between 31 March 2017 and the date of the Directors' Report which have affected the financial position of the Company :

Government of India has infused Rs.18000 Million as Equity in the Company during May - September 2017.

## **31. RELATED PARTY TRANSACTIONS**

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. Exemption from the first and



second proviso to sub-Section (1) of Section 188 with regard to obtaining approval of the Company in General Meeting, has been provided to a Government Company in respect of contracts or arrangements entered into by it with any other Government Company. The Company has obtained approval of the Board in its 83<sup>rd</sup> Meeting held on 29 December 2017 to enter into contracts / arrangements with its subsidiary companies (Government Companies) and its JV Company for an estimated amount of approximately Rs.70000 Million during 2016-17.

### **32. RISK MANAGEMENT**

Periodic assessments to identify the risk areas are carried out and the Management is briefed on the risks in advance to enable the Company control risk through a properly defined plan. The risks are classified as financial risks, operational risks and market risks. The risks are taken into account while preparing the annual business plan for the year. The Company is also periodically informed of the business risks and the actions taken to manage them.

### **33. ORDERS OF COURT**

No significant and material orders were passed by the Regulators or Courts or Tribunals impacting the Going Concern status and Company's operations in future.

### **34. ANNUAL REPORT OF SUBSIDIARIES AND CONSOLIDATED FINANCIAL STATEMENT**

In accordance with the provisions of Section 134 of the Companies Act, 2013 and the AS-21 on Consolidated Financial Statements read with AS-23 on Accounting for Investments in Associates and AS-27 on Financial Reporting of Interests in Joint Ventures, audited Consolidated Financial Statement for the year ended 31 March 2017 of the Company and its Subsidiaries form part of the Annual Report.

### **35. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES**

As per Ministry of Corporate Affairs Notification dated 5 June 2015, provisions of Section 134(3)(e) are not applicable to a Government Company. Consequently, details on Company's policy on Directors' appointment and other matters are not provided under Section 178(3). Similarly, Section 197 shall not apply to a Government Company. Consequently, disclosure of the ratio of the remuneration of each Director to the median employee's remuneration and other such details including the statement showing the names and other particulars of every employee of the Company, who if employed throughout / part of the Financial Year, was in receipt of remuneration in excess of the limits set out in the Rules, are not provided in terms of Section 197(12) read with Rule 5(1) / (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Chairman & Managing Director and the Whole-time Directors of the Company did not receive any remuneration or commission from any of its Subsidiaries. Air India being a Government Company, its Directors are appointed / nominated by the Government of India as per the Government / DPE Guidelines which also include fixation of pay criteria, determining qualifications and other matters.

### **36. CAUTIONARY STATEMENT**

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking" statements within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied. The important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply, global economic condition and pricing in the domestic and overseas markets in which the Company operates, changes in the Government policies, regulations, tax laws and other statutes and other incidental factors. Fuel is a major determinant of the airline's profitability



constituting nearly 24% of its total costs and any major variation in its prices could impact the airline's profitability. Besides this, global and economic factors like slowdown, liquidity crisis in the global markets, geo-political conditions and stability, exchange fluctuations in the US dollar in which most of the debts/expenses of the Company are denominated could also influence the airline's performance.

### 37. ACKNOWLEDGEMENTS

The Board sincerely appreciates the Company's valued customers in India and abroad for using the services of the Company and looks forward to their continued support and confidence. The Board also expresses its deep sense of appreciation for the sincere and devoted service rendered by the employees of the Company at all levels.

The Board also gratefully acknowledges the support and guidance received from various Ministries of the Government of India, the Ministry of Civil Aviation and Ministry of Finance in relation to the implementation of the Company's operations, Financial Restructuring Plan and growth plans. The Board expresses its gratitude to the DGCA, Comptroller and Auditor General of India, Ministry of Corporate Affairs, the Statutory Auditors, Airports Authority of India, other Government Departments, Airlines, Agents, Oil Companies, Reserve Bank of India, Indian and International Financial Institutions and Banks including the EXIM Bank, USA and KfW Bank.

For & on behalf of the Board

Sd/-  
**(Pradeep Singh Kharola)**  
Chairman & Managing Director

Place : New Delhi  
Date : 19 March 2018



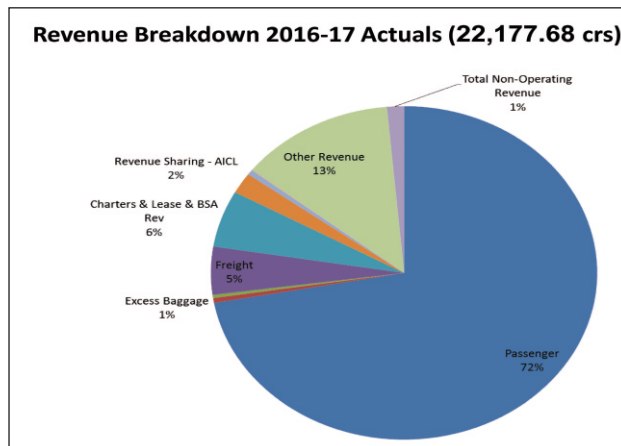
### MANAGEMENT DISCUSSION & ANALYSIS REPORT

## 1. ANALYSIS OF THE FINANCIAL/PHYSICAL PERFORMANCE

### Stand-alone

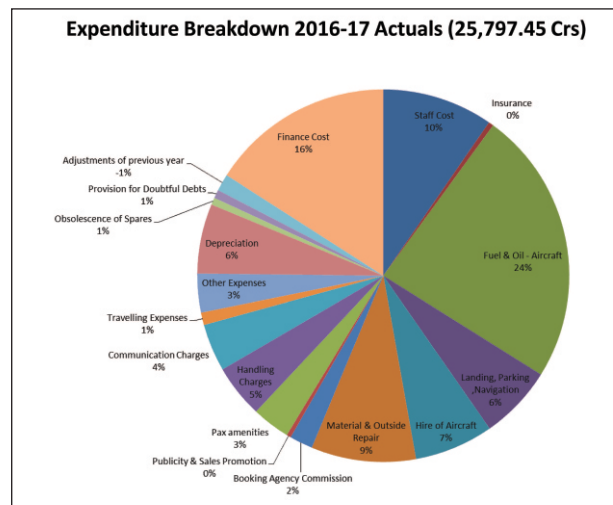
#### I. REVENUE

- Total revenue increased from Rs.206,103.3 million in 2015-16 to Rs.221,776.8 million during 2016-17 (increase of Rs.15,673.5 million)
- Operating Revenue increased from Rs.202,108.3 million in 2015-16 to Rs.218,596.1 million during 2016-17 (increase of Rs.16,487.8 million)
- Passenger Revenue increased from Rs. 156,562.5 million last year to Rs.159,978.1 million during 2016-17 (increase of Rs.3,415.6 million).r



#### II EXPENDITURE

- The total expenditure incurred during the year was Rs.257,974.6 million as compared to the previous year's figure of Rs.243,613.3 million (increase of Rs. 14,361.3 million)
- Operating expenses increased from Rs.198,873.3 million during 2015-16 to Rs.215,615.8 million during 2016-17 (an increase of Rs.16,742.5 million)



**Consolidated****I. REVENUE**

- Total Revenue increased from Rs.237,601.2 million in 2015-16 to Rs.257,716.5 million during 2016-17, an increase of 8.47%.
- Passenger Revenue increased from Rs.187,036.1 million to Rs.195,098.8 million during 2016-17, an increase of 4.31%.
- Other Revenue increased from Rs.23,284 million during 2015-16 to Rs.35,214.2 million during 2016-17, an increase of 51.24%.
- Group Operating Profit was Rs.2,119.8 million as against the Operating Profit of Rs.2,983.4 million during previous year.
- Group had shown Consolidated Net Loss for 2016-17 at Rs.62,885.2 million which was more by Rs.19,778.7 million compared to the previous year's loss of Rs.43,106.5 million.

**II. EXPENDITURE**

- There was an increase in Total Expenses by 6.85% from Rs.279,780.2 million during 2015-16 to Rs.298,943.7 million during 2016-17. There was an increase in Staff Cost by 7.55% from Rs.41,850.6 million in 2015-16 to Rs.45,012.4 million during 2016-17.
- Finance Cost had decreased from Rs.47,179.4 million during 2015-16 to Rs.44,626.9 million during 2016-17.

**2. MEASURES TO IMPROVE PERFORMANCE****2.1 Plans to turnaround performance**

The Company continued to take several initiatives to improve the performance of the Company including inter-alia

- Rationalization of certain loss making routes.
- Return of leased aircraft.
- Induction of brand new fleet on several domestic & international routes thereby increasing passenger appeal.
- Phasing out old fleet and consequent reduction in maintenance cost.
- Reduction of contractual employment & outsourced agencies.
- Critical analysis of Fuel consumption on all flights by setting up a Fuel Council and Fuel Manager.
- Increase in passenger, cargo, excess baggage revenue through aggressive sales & marketing strategy.
- Implementation of Quick win IT Solutions including upgrade of Revenue Management System, introduction of SAP-ERP throughout the network.



- Upgradation of FFP and Introduction of several marketing initiatives including Companion Free Schemes, Apex fare, GOI packages, Preferred Agents Partnership, Promotion of web bookings and other promotional schemes like AI Holidays, etc.

## 2.2 Infusion of Additional Equity- Linked to the Turnaround Plan of the Company

The Government infused Equity Capital of Rs.24,652.1 Million during 2016-17. The paid up capital as on 31 March 2017 is Rs.2,67,530 Million. Further, Rs.1,372.1 Million of Share Application Money is pending allotment. During the year 2017-18 the Government has further infused an amount of Rs.18,000 Million as Equity Capital from May - September 2017.

## 2.3 Going Concern

On account of the support of GOI as well as the implementation of TAP / FRP, various measures have been taken by the Company towards improving operating and financial position. It is expected that the financial condition of the Company would continue to improve in the future. The Company has shown an all round improvement in the operational / financial performance such as improvement in the seat factor, passenger carriage, aircraft utilisation etc. Barring unforeseen circumstances, the Company hopes to return to Cash Positive status earlier than contemplated under the TAP. The Accounts are therefore prepared by the Management on the Going Concern Basis.

## 2.4 Product Development

### a) Premier Clubs

The Flying Returns Programme of the Company has four levels of membership viz. Base, The Silver Edge Club, The Golden Edge Club and the Maharajah Club.

The Maharajah Club is the highest Tier in the Flying Returns Programme followed by the Golden Edge Club and Silver Edge Club.

Membership of the Maharajah Club, Golden Edge Club and Silver Edge Club is on the basis of earning 75,000 miles, 50,000 miles and 25,000 miles, respectively, in a span of twelve months.

Membership of the Maharaja and Golden Edge Clubs entitles members to enhanced privileges like Bonus Flying Returns points, additional baggage allowance, priority check-in, priority confirmation from the waitlist, upgrade vouchers and lounge access at select airports, etc.

Membership of Silver Edge Club entitles members to the privileges such as Bonus flying return points, additional baggage allowance, upgrade vouchers and priority check-in.

The membership base of the Clubs as on December 2017 is as under

The Maharaja Club	936
Golden Edge Club	1,616
Silver Edge Club	7,378

### b) Flying Returns Programme

Flying Returns Programme (FRP) is designed to recognise and reward frequent flyers of Air India. The benefits and privileges of FRP include :



- Increased check-in baggage allowance, tele check-in, personalized check-in counters at select airports, priority for confirmation from the waitlist, priority baggage handling, pooling of flying return points with spouse and wide array of special offers.
- Apart from earning and redeeming on Air India, Flying Return members can also earn and redeem on all 27 Star Alliance partner carriers.
- Members can accrue points while traveling on select flights of our code share partner airlines.
- Members can transfer reward points from our non-airline partners to Flying Returns.
- Non-airline partners are SBI Cards, Kotal Bank, Citibank and Travelling Connect.

Total Flying Returns membership base as on December 2017 was 22,64,606 classified as given below:

<b>Region</b>	
India (including Premium Clubs)	<b>14,71,994</b>
Overseas (including Premium Clubs)	<b>7,92,612</b>
<b>Total</b>	<b>22,64,606</b>

The highlights of Flying Returns Programme are as follows :

- Earn and redeem miles on 27 Star Alliance partner airlines
- Access to more than 1000 airport lounges worldwide
- Premium passenger benefits across the partner flights
- Membership extended worldwide
- Child Membership for individuals aged between 2 - 12 years of age
- Update profile details online
- Claim missing miles online
- Redeem miles online for flights and upgrades at [www.flyingreturns.co.in](http://www.flyingreturns.co.in)
- No redemption threshold limit for redemption tickets
- Purchase miles at Rs.1.25 per point on shortfall of redemption and Expired Flying Return Points extension at Rs.0.60 per point.

## 2.5 Marketing initiatives

Various annual and short term initiatives / promotions were undertaken to increase load factors and revenues of Air India. The incentives were targeted to reward travel agents for better performance. Passengers were incentivised directly so as to make Air India their preferred choice. Corporates / Travel Management Companies were given special terms to promote Air India. Some of the promotional initiatives undertaken during the Financial Year 2016-17 are as under :



- For giving impetus to sales the travel agents were offered performance based incentives. Also, the Agency Discounted (AD) Ticket Policy was made more liberal and attractive. Further, Familiarisation Tours (FAM Tours) were organised for travel agents / tour operators to promote new destinations on Air India's Network.
- Tie-ups with Travel Management Companies were operationalised to service MNCs and SMEs to make a dent into a niche market segment.
- Corporate customers and PSUs were directly incentivised with special incentives and other soft benefits for their continuous patronage.
- Several Short Term Incentive Schemes were conceptualized and implemented, directly targeting the passengers to make Air India their preferred choice like Fly for Sure, Independence Day Sale, Monsoon Sale, Spot Fares, Super Sale, Special Fares for Students, New Year Sale and Rajdhani Fares, etc.

### **Corporate Policy**

Corporate Policy for corporate houses was rolled out for the year 2016-17. The Scheme offers volume based incentives and upgrades to Corporates on Domestic / International Sales - Back-end incentives of maximum of 3.5%, Front-end incentives from 6% to 10% and up to 50 upgrades on subject to availability Basis.

### **Performance Linked Bonus (PLB)**

PLB scheme offered in India for international and domestic sales to travel agents. Incentive percentage ranging from 2% to 4% for international sales and 1% to 3% for domestic sales in Economy Class and additional 2% for Business Class and First Class sales .

### **Short Term Promotions**

Various short term promotional initiatives launched and advertised :

- Airport Upgrade Scheme has been made more attractive for domestic and international airports.
- "Special Fares" on select domestic sectors of Air India in Economy Class for purchase of ticket 20 days or more in advance with fares matching Rajdhani II AC Express routes of Indian Railways.
- "New Year Sale" from 27-31 December 2016, Deepawali Day Special Offer for 30 October 2016, Spot Fares commensurate to Rajdhani Express within 4 hours of departure from 11 July - 30 September 2016, Fly for Sure Offer, Discounted Day Return Fares from 25 July - 19 September 2016, Monsoon Sale from 9-15 August 2016.
- Special Fares for Students on the entire domestic network for travel during the months of July-August 2016.
- Special Fares during launch of Vienna and Madrid inaugural flights, addition of Six Freedom Fares by leveraging network strength via DEL Hub.
- Short-term Boarding incentive scheme ex Chennai.
- Web Portal for Non-IATA Agents.



- Reserving an entire row in Economy Class on Domestic Flights for women passengers travelling alone at no extra cost.
- Upgrade Scheme for gallantry award winners effective 30 September 2016.

### **Promotions on International Sectors**

- PLB SCHEME for Germany, UAE, UK, Italy and Japan, offering volume based productivity linked bonus for agents (maximum up to 7%).
- Familiarisation Tours were organised for travel agents / tour operators, promoting destinations like Sri Lanka, Austria, Madrid, Vienna and Vietnam.
- Short Term Sector based FOC Scheme for Delhi-Vienna-Delhi (Business / Economy 1:5)

### **eSuper Saver Multi User**

Promotional Scheme for individuals and valid for travel on Air India domestic sectors in India was launched in 2016. Under the Scheme, an online booklet of 10 coupons can be purchased for Business Class or Economy Class on all domestic sectors. The online booklet eCoupons can thereafter be redeemed for travel within one year of purchase.

## **3. HIGHLIGHTS**

### **Awards & Recognition**

Singapore based Changi Airport Group named Air India the top airline by absolute growth in passenger carriage in South Asia. The award was presented to Air India at the Changi Airline Awards 2016.

Air India made history operating the world's all-women flight on one of world's longest non-stop route - the Delhi-San Francisco sector to commemorate International Women's Day on 6 March 2017, on a 17 hour sojourn. The entire flight operations from cockpit crew to cabin crew, check-in staff, doctor, customer care staff, ATC and the entire ground handling from operators to technicians, engineers, flight dispatchers and trimmer were women employees.

Air India has featured in an official commemorative album launched to mark Queen Elizabeth II's 90th birthday celebrations, which was to be presented as a gift to VVIP and VIP guests during the royal events between May 12 & 15, 2016 in Windsor Castle. The album was also to be distributed to key figures and organisations around the world including heads of state, ambassadors and leaders of industry. Air India has been highlighted because of its significant editorial support for the project and as a major transport organisation to the UK. Air India has a historical relationship with the UK, with its first flight to London being operated by a four engine Constellation aircraft on 8 June 1948 via Cairo and Geneva.

## **4. FLEET SIZE, NETWORK, JOINT VENTURES, ETC.**

### **4.1 Fleet Size**

As of 31 March 2017, Air India had the following aircraft in its fleet :



Aircraft Type	Owned	Leased	Sale & Lease Back	Total
B777-200LR	3	-	-	3
B777-300ER	12	-	-	12
B747-400	3	-	2	5
B787-800	2	-	2	123
A320	11	7	-	18
A319	19	3	-	22
A321	20	-	-	20
<b>TOTAL</b>	<b>70</b>	<b>10</b>	<b>23</b>	<b>103</b>

## 4.2 Network

The pattern of operations during 2016-17 for international operation was as under :

Routes	Summer 2017	Winter 2017	Summer 2016	Winter 2016
India/ USA	33	33	27	27
India/ UK	32	32	32	32
India/ EUR	32	30	24	26
India/Gulf	137	137	137	137
India/ FEA	23	23	23	23
India/ SEA	35	35	35	49
India/ SAARC	62	62	51	60

## 4.3 Joint Ventures and Code Share Arrangements

As on 31 March 2017, Air India being member of STAR Alliance had Free Flow Code Share arrangements with other STAR Alliance Members viz. Lufthansa, Austrian Airlines (Block Space), Swiss (Block Space), Ethiopian Airlines, Singapore Airlines, Turkish Airlines, Egypt Air, Asiana Airlines, Air Canada, Adria Airways and EVA Air. In addition, Air India also had Free Flow Code Share arrangements with Air Mauritius, Hong Kong Airlines, Air Astana, Flybe, Air Austral and Air India Express.

## 5. FINANCING INITIATIVES

### Aircraft Financing

During 2016-17, Sale and Lease Back of 9 B787-8 aircraft had been concluded. Further, 6 B7897-8 aircraft were financed through Bridge Loans obtained from First Abu Dhabi Bank jointly with Mashreq Bank (3 aircraft) and Investec Bank plc (3 aircraft).



The balance 3 B777-300ER aircraft are scheduled to be delivered in January / February 2018. Two of these aircraft will be delivered by using the loan amount received from Gol and will be used for SESF operations. The third aircraft will be financed through Bridge Loan.

## 6. AIR SAFETY

A dedicated website [flightsafety@airindia.in](mailto:flightsafety@airindia.in) has been set up which aids dissemination of vital safety related information in a cost effective manner to all employees of the Company. Our mission is to

- Ensure a sound Safety Management System
- Promote active participation of all departments in adopting optimum safety standards
- Introduce methods which enhance safety awareness
- Investigate Incidents / Accidents
- Recommend safety measures within the Training environment, thereby addressing known / perceived threats and errors

## 7. QUALITY MANAGEMENT SYSTEM (QMS)

### ISO Certification of QMS Department

The Bureau of Indian Standards (BIS) had carried out Surveillance Audit of QMS for conforming to the ISO Certificate requirements on 28 February 2017 and the Auditor confirmed that the QMS implemented by the Organisation was found to be conforming to the Certificate requirements IS / ISO 9001:2008 and the documented system was found to be effective and adequate.

### Documentation Management System(DMS)

A centralized Corporate Document Management System provides creation, version management, search, retrieval and dissemination of documents over a browser to all authorised personnel based on individual rights, across all Departments and all three AOP Holders and Strategic Business Units. It effectively complies with IOSA, DGCA, ISAGO, Star Alliance standards, Government as well as organization requirements.

DMS is a major initiative moving towards near paperless office and for better transparency and document repository to comply with Government and Regulatory requirements. This not only generates cost savings for the Company but also improves efficiency, saves times as well as environment.

QMS ensured that all the soft copies of the Manuals are reviewed, approved, uploaded and distributed through DMS. During 2016-17 AICL IOSA, EU TCO and ISAGO, ISO and DGCA Regulatory Audit were conducted and Document Management System was cleared without any finding.

### IATA Operational Safety Audit (IOSA) of Air India Express

IOSA Initial Audit of Air India Express, the Low Cost Subsidiary Airline of Air India was co-ordinated with IATA and M/s Quali Audit. Corporate QMS along with nominated Air India Express Officials conducted internal quality and Safety Audits for all operational areas as per the IOSA requirement for continuous improvement from 5 to 9 December 2016 and the IOSA Registry was awarded to Air India Express is valid till 9 December 2018.



### **IATA Safety Audit for Ground Operations (ISAGO)**

Air India being ISAGO Audit Pool Member successfully completed all the assigned Ground Service Providers (GSP) Audits by IATA in the year 2016 and the Audit Performance for the year 2016 has been rated as 100%.

ISAGO Renewal Audit of Headquarters of Air India Air Transport Services Limited (AIATSL), a wholly owned subsidiary of Air India was conducted by M/s Wake Limited Auditors from 12-13 May 2016 and was successfully cleared with NIL findings. The same was renewed till 3 July 2018. ISAGO Renewal Audit of Mumbai Station was conducted by Qatar Airways Auditors from 1 to 3 August 2016 and has been renewed till 13 October 2018. Similarly, ISAGO Renewal Audit of Chennai Station was conducted by Malaysian Airlines and the Registry has been validated till 18 June 2019.

### **IATA Operational Safety Audits (IOSA)**

IOSA Registry of Air India was extended till 16 January 2018 after the IOSA renewal audit was conducted.

## **8. INFORMATION TECHNOLOGY**

### **Mobile App**

Air India has launched SITA iTravel Mobile App on 24 October 2016 for Android and Apple IOS. It provides improved features for making bookings on domestic and international flights, retrieve bookings, search for lowest available fares, premier seat selection, checking flight status, access Flying Returns account details and check-in for flights. The Boarding Card has 2D Bar Code implemented at European Stations and at Hyderabad.

### **Self Bag Tagging and Self Bag Drop at Mumbai Airport**

The passengers departing from Mumbai Airport have the option not only to print their bag tags but also do self bag drop after scanning their bags.

### **AI Corporate Email**

Air India Corporate Email System was migrated to NIC (Government of India) Email System in August 2016. 12000 email accounts were migrated from on-primse IBM Lotus Domino System to NIC System successfully.

### **Cyber Security**

Roll out for Security information and Even Management has been done in Air India Network to enable real time monitoring of logs of various IT devices deployed in Network. Maintaining of logs is also a regulatory requirement.

### **SITA Baggage Hub**

Air India is participating in Star Baggage Hub solution to improve baggage handling and tracing among STAR Alliance partners. Air India being a dominant carrier at Delhi, Mumbai and Dubai Airports, was assigned the responsibility of technical integration of Baggage Messages (BHS, BRS, etc). Air India has completed the integration of Baggage Message Systems with STAR at Delhi Airport T3 whereby all STAR carriers are now able to send the Baggage messages to STAR HUB.



## **Security Department Portal**

Web based portal developed for Security Department to publish information related to Daily / Monthly / Yearly Functional Reports, e-Filing of daily report, Security Circulars and Manuals, Office Orders and other documents for easy access to all Security Personnel.

## **HAJ 2016**

Prior Check-in facility both for the Onward and Return flight from and to India was provided for Haj Pilgrims.

Automated Baggage Tag printing was enabled for Haj Pilgrims at all the stations from where Air India operated Haj flights.

Additionally, handling of IT and related activities of Haj Pilgrims travelling on Fly NAS (XY) from four Indian Cities viz. Varanasi, Guwahati, Jaipur, Aurangabad and on Spice Jet (SG) from two Indian Stations viz. Indore and Gaya was also enabled.

## **9. HUMAN RESOURCES**

### **9.1 Staff Strength**

The staff strength as on 31 March 2017 was 17677.

### **9.2 Long Service Mementoes**

Every year all the employees of the Company who have completed 25 years of service are presented with a long service memento on 27 August. Accordingly, this year the Long Service Mementoes presentation function was held Region-wise and 956 employees were felicitated.

## **10. SPORTS**

### **Cricket**

Air India Team won T-20 Corporate Cricket Tournament held at Malvan, Sunaina Devi Memorial at Patna, SN Divedi Memorial at Allahabad, SG T Khalso Cup at Delhi and Roshnara Cup held at Delhi.

### **Women's Cricket**

The Indian Women's Cricket Team was the proud winners of Asia Cup held at Thailand, Bangkok under the expertise and guidance of Ms Purnima Rau, OCS from Commercial, Hyderabad who was appointed as Head Coach of the Team. Ms Jhulan Goswami, Dy Manager (Comml) from Kolkata was also part of the team and instrumental in the team's win.

### **Hockey**

Air India Junior Hockey Team became World Champions in the recently concluded Junior World Cup held at Lucknow, Uttar Pradesh. Shri Harendra Singh was the coach of the Indian Junior Team and Shri Armaan Qureshi was member of the winning team. Shri Edgar Mascarenhas was appointed Coach for Maharashtra Men Hockey Team for the 1st Hockey India 5-a-side Senior National Hockey Championship held at Pune.

**Football**

Air India Football Team won Shahed Durga Mall Bahadur Tournament held at Dharamshala and Nadkarni Cup (MDFALeague) held at Mumbai in April-May 2016 and February 2017, respectively.

**Kabaddi**

Air India Kabaddi Team won Shivneri Seva Mandal State Level held at Mumbai, Gajanan Krida Mandal All India at Mumbai and Departmental National Kabaddi Tournament held in M.P. during 2016-17.

**Badminton**

Air India Badminton Team won many Gold, Silver and Bronze Medals in Junior All India Major Ranking Badminton Tournaments held in Bangalore, Trivandrum, Tirupati, Delhi and Hyderabad and in Senior All India Major Ranking Badminton Tournament held in Pune during 2016-17. The Team also won Gold, Silver and Bronze Medals in Senior National Championships held at Chandigarh and Patna, Central Zone Tournament at Bhopal, Junior National Championships at Udipi, All India Public Sector Tournament at Bhopal and Chandigarh, Senior All India Malaya Manorama Tournament held at Itanagar and Thrissur, 25<sup>th</sup> Smt Krishna Khaitan All India Junior Ranking Tournament at Chandigarh and APMDC All India Senior Ranking Tournament held at Kadappa.

Air India players also represented India in Asia Junior Badminton Championship at Bangkok, BWF World Junior Championship at Spain and Dutch German Yonex International.

**Table Tennis**

Air India Table Tennis Team won Bronze Medal at the Inter Institution Table Tennis Championship held at Jaipur in July 2016 and Gold Medal at 4<sup>th</sup> Inter District & 78<sup>th</sup> Maharashtra State Championship held at Balewadi, Pune in October 2016.

**Chess**

Air India players won Bronze, Silver and Gold Medals in Asian National Cup at UAE, Asian Continental Individual, Uzbekistan and Commonwealth Game held at Sri Lanka. The Team also represented India in Chess Olympiad at Russia in September 2016 and was ranked 5<sup>th</sup>.

**Shooting**

Shri Gagan Narang participated in Rio Olympic Games and World Cups Rio, Bangkok, Munich and Azerbaijan during 2016. Shri Deepak Sharma won 2 Silver Medals and Shri Annuraj Singh won 1 Bronze Medal in International Shooting Competition, Hannover (Germany) in May 2016. They also participated in World Cup, Munich, Germany. Team consisting of Shri Toshinder Singh, Shri Abhishek Vashisht and Shri Alok Singh won Gold in National Martial Arts Games held at Mumbai in May 2016. Team consisting of Shri Alok Singh, Shri Abhishek Vashisht and Shri Toshinder Singh won Gold in All India Big Bore Air Rifle Shooting Championship held in August 2016.

**11. PUBLIC GRIEVANCES**

During the year 2016-17, 1911 Public Grievance cases were received and 345 pending cases of 2015-16 (Total 2256 cases). Out of these, 2162 cases have been settled and 94 are pending.



## 12. STATUTORY COMPLIANCE RELATING TO SUBSIDIARIES

Air India has five subsidiary companies. The financial statements of the subsidiaries are included in this Annual Report elsewhere. Their performance is briefly discussed here :

### 12.1 Air India Air Transport Services Limited (AIATSL)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	1384.24	1384.24
Total Income	6245.28	6369.01
Profit/(Loss) After Tax	334.31	1014.07

AIATSL, a wholly owned subsidiary of Air India Limited was operationalised on 1 February 2013 and started its independent operations effective April 2014. Presently, it provides ground handling services at 68 Airports in India. Apart from handling the flights of Air India and its Subsidiary Companies, ground handling is also provided to 33 Foreign Scheduled Airlines, 3 Domestic Scheduled Airlines, 4 Regional Airlines and 12 Seasonal Charter Airlines, 23 Foreign Airlines availing Preishable Cargo handling. Ground Handling was provided for 96526 flights of Air India and Subsidiaries and 33501 flights of scheduled and non-scheduled customer airlines during 2016-17.

AIATSL was considered favourably as a Service Provider at the Greenfield Kannur Airport in Kerala expected to be operationalised effective January 2018. This will boost the revenue of AIATSL.

As per CAPA, Indian airlines could place orders for 250-300 aircraft in the next 3-6 months. This would lead to considerable growth in ground handling and ancillary activities and AIATSL would stand to gain by this development.

### 12.2 Air India Express Limited (AIXL)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	7800.0	7800.0
Total Income	33555.33	29500.27
Profit/(Loss) After Tax	2967.45	3616.82

AICL operates a Low Cost Airline under the brand name "Air India Express". Launched on 29 April 2005 with a fleet of 3 leased B737-800 aircraft, it operated from 3 stations in Kerala to 5 stations in the Gulf. Effective 5 May 2017, the name of the Company was changed from Air India Charters Limited to Air India Express Limited.

As on 31 March 2017, AIXL had a fleet of 23 B737-800 which included 6 B737-800 leased aircraft. The airline operated to 15 Indian and 14 foreign on-line stations.

During 2016-17, inspite of increase in RPKs and passenger carriage in absolute terms, the load factor declined by almost 8% from 82.3% during 2015-16 to 75.9% in 2016-17. However, the passenger



carriage on the Airline's services grew by 22% going up from 2.80 million during 2015-16 to 3.42 million during 2016-17. The capacity offered by the Airline in terms of ASK during 2016-17 increased by 33% from 8730 million in 2015-16 to 11,574 million. The Operating Revenue increased substantially from Rs.29100 million in 2015-16 to Rs.33300 million.

Air India Express began its Summer Schedule 2016 operations with 387 departures per week. By the end of the Schedule the Airline inducted 5 more aircraft in its fleet and the number of departures rose to 531 per week as compared to 375 departures per week in the Summer 2015 Schedule. The Company reported net profit for the second consecutive year besides generating substantial cash profit. The net profit for Financial Year 2016-17 was Rs.2967.45 million as against Rs.3616.82 million during the year 2015-16. The cash profit was Rs.5909.05 million.

### 12.3 Air India Engineering Services Limited (AIESL)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	1666.66	1666.66
Total Income	7404.84	6202.71
Profit/(Loss)After Tax	(5051.60)	(5586.20)

AIESL presently provides MRO services to not only Air India Limited and its Subsidiary Companies viz. Air India Charters Ltd. and Airline Allied Services Limited but also to few third party Airlines. MRO facilities are based at Nagpur, Chennai and Hyderabad. In Southern Region Engineering Certification was done for approximately 9736 flights earning a revenue of approximately Rs.126.1 million.

The Company is planning to establish its footprints overseas also. In a first step towards that AIESL is in the process of establishing the first overseas branch at Sharjah, UAE. Based on the experience and backed by cost benefit analysis, the opportunity to expand to other international stations will also be explored.

### 12.4 Airline Allied Services Limited (AASL)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	4022.50	4022.50
Total Income	3758.14	2738.58
Profit/(Loss)After Tax	(2827.22)	(1987.50)

The Company operates under the brand Alliance Air.

As on 31 March 2017 the Company had 2 ATR-42-320s and 8 ATR-72-600s leased aircraft in its fleet. As at the end of the year, the network of the Company consisted of 33 stations within the Country. Presently, it operates around 266 flights per week. As on 31 March 2017, the staff strength of the Company was 533 excluding 16 employees on deputation from the parent Company.



Alliance Air operated air services in the North East Region under an MoU with the North Eastern Council (NEC). It also operates flights with VGF support from Lakshadweep, Diu Administrations and Punjab Government, to Agatti, Diu and Bathinda, respectively.

## 12.5 Hotel Corporation of India Limited (HCI)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	1106.00	406.00
Government's investment in equity	270.00	220.00
Total Income	520.61	475.12
Profit/(Loss) After Tax	(542.70)	(577.56)

HCI provides catering services to Air India Group at Mumbai and Delhi through Chefair, its Flight Catering Unit. In addition, HCI earns revenue through its two Hotels viz. Centaur Lake View Hotel, Srinagar and Centaur Hotel, Delhi and by operating Lounge at T3, Delhi.

## 12.6 Joint Venture Agreement between Air India Limited and Singapore Airport Terminal Services (SATS) on ground handling

The Company has entered into a Joint Venture (JV) agreement with SATS, Singapore in the equity ratio of 50:50 to provide ground handling services to airlines at certain metro airport. This was in pursuance of Government of India Notification on the Ground Handling policy.

## 13. RISK MITIGATION STRATEGIES

The Company continuously monitored the risks perceptions and taken preventive action for mitigation of risks on various fronts.

## 14. INTERNAL CONTROL SYSTEMS

The Company continues to ensure proper and adequate internal control systems and procedures commensurate with its size and nature of business to ensure that all assets are safeguarded and protected against loss from unauthorized use and that transactions are authorized, recorded and reported correctly. The internal control system enables documented policies, guidelines, authorization and approval procedures. Necessary actions were also being taken to address some of the concerns raised by the Auditors in this regard.

The Company has an extensive system of internal controls which ensures optimal utilization and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations as also internal policies and procedures. The internal control system is supplemented by extensive internal audits, regular reviews by management and well documented policies and guidelines to ensure reliability of financial and other records to prepare financial statements and other data.



The Company has a well defined manual on delegation of authority and administrative powers, based on which, the authorities exercise their powers. This manual is reviewed periodically to cope with the changes necessitated by the needs of the organization. The said manual, along with the Company's key functional process manuals, further strengthens the internal control system of the organization. The Company has independent internal audit systems to monitor the entire operations and services spanning over all locations, businesses and functions on a regular basis. The Company has also employed outside consultants in its various areas of functioning in order to reduce/monitor its cost platform.



## CORPORATE GOVERNANCE

### 1. Company's Philosophy on Code of Corporate Governance

Air India Limited's corporate philosophy on Corporate Governance has been to ensure fairness to the Stakeholders through transparency, full disclosures, empowerment of employees and collective decision making.

### 2. Board of Directors

As per Articles of Association of the Company, the number of Directors shall not be less than three and not more than fifteen.

#### BOARD OF DIRECTORS AS ON 31 MARCH 2017

Shri Ashwani Lohani	Chairman & Managing Director
Shri Pankaj Srivastava	Director (Commercial)
Shri Vinod Hejmadi	Director (Finance)
Ms Gargi Kaul	Jt Secretary & Financial Advisor, Ministry of Civil Aviation
Shri Satyendra Kumar Mishra	Jt Secretary, Ministry of Civil Aviation

Shri B S Bhullar and Shri N K Jain ceased to be Directors effective 2 February 2017 and 3 February 2017, respectively.

Further, on completion of their term Shri Ravindra H Dholakia, Shri Prem Vrat, Shri Gurcharan Das, Smt Renuka Ramnath and Air Marshal (Retd) K K Nohwar ceased to be Independent Directors on the Board of the Company with effect from 28 May 2016.

The Board places on record its appreciation of the valuable services rendered by Shri BS Bhullar and Shri N K Jain as Directors and Shri Ravindra H Dholakia, Shri Prem Vrat, Shri Gurcharan Das, Smt Renuka Ramnath and Air Marshal (Retd) K K Nohwar as Independent Directors on the Board of the Company.

During the year, all meetings of the Board and the Shareholders were chaired by the Chairman & Managing Director.

**Details regarding the Board Meetings, Annual General Meeting, Directors' Attendance thereat, Directorships and Committee positions held by the Directors are as under :**

#### **Board Meetings :**

Five Board Meetings were held during the financial year on the following dates:



Sr. No.	Date of Meeting	Board Strength	No. of Directors Present
1.	23 May 2016	11	8
2.	12 July 2016	6	4
3.	14 September 2016	6	5
4.	14 October 2016	6	4
5.	8 February 2017	5	4

The Board has adopted a Code of Conduct for the Directors and Senior Management and the same has been posted on the website of the Company. There is a system in the Organisation of affirming compliance with Corporate Governance by the Board Members and Senior Management Personnel of the Company. A declaration of compliance signed by Chairman & Managing Director of the Company is enclosed with this Annual Report.

**Particulars of Directors including their attendance at the Board/Shareholders' Meetings during the financial year 2016-17**

Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
<b>Wholetime Directors</b>  Shri Ashwani Lohani, Chairman & Managing Director	Mechanical Engineer and Fellow of Chartered Institute of Logistic and Transport	5	<b>Part-time Chairman</b> Air India Charters Ltd Air India Air Transport Services Ltd Air India Engineering Services Ltd Airline Allied Services Ltd Hotel Corporation of India Ltd  <b>Director</b> Air India SATS Airport Services Pvt Ltd Air Mauritius Ltd Air Mauritius Holdings Ltd	<b>Chairman</b> Finance Committee HR Committee Strategic Committee <b>Member</b> CSR and Sustainability Committee Nomination & Remuneration Committee Audit Committee – HCI Audit Committee – AIXL Audit Committee-AIATSL CSR Committee-AIATSL



Name of the Director	Academic Qualifications	Attendance out of 7 Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
Shri Vinod Hejmadi	B.Com., ACA	5	<b>Director</b> Air India Charters Ltd Airline Allied Services Ltd Hotel Corporation of India Ltd Air India Air Transport Services Ltd Air India Engineering Services Ltd Air India SATS Airport Services Pvt Ltd.	<b>Member</b> Finance Committee, AIL Audit Committee, Air India Express Limited & Air India Air Transport Services Limited Co-opted Member Strategic Committee, AIL Chairman Audit Committee, Hotel Corporation of India Limited
Shri N K Jain Director(Personnel) (upto 3 February 2017)	B.Tech, IIT Rourkee LLB, IRPS	4	NIL	<b>Member</b> HR Committee Corporate Social Responsibility and Sustainability Committee
Shri Pankaj Srivastava	MBA	3	<b>Director</b> Airline Allied Services Ltd	<b>Co-opted Member</b> Strategic Committee
Non Executive Directors (Ex Officio)				
Ms Gargi Kaul Jt.Secretary & Financial Advisor, Ministry of Civil Aviation	M.Phil	4	<b>Director</b> Air India Air Transport Services Ltd Air India Engineering Services Ltd Hotel Corporation of India Ltd	<b>Member</b> Audit Committee, AIL Strategic Committee, AIL Finance Committee, AIL CSR Committee, Air India Air Transport Services Limited Chairperson Audit Committee, Air India Air Transport Services Limited



Name of the Director	Academic Qualifications	Attendance out of 7 Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
Shri B S Bhullar, Jt. Secretary, Ministry of Civil Aviation (upto 2 February 2017)	Post Graduation in Agriculture Science	2	<b>Director</b> Air India Air Transport Services Ltd Air India Engineering Services Ltd Hotel Corporation of India Ltd	<b>Member</b> HR Committee Strategic Committee Nomination & Remuneration Committee CSR Committee, Air India Air Transport Services Limited
<b>Non Executive Directors - Independent</b>				
Smt Renuka Ramnath (upto 28 May 2016)	BE- VJTI, MBA,AMP- Harvard Business School	-	<b>Director</b> Multiples Alternate Asset Management Pvt Ltd Multiples Equity Fund Trustee Pvt Ltd Shri Nath G Corporate Management Services Pvt Ltd Arvind Ltd Indian Energy Exchange Ltd Mogae Media Pvt Ltd PVR Limited B2R Technologies PvtLtd Vikram Hospital (Bengaluru) Pvt Ltd Bharatiya Mahila Bank Ltd	<b>Chairperson</b> Audit Committee <b>Member</b> Strategic Committee Finance Committee
Shri Ravindra H Dholakia (upto 28 May 2016)	Post Doctoral Fellow (Toronto), Phd (MSU, Baroda)	-	<b>Director</b> AE Ltd Union Bank of India	<b>Chairman</b> Nomination & Remuneration Committee <b>Member</b> HR Committee Strategic Committee <b>Member</b> Audit Committee-AE Ltd Audit Committee-STC Ltd



Name of the Director	Academic Qualifications	Attendance out of 7 Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
Shri Prem Vrat (upto 28 May 2016)	B.Tech (Hons) in Mechanical Engineering, IIT-Kharagpur, M.Tech (Indl Engg & Operations Research), Phd, IIT-Delhi	1	NIL	<b>Member</b> Audit Committee Strategic Committee Finance Committee Nomination & Remuneration Committee
Shri Gurcharan Das (upto 28 May 2016)	Graduate with Honors from Harvard University, AMD-Harvard Business School	-	<b>Director</b> Birla Sun Life Trustee Company Pvt Ltd Gurcharan Das Consultants Pvt Ltd Non Executive Chairman DMI Finance Pvt Ltd.	<b>Member</b> Strategic Committee <b>Member</b> Remuneration Committee, Fortis Health Care Ltd <b>Audit Committee</b> , Gillette India Ltd.
Air Marshal (Retd) K K Nohwar (upto 28 May 2016)	Graduate from National Defence Academy	1	NIL	<b>Chairman</b> Corporate Social Responsibility & Sustainable Committee  <b>Member</b> HR Committee Strategic Committee

### 3. Board Committees

#### Audit Committee

As part of the Corporate Governance and in compliance with the provisions of the Companies Act, 2013 and DPE Guidelines, the Company constituted the Audit Committee of the Board in November 2007.

As on 31 March 2017, the following were the Members of the Audit Committee :

Ms Gargi Kaul	Chairperson
Shri Ashwani Lohani	Member
Shri Satyendra Kumar Mishra	Member
Director (Finance)	Special Invitee
GM-Internal Audit	Special Invitee



However, on appointment of Shri Syed Zafar Islam and Dr R K Tyagi as Independent Directors on the Board of the Company effective 31 May 2017, the Audit Committee was reconstituted as under :

<b>Name of the Director</b>	<b>Position held in the Committee</b>	<b>Category of the Director</b>
Shri Syed Zafar Islam	Chairperson	Part Time Non Official Director
Dr R K Tyagi	Member	Part Time Non Official Director
Jt Secretary & Financial Advisor, MOCA	Member	Non Executive Part-time Director
Chairman & Managing Director	Permanent Invitee	Chairman & Managing Director
Director (Finance)	Special Invitee	Functional Director
ED-Internal Audit	Special Invitee	Executive Director

The Terms of Reference of the Audit Committee are as under:

- To recommend for appointment, remuneration and terms of appointment of auditors of the company;
- To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- To review the Internal Audit program & ensure co-ordination between the Internal & External Auditors as well as determine whether the Internal Audit function is commensurate with the size and nature of the Airlines Business;
- To discuss with the Auditor before the audit commences the nature & scope of the audit and to ensure co-ordination where more than one audit firm is involved;
- To examine the financial statements and the auditors' report thereon;
- To review the Statutory Auditor's Report, Management's response thereto and to take steps to ensure implementation of the recommendations of the Statutory Auditors ;
- Approval or any subsequent modification of transactions of the company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters.
- To consider any other matter as desired by the Board ;

The Audit Committee met three times during the year to review various issues including inter alia annual accounts of the Company for the year before submission to the Board, on the following dates :



1. 23 May 2016 (22<sup>nd</sup> Meeting)
2. 14 September 2016 (23<sup>rd</sup> Meeting)
3. 14 October 2016 (24<sup>th</sup> Meeting)

#### **Attendance at the Audit Committee Meetings**

Name of the Member	No. of Meetings Attended
Smt Renuka Ramnath, Chairperson	-
Ms Gargi Kaul, Member	1
Ms Gargi Kaul, Chairperson	2
Shri Prem Vrat, Member	1
Shri Ashwani Lohani, Member	2
Shri B S Bhullar, Member	1

Air India Limited presently has five Indian Subsidiary Companies i.e. Air India Express Limited (formerly known as Air India Charters Limited), Airline Allied Services Limited, Air India Air Transport Services Limited, Air India Engineering Services Limited and Hotel Corporation of India Limited.

#### **Corporate Social Responsibility (CSR) & Sustainable Development Committee (SD)**

The Board constituted a CSR & Sustainable Development Committee (SDC) on 11 December 2012 to approve and review Sustainable Development projects from time to time. The Committee consisted of :

Dr R K Tyagi	Chairman
Director (Finance)	Member
Director (Personnel)	Member

Smt Hade Singh, Head of Corporate Quality, Safety and Environment Management System – Nodal Officer

#### **4. Remuneration to Directors**

Air India being a Government Company, the appointment and remuneration payable to its Whole-time Directors is determined by the Government of India. The part-time (Ex Officio) Directors do not receive any remuneration from the Company. The non-official part-time (Independent) Directors are paid Sitting Fees for Board Meetings and Sub Committee Meetings of the Board attended by them. Air India does not have a policy of paying commission on profits to any of the Directors of the Company. The remuneration payable to officers below Board level is also approved by the Government of India.

Details of Remuneration paid to the Whole-time Directors during the Financial Year 2016-17 are as follows :



Names of Directors	All elements of remuneration packages of the Directors i.e. salary, benefits, bonus, pension, etc.				Total
	Salary & Allowances	Contribution to Provident Fund & other funds	Other benefits & perquisites	Performance Related Pay	
Shri Ashwani Lohani	28,49,640		32,400	Nil	28,82,040
Shri V Hejmadi	25,08,900	1,98,987	16,200	Nil	25,25,100
Shri N K Jain	27,68,004	1,70,720	32,400	Nil	28,00,404
Shri Pankaj Srivastava	25,39,976	2,01,045	34,800	Nil	25,74,776

Service Contracts : As per terms & conditions of appointment communicated by the administrative Ministry.

The Company has not introduced any Stock Option Scheme.

During the Financial Year, the Non-Executive (Independent) Directors received sitting fees for attending the meetings of the Board / Committees as under :

Shri Ravindra Dholakia	Rs.1,40,000/-
Shri Prem Vrat	Rs.1,40,000/-
Shri Gurcharan Das	Rs.1,40,000/-
Air Marshal (Retd) K K Nohwar	Rs.1,60,000/-
Smt Renuka Ramnath	Rs.1,00,000/-

## 5. Annual General Meetings during the last three years

The details of these meetings are given below :

	Date and time of the Meeting	Venue	Special Resolution Passed at the Meeting
7 <sup>th</sup> Annual General Meeting	24 December 2013 at 1200hrs	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi 110 001	Increase in Authorised Share Capital from Rs.15,000,00,00,000/- to Rs.20,000,00,00,000/-  To increase overall borrowing limits



	<b>Date and time of the Meeting</b>	<b>Venue</b>	<b>Special Resolution Passed at the Meeting</b>
8 <sup>th</sup> Annual General Meeting	29 December 2014 at 1200hrs	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi 110 001	Increase in Authorised Share Capital from Rs.20,000,00,00,000/- to Rs.25,000,00,00,000/-
9 <sup>th</sup> Annual General Meeting	28 December 2015	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi 110 001	-

M/s Link In time India Pvt Ltd having its address at Pannalal Silk Mills Compound, C-13 Lal Bahadur Shastri Marg, Subhash Nagar, Bhandup-West, Mumbai 400 078 are the Registrars and Transfer Agents for the debentures of the Company. All matters connected with debenture transfer, transmission, interest payment is handled by the transfer agents.

## 6. Code Of Conduct

“Code of Conduct for Board Members and Senior Management Personnel of Air India Limited” has been devised and made effective 31 March 2013. The purpose of this Code is to enhance further ethical and transparent process in managing the affairs of the Company. This Code has been made applicable to

- a. All Whole-time Directors
- b. All Non-Whole time Directors including Independent directors under the provisions of Law and
- c. Senior Management Personnel

All the Board Members and Senior Management Personnel have provided the Annual Compliance Certificate duly signed by them as on 31 March 2017.

## 7. Integrity Pact

The Company has introduced Integrity Pact (IP) to enhance ethics / transparency in the process of awarding contracts with effect from 8 February 2008. The Integrity Pact has now become a part of tender documents to be signed by the Company and by the vendor (s) / bidder (s) with a value of Rs.100 million and above.

## 8. Compliance with the RTI Act, 2005

Air India Limited, as a PSU Organisation with large public interface, has successfully ensured compliance with the provisions of Right to Information Act for providing information to the citizens.

As required by the RTI Act, information has been displayed on the Company's website for the public at large. Air India has decentralized its structure to deal with the applications / appeals received under RTI Act with effect from 9 January 2015. Presently, Air India has 85 Central Public Information Officers (CPIOs), 75 Central Assistant Public Information Officers (CAPIOs) at outstations and 24 First Appellate Authorities (FAAs) for speedy disposal of applications / appeals.

During 2016-17, 1004 cases of Requests and 158 Appeals were received. Out of 158 Appeals, 145 were disposed off by the First Appellate Authorities.



**CODE OF CONDUCT**

**DECLARATION**

I hereby declare that all the Board Members & Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors for the year ended 31 March 2017.

(Pradeep Singh Kharola)  
Chairman & Managing Director  
Air India Limited

Place : Delhi  
Date : 19 March, 2018



**ANNUAL STATEMENT SHOWING REPRESENTATION OF THE PERSONS WITH  
DISABILITIES IN SERVICE AS ON 1 JANUARY 2017 AND  
DIRECT RECRUITMENT / PROMOTION DURING THE CALENDAR YEAR 2016**

**NAME : AIR INDIA LIMITED**

Group	Number of Employees As on 1.1.2017					Direct Recruitment - 2016	Promotion - 2016
	Total	In Identified Posts	VH	HH	OH		
1	2	3	4	5	6	7	8
"A"	9467	199	5	1	31	NIL	NIL
"B"	4149	-	6	3	16	NIL	NIL
"C"	203	26	-	-	1	NIL	NIL
"D"	4230	575	10	9	30	NIL	3
Total	18049	800	21	13	78	NIL	3

**Notes**

- i. VH stands for Visually Handicapped (persons suffering from blindness or low vision)
- ii. HH stands for Hearing Handicapped (persons suffering from hearing impairment)
- iii. OH stands for Orthopedically Handicapped (persons suffering from loco motor disability or cerebral palsy)



Annexure to Directors' Report for the year 2016-17

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

**As on financial year ended on 31.03.2017**

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management &amp; Administration) Rules, 2014.

**I. REGISTRATION & OTHER DETAILS:**

1.	CIN	U62200DL2007GOI161431
2.	Registration Date	30 March 2007
3.	Name of the Company	AIR INDIA LIMITED
4.	Category/Sub-category of the Company	Government Company
5.	Address of the Registered office & contact details	Airlines House, 113 Gurudwara Rakabganj Road New Delhi 110 001
6.	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	N.A.

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY** (All the business activities contributing 10 % or more of the total turnover of the company shall be stated) -

Sr No	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	To establish, maintain and operate international and domestic air transport services, scheduled and non scheduled, in all the countries of the world for the carriage of passengers, meals and freight and for any other purposes.	511	100

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:**

Sr. No.	Name and Address of the Company	CIN/GIN	Holding / Subsidiary / Associate	% of Shares	Applicable Section
1	Air India Express Limited 113, Airlines House, Gurudwara Rakabganj Road, New Delhi 110 001.	U62100MH1971GOI015328	Subsidiary	100%	2 (87)
2	Air India Air Transport Services Limited	U63090DL2003PLC120790	Subsidiary	100%	2 (87)
3	Air India Engineering Services Limited	U74210DL2004GOI125114	Subsidiary	100%	2 (87)
4	Airline Allies Services Limited	U51101DL1983GOI016518	Subsidiary	100%	2 (87)
5	Hotel Corporation of India Limited	U55101MH1971GOI015217	Subsidiary	80.38%	2 (87)
6	Air India SATS Airport Services Pvt Ltd	U74900DL2010PTC201763	Joint Venture	50%	2(6)



**IV. SHARE HOLDING PATTERN** (Equity Share Capital Breakup as percentage of Total Equity) : Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2016]				No. of Shares held at the end of the year [As on 31-03-2017]				% Change during the year
	Demat	Physical	During the year	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF									
b) Central Govt		21496000000	5257000000	100		26753000000	26753000000	100	
c) State Govt(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other									
Total share holding of Promoter (A)		21496000000	5257000000	100	-	26753000000	26753000000	100	
B. Public Shareholding	Not Applicable								
1. Institutions									
a) Mutual Funds/UTI									
b) Banks / FI									
c) Central Govt.									
d) State Govt.(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify) Foreign Banks									
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-



Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2016]				No. of Shares held at the end of the year [As on 31-03-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Non-Institutions</b>	Not Applicable								
a) Bodies Corp. (Market Maker + LLP)									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh									
c) Others (specify)									
i) Non Resident Indians									
ii) Non Resident Indians - Non Repatriable									
iii) Office Bearers									
iv) Directors									
v) HUF									
vi) Overseas Corporate Bodies									
vii) Foreign Nationals									
viii) Clearing Members									
ix) Trusts									
x) Foreign Bodies - D R									
Sub-total (B)(2):-	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B) = (B)(1)+ (B)(2)	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)		2149600000	5257000000	100		26753000000	26753000000	100	



**B) Shareholding of Promoter-**

Sr No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Share holding during the year
		No. of Shares	% of total Shares of the Company	%of Shares Pledged / Encumbered to total shares	No. of Shares	% of total Shares of the Company	%of Shares Pledged / Encumbered to total shares	
1	Government of India	21496000000	100	NIL	26753000000	100	NIL	

**C) Change in Promoters' Shareholding (please specify, if there is no change)**

Sr No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	<b>At the beginning of the year</b>				
	Government of India	21496000000	100	21496000000	
	<b>At the end of the year</b>				
	Government of India	26753000000	100	26753000000	

**D) Shareholding Pattern of top ten Shareholders:**  
(Other than Directors, Promoters and Holders of GDRs and ADRs):

Sr No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	NOT APPLICABLE				
2					
3					
4					
5					
6					
7					
8					
9					
10					



**E) Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Shri Ashwani Lohani	10	0	10	0
2	Ms. Gargi Kaul	10	0	10	0
3	Shri Satyendra Kumar Mishra	10	0	10	0
	<b>Total</b>	<b>30</b>		<b>30</b>	

**V. INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.**

(In Rs Crore)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	24340.95	28476.07	0	52817.02
ii) Interest due but not paid	25.28	9.71	0	34.99
iii) Interest accrued but not due	146.03	531.96	0	677.99
Total (i+ii+iii)	24512.26	29011.67	0	53530.00
Change in Indebtedness during the financial year				
* Addition	2505.08	2604.24	0	5109.32
* Reduction	6731.80	2155.44	0	8887.23
* Revaluation Impact	-297.28	-312.71	0	-609.99
Net Change	-4524.00	136.09	0	-4387.90
Indebtedness at the end of the financial year				
i) Principal Amount	19825.85	28621.53	0	48447.38
ii) Interest due but not paid	24.33	15.97	0	40.31
iii) Interest accrued but not due	98.51	555.90	0	654.41
<b>Total (i+ii+iii)</b>	<b>19948.69</b>	<b>29193.41</b>	<b>0</b>	<b>49142.10</b>



**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(In figures)

Sr No	Particulars of Remuneration	Name of MD/WTD/ Manager				Total Amount
		Shri Ashwani Lohani	Shri Vinod Hejmadi	Shri N K Jain	Shri Pankaj Srivastava	
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2849650	2508900	276800	2539976	10666520
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	32400	16200	32400	34800	115800
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961					
2	Stock Option					
3	Sweat Equity					
4	Commission as % of profit others, specify.					
5	Others : (PF, DCS, House Perks tax etc)					
	<b>Total (A)</b>	<b>2882040</b>	<b>2525100</b>	<b>2800404</b>	<b>2574776</b>	<b>10782320</b>
	Ceiling as per the Act					

**B. Remuneration to other Directors**

Sr No.	Particulars of Remuneration	Name of Directors						Total Amount
1	Independent Directors							
	Fee for attending board committee meetings							
	Commission	-	-	-	-	-	-	-
	Others, please specify (Fees for attending Board Sub Committee Meetings)	-	-	-	-	-	-	-
	Total(1)	-	-	-	-	-	-	-
2	Other Non-Executive Directors	-	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-
	Total (B)=(1+2)	-	-	-	-	-	-	-
	Total Managerial Remuneration	-	-	-	-	-	-	-
	Overall Ceiling as per the Act	-	-	-	-	-	-	-
		-	-	-	-	-	-	-



**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**

( figures in Rs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		Smt Kalpana Rao			Total
1	Gross salary		**	**	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2234814	-	-	2234814
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	Others, specify.	-	-	-	-
5	Others: (PF, DCS, House Perks tax etc)	-	-	-	-
	Total	2234814	-	-	2234814

\* Not applicable to Government Companies. Only CFO and CS are KMPs.

\*\* The Company Secretary is holding the position in addition to her responsibilities as AGM-Corporate Affairs, Air India Ltd. Similarly, CFO is on deputation from Air India and no remuneration is paid to them by AICL.

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. DIRECTORS</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-



**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

(Pursuant to Section 204 (1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,  
The Members,  
Air India Limited  
Airlines House, 113,  
Gurudwara Rakabganj Road,  
New Delhi-110001

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Air India Limited** (CIN:U62200DL2007GOI161431) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the **Air India Limited's** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit and as per the explanations given to me and the representations made by the Management, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2017 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

- A. I have examined the books, papers, minute books, forms and returns filed and other records made available to me and maintained by the Company for the financial year ended on 31 March, 2017 according to the applicable provisions of:
- i. The Companies Act, 2013 ('the Act') and the Rules made thereunder and amendment thereof .

During the period under review the Company has complied with the provisions of the Companies Act, 2013 ('the Act') and the Rules made thereunder and the Companies Act, 1956 , to the extent as applicable, subject to the following observations:

**a) Establishment of Vigil Mechanism:**

*Pursuant to section 177(9) of Companies Act, 2013 read with Rule 7 of Companies (Meetings of Board and its powers) Rules, 2014 Company is required to establish a Vigil Mechanism for their directors and employees to report their genuine concerns or grievances. And, the companies which are required to constitute an audit committee shall operate the vigil mechanism through the audit committee .*

*The Company has represented that it has an independent Vigilance Department headed by an IPS Officer on deputation from Gol.*

*Vigilance manual of Air India has outlined policies, organisation structure and procedures for this purpose.*

*The Board of Directors reviews the work of the Vigilance Department from time to time.*



**b) Risk Management Policy:**

*Provisions of Section 134(3)(n) of Companies Act, 2013 provides that there shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include—*

*a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.*

*It has been clarified that the Company has a Risk Management Policy for Fuel and as for commercial risks aviation and non-aviation insurance policies are taken to insure the aircraft and passengers. In addition, company takes insurance for staff who travel on duty abroad and covers operating and cabin crew for injuries including death under the Company's Aviation policy.*

*For other Risks, Company is under process of development of Risk Management Policy. In audit Committee Meeting held on 14 September 2016, Internal Financial Control over financial reporting was discussed and such reports included the steps taken by the Company to mitigate the Macro and Micro Risks as identified by it being a part of development of Risk Management Policy.*

*DPE Guidelines also emphasize that the Board should ensure the integration and alignment of the risk management system with the corporate and operational objectives and also that risk management is undertaken as a part of normal business practice.*

**Independent Directors**

*Office of existing Independent directors of the company ceased on 28.05.2016. Under the proviso of sub-section 4 of section 149 of Companies Act, 2013 any intermittent vacancy of an independent director shall be filled-up by the 'Board' at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy, whichever is later. Such vacancy of independent directors was filled up by the company 31.05.2017 .*

*The word "Board", has been substituted for the words "Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government" for a Government company; vide Notification F No 1/2/2014-CL.V dated 5th June 2015.*

*Due to such vacancy ,following observation is attracted:*

*The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.*

*Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.*



Queries raised by Statutory auditors of the company in Audit Observations in relation to compliance of Companies Act, 2013 including deviation from Accounting standards, has been replied by the Management in Directors Report, hence they have not been reproduced here.

Debenture Redemption Reserve as required under Section 71(4) of the Companies Act, 2013 has not been created in the absence of earned profits by the Company.

- ii. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of External Commercial Borrowings :

Company does not have any Overseas Direct Investment and Foreign Direct Investment.

- iii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iv. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 are applicable to the company :
  - (a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 ;

During the period under review and as per the explanations and clarifications given to me and the representations made by the Management, the Company has generally complied with the provisions of the Act, Rules, Regulations, etc. mentioned above subject to the observations made therein.

- B. In aviation sector, following laws are specifically applicable to the Company:

- o Aircraft Act, 1934
- o Carriage by Air Act, 1972
- o Tokyo Convention Act, 1975
- o Anti-Hijacking Act, 1982
- o Suppression of Unlawful Acts against Safety of Civil Aviation Act, 1982
- o Civil Aviation Requirements issued by DGCA

Director General of Civil Aviation (DGCA) is the regulatory authority for the Aviation Sector in India.

DGCA has developed the Regulatory Audit Program (RAP) to promote conformance with the aviation regulations and standards that collectively prescribe an acceptable level of aviation safety. It also ensures that Civil Aviation audit policies and procedures are applied uniformly.

In addition, IATA conducts IOSA Certification every year and discloses its findings, which are required to be corrected. In addition, Air India has ED-Flight safety who continuously monitors the flight safety operations of the Company.



I further report on the review of such reports, instructions and guidelines , that the Company is generally regular in compliance of aforesaid aviation laws and the compliance by the Company of such aviation laws has not been reviewed in this Audit since they have been subject to review by DGCA and other designated professionals.

C. I have also examined compliance with the applicable Clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India effective from 1<sup>st</sup> July, 2015 .
- (ii) The Debenture Listing Agreements entered into by the Company with the National Stock Exchange of India Ltd. and the Bombay Stock Exchange Ltd.; and
- (iii) Guidelines on Corporate Governance for Central Public Sector Enterprises as stipulated in the O.M. No. 18(8)/2005-GM dated 14th May, 2010 of the Ministry of Heavy Industries and Public Enterprises, Government of India.

I further report the following observation on perusal of Guidelines on Corporate Governance for Central Public Sector Enterprises of the company :

**a) Audit Committee**

- 1. Chapter 4 of DPE guidelines (para 4.4) require that the Audit Committee should meet at least four times in a year. During review, it was noticed that in respect of the Company, there were only three Meetings in the year 2016-17.

**b) Guidelines on Corporate Social Responsibility And Sustainability For Central Public Sector Enterprises**

I further report that the Company constituted CSR Committee on 4<sup>th</sup> February 2014 and the Company is not required to take up CSR activities as specified in the Act and the CSR Rules read with Guidelines on Corporate Social Responsibility And Sustainability for Central Public Sector Enterprises w.e.f. 01.04.2014 as the Company **has not** made any profit in the preceding year.

During the period under review, no meeting of CSR Committee was held.

D) I have examined the framework, processes and procedures of compliance with respect to following laws applicable to the company on test basis.

Apprentices Act, 1961; Employees State Insurance Act, 1948; Payment of Wages Act, 1948; Minimum Wages Act, 1948; Industrial Disputes Act, 1947; Payment of Bonus Act, 1965; Payment of Gratuity Act, 1972; Contract Labour (Regulation and Abolition) Act, 1970; Maternity Benefit Act, 1961; The Child Labour (Prohibition & Regulation) Act, 1986; Equal Remuneration Act, 1976; The Employment Exchange (Compulsory Notification of Vacancies) Act, 1956,

Company has created separate Trusts to administer Provident Fund Contributions named as Air India Employees' Provident Fund Trust and Indian Airlines Employees' Provident Fund Trust.

Sexual Harassment of Women at Workplace( Prevention, Prohibition and Regulation ) Act, 2013: The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual



harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. In connection with aforesaid Laws, adequate systems and processes are in place to monitor and ensure compliance with such laws.

During the audit, it is observed that the Compliance Management System needs to be further strengthened by taking the following actions:

- a) To establish Corporate Compliance Committee and designate a Chief Compliance Officer and maintain centralised mechanism to ensure compliance with all applicable laws (both Indian and International);
  - b) To establish and maintain effective co-ordination of functional units and the Compliance Department under the overall supervision of the Board;
  - c) To establish mechanism to prevent, detect, report and to respond to non-compliances;
  - d) Identification and classification of various compliance risks;
  - e) Organisation of compliance Check list, Audit, feed back, remedies.
- E) I further report, that the compliance by the Company of applicable financial laws, like Direct and Indirect Tax Laws, has not been reviewed in this Audit since the same have been subject to review by Statutory Financial Audit and other designated professionals.

During the period under review and as per the explanations and clarifications given to me and the representations made by the Management, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above subject to the observation made therein.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors subject to observations made above. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings at least seven days in advance. Agenda and detailed notes on agenda were sent and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the Board Meetings, as represented by the Management, were taken unanimously.

I further report that as per the explanations I given to me and the representations made by the Management and relied upon by me, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. It is informed that the Company has responded to notices for demands, claims, penalties etc. levied by various statutory / regulatory authorities and initiated actions for corrective measures, wherever necessary.

I further report that during the audit period the company has:



allotted 525,70,00,000 Equity shares of rupees 10/- each distinctively numbered from 21,49,60,00,000 to 26,75,30,00,000 both inclusive, to the President of India in its Board Meeting dt. 23.03.2017.

Sd/-  
**(Jiwan Parkash Saini)**  
Company Secretary In Practice

12 March, 2018

FCS No: 3671  
CP No: 2100

Note-1 : Specific non compliances / observations / audit qualification, reservation or adverse remarks has been reported in respect of the above at appropriate place .

Note-2 : This Report is to be read with my letter of even date which is annexed as Annexure A and forms an integral part of this report.



The Members,  
Air India Limited  
Airline House, 113,  
Gurudwara Rakabganj Road,  
New Delhi-110001

My report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. I believe that the process and practices, we followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, I have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Sd/-  
**(Jiwan Parkash Saini)**  
Company Secretary in practice

12 March, 2018

FCS No: 3671  
CP No: 2100

**Management's Reply on the observations contained in the Secretarial Audit Report****(a) Independent Directors**

1. The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.

**Management's Comments**

Being a Government Company, Directors on Air India Limited Board are appointed by the Ministry of Civil Aviation. On completion of their term, the Independent Directors appointed effective 29 May 2013 ceased to be on the Board of the Company with effect from 28 May 2016. Thereafter, Ministry of Civil Aviation appointed Independent Directors on 31 May 2017.

In view of the above, no meeting of the Independent Directors could be held during 2016-17.

2. Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.

**Management's Comments**

Since no Independent Directors were appointed by the Ministry of Civil Aviation during 2016-17, provisions of Section 177(2) and Section 178 of the Companies Act, 2013 could not be complied with.

**(b) Audit Committee**

1. Chapter 4 of DPE guidelines (para 4.4) require that the Audit Committee should meet at least four times in a year. During review, it was noticed that in respect of the Company, there were only two Meetings in the year 2016-17.

**Management's Comments**

The point regarding number of meetings is noted and the Company will hold more meetings in future to comply with the provisions of DPE Guidelines.

**(c) Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises**

1. During the period under review, no meeting of CSR Committee was held.

**Management's Comments**

Since the Company had not made any profits, it was not required to spend any amount for CSR activities. However, a meeting of the CSR Committee will be held shortly to finalise the CSR Policy of the Company.

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AIR INDIA LIMITED FOR THE YEAR ENDED 31 MARCH 2017.**

The preparation of financial statements of Air India Limited for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 December 2017.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of Air India Limited for the year ended 31 March 2017. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

**COMMENTS ON PROFITABILITY****Revenue****Other Income: ₹ 3180.7 million (Note 16)**

Air India Limited, has debited a sum of ₹1364.10 million as interest towards the delayed payment by AASL. Since AASL is incurring losses since inception and has a negative net worth, recognition of interest as income in the book of accounts is not in line with requirement of provisions of AS-9. Recognizing the interest receivable from a loss making subsidiary with negative networth resulted in understatement of losses and overstatement of other income by ₹1364.10 million.

**Finance Cost (Note No. 19):****Other Borrowing Costs ₹ 3009.9 million**

The above includes an amount of ₹ 249.9 million charged by AIATSL towards interest on outstanding dues from AIL for the year 2014-15 and 2015-16. As the amount pertains to previous years the same should have been charged to Prior Period Expenses. Inclusion of the amount in Financial charges has resulted in an Understatement of Prior Period Expenses and Overstatement of Finance Cost to that extent.

**COMMENTS ON FINANCIAL POSITION****Fixed Assets (Note 8)****Other Fixed Assets****Object D Art ₹ Nil**

Air India is in possession of precious paintings, wooden carvings, bronzes, textiles, pichhwaies, kalmkaries, murals, clocks, books, photographs, prints, water colour paintings, glass paintings and embroidered textiles etc.. Till Financial Year 2015-16, these items were grouped under furniture and fixtures. During F.Y. 2016-17 the Company regrouped these items under Other Fixed Assets, with a separate nomenclature "Object D Art" and disclosed in the Financial Statement at Nil Value as on 31st March 2017. Management intimated that pending stock taking and valuation of these items, they are shown at NIL value. However, for disclosing these items at



Nil value, this has not been disclosed in the notes forming part of accounts thus the note to the Accounts are deficient to that extent.

**Non Current Investment (Note 9):- ₹ 16717.7 million**

Accounting Standard-13 “Accounting of Investments” states that provision for diminution shall be made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Further, where there is a decline, other than temporary, in the carrying amounts of long term investments, the resultant reduction in the carrying amount is charged to the profit and loss statement.” However it was observed that:

- i. The Company has made an investment of ₹ 4022.5 million in equity capital of Airline Allied Services Ltd. (AASL). As on 31<sup>st</sup> March 2017 the company has incurred losses ₹ 2827.2 million with negative net worth of ₹13440 million. However, the Company has not provided for the diminution in the value of investment as required under AS-13. Non-provision of the same has resulted in understatement of provision as well loss for the year by ₹ 4022.5 million.
- ii. The Company has made an investment of ₹1666.7million in equity capital of Airline India Engineering Services Ltd. (AIESL). The accumulated losses of the company as on 31.03.2017 was of ₹13060 million against the share capital of ₹1666.7 million, infused by the company. The company has not recognised any diminution in the value of the investment in equity capital of AIESL. This has resulted in understatement of provision and loss for the year by ₹1666.7 million.

**Deferred tax Assets (Note 47): ₹ 28425.2 million.**

Accounting Standard-22 which states that the deferred tax should be recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets which should be recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The company had recognized an amount of ₹ 28425.2 million as Deferred Tax Assets during the years 2007-08 and 2008-09 in its books of accounts. Though, the company has not recognized the available Deferred Tax Assets with effect from FY 2009-10, Deferred Tax Assets carried forward from the years 2007-08 and 2008-09 has not been written off by the Company.

Accordingly, carrying forward such deferred tax assets has resulted in overstatement of deferred tax assets and understatement of losses by ₹ 28425.2 million.

**Current Assets****Inventories (Note No. 13): ₹ 12767 million**

- (i) As per significant accounting policy on Inventories (Note 1© (4) (ii)), “Expendables/consumables are charged off at the time of initial issue except those meant for repairs of repairable items which are expensed when the work order is closed on the completion of repair work.

The Company has not provided for an amount of ₹ 324.37 million towards expendable issued for work orders which have already completed Non-provision for the expendables issued has resulted in understatement of Loss for the year by ₹ 324.37 million and overstatement of Inventories by the same amount.

- (ii) In absence of item wise details supporting the Inventory balances (appearing in respective GL), grouped in Inventory amounting to ₹12723.31 million, could not be vouched safe.



## COMMENTS ON SIGNIFICANT ACCOUNTING POLICIES

### Fixed Assets Para (a)(I) (b)

- (i) As per above Note, Rotables/Repairables are shown as Fixed Assets. However it is observed that Repairables have also been treated as Inventory as on 31 March 2017 which is not in line with the Accounting Policies of the Company.

### Inventories Para (I)

- (ii) As per this Note, Inventories are valued at weighted average cost. However, as per AS-2, Inventories should be valued at cost or net realizable value whichever is lower. Hence, Inventory policy is in contravention to AS-2.

## OTHER COMMENTS

### Note No. 43 B (a). Operating Lease

A reference is invited to Note No. 43, B, (a) (i) stating that the Company has acquired 31 aircraft on non-cancelable operating lease. As per contractual obligation, the Company has to redeliver the 31 aircraft to the lessor at the end of the lease term, in stipulated technical condition. This would entail cost for technical inspection, maintenance checks, repainting cost etc. prior to its redelivery. Since a reliable estimate of, of the cost to be incurred for these works may not be possible, the liability for the same should have been disclosed as Contingent liabilities.

### Note No.-51 Going Concern

A reference is invited to note number 51 of notes forming part of accounts wherein it has been disclosed that *“the company has shown an all-round improvement in the operational/ financial performance such as improvement in the seat factor, pax carriages, aircraft utilization etc., Barring unforeseen circumstances the company hopes to return to Cash Positive Status earlier than contemplated under the TAP”*.

Under Turnaround Plan (TAP)/ Financial Restructuring Plan (FRP), the company was expected to earn positive earnings before Interest Taxes Depreciation and Amortization (EBITDA) from the financial year 2012-13 and cash surplus from financial year 2017-18. However, as per the latest Proposed Financials under Financial Restructuring Plan, the company is now likely to become Cash Positive from FY 2018-19 onwards. Therefore, the disclosure that *“Barring unforeseen circumstances the company hopes to return to Cash Positive Status earlier than contemplated under the TAP”* is incorrect to that extent.

### Independent Auditors Report Annexure 1 (Para 1): Fixed Assets

The Independent Auditors has reported that the Fixed Asset Register has been maintained by the Company, which is under the process of updation in respect of certain individual items including those which have been migrated to SAP on a block level as one line item and the components items.

The above reporting is not in line with Clause 3 (i) (a) of CARO 2016 and para number 34 of Guidance note on the Companies (Auditor's Report) Order, 2016 which mandates reporting whether the company is maintaining proper records showing full particulars including quantitative details and situation of fixed asset.



It has been noticed from Inventory certificate produced to audit that Repairables amounting to ₹ 3948.97 are maintained outside RAMCO and their current location was not available and were not physically verified. This fact has not been reported by Independent Auditors.

Hence as regards Fixed Assets the reporting by the independent auditor is not in line with the requirements of CARO 2016.

#### Non-reconciliation of Migration control accounts

- (i) Migration Control Account created during transfer of data from Legacy System to SAP-ERP System are still in existence without the total balance in these accounts reduced to zero.

Name of Migration Control A/c	Amount (in million)
MM	773.2
AP	47425.4
AR Migration Control A/c	45658.9
FA Migration Control A/c	346619.4
GL	254308.2

Though the net effect is zero, each account migration control account has not been reconciled and nullified.

- (ii) 18404 Assets, including 89 assets comprising of Land and Buildings, existing in the SAP-ERP system of the Company are displayed at zero Acquisition value. Out of these 18404 assets, 781 assets were procured during the current financial year 2016-17. The reflection of these 89 assets comprising Land and Buildings at zero value. This is not in line with the requirements of Accounting Standard 10, according to which the gross book value of a fixed asset should be either historical cost or a revaluation amount computed in accordance with the standard.

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

Sd/-  
**Tanuja Mittal**  
Principal Director of Commercial Audit &  
ex-officio Member Audit Board-II, Mumbai

Place : Mumbai  
Date : 7 March 2018



**Management Replies to the comments of the Comptroller and Auditor General of India under section 143(6)(b) of the Companies Act, 2013 on the Financial Statements of Air India Limited for the year ended 31<sup>st</sup> March 2017**

CAG Observation	Management Comments
<p><b>COMMENTS ON PROFITABILITY</b></p> <p><b>Revenue</b> <b>Other Income: Rs 3180.7 million (Note 16)</b></p> <p>Air India Limited, has debited a sum of Rs 1364.10 million as interest towards the delayed payment by AASL. Since AASL is incurring losses since inception and has a negative net worth, recognition of interest as income in the book of accounts is not in line with requirement of provisions of AS-9. Recognizing the interest receivable from a loss making subsidiary with negative networth resulted in understatement of losses and overstatement of other income by Rs 1364.10 million.</p>	<p>Air India (AI) is under FRP, and hence can borrow to meet its own working capital requirements only. However, Air India has provided funds to its subsidiary companies against their working capital requirements and hence was forced to borrow more than the amount required for its own Working Capital resulting in additional interest costs.</p> <p>AASL would have to necessarily borrow funds for conducting their own business and hence would have incurred interest expense. In this case AI has provided funds to meet their requirements.</p> <p>Therefore, it was decided by AI to apportion and recover the interest to the extent of amount disbursed to subsidiary companies for their fund requirements from FY 2013-14 onwards.</p> <p>Accordingly, during the year the company has debited an amount of Rs.1364.1 million to AASL towards the reimbursement/sharing of the interest cost on the outstanding dues receivable from them as on 31 March 2017.</p> <p>As per AS-9, recognition of revenue should be postponed when there is no reasonable certainty of ultimate collection. AASL is under FRP approved by GOI and is expected to turnaround in the near future as indicated in the succeeding paragraph. Hence, the company does not anticipate any uncertainty in recovery of interest charged and the recognition of interest income is thus in line with AS-9. Accordingly, AS-9 has been complied with, as there is certainty of recoverability of the amount from AASL.</p> <p>Therefore, neither the loss has been understated nor the Income has been overstated.</p>



CAG Observation	Management Comments
<p><b>Finance Cost (Note No. 19): Other Borrowing Costs Rs. 3009.9 million</b></p> <p>The above includes an amount of Rs249.9 million charged by AIATSL towards interest on outstanding dues from AIL for the year 2014-15 and 2015-16. As the amount pertains to previous years the same should have been charged to Prior Period Expenses. Inclusion of the amount in Financial charges has resulted in an Understatement of Prior Period Expenses and Overstatement of Finance Cost to that extent.</p>	<p>Following the same principle as stated above, AIATSL had charged interest on the outstanding dues payable by AI to AIATSL which has been shown under "Finance Costs".</p> <p>The amount involved is not material and it is only a matter of classification of Account Head and hence inclusion of the interest amount under Finance Costs instead of Prior Period Expenses does not have any impact on the profit for the year.</p>
<p><b>COMMENTS ON FINANCIAL POSITION</b></p> <p><b>Fixed Assets (Note 8) Other Fixed Assets Object D Art Rs Nil</b></p> <p>Air India is in possession of precious paintings, wooden carvings, bronzes, textiles, pichhwaies, kalmkaries, murals, clocks, books, photographs, prints, water colour paintings, glass paintings and embroidered textiles etc.. Till Financial Year 2015-16, these items were grouped under furniture and fixtures. During F.Y. 2016-17 the Company regrouped these items under Other Fixed Assets, with a separate nomenclature "Object D Art" and disclosed in the Financial Statement at Nil Value as on 31st March 2017. Management intimated that pending stock taking and valuation of these items, they are shown at NIL value. However, for disclosing these items at Nil value, this has not been disclosed in the notes forming part of accounts thus the note to the Accounts are deficient to that extent.</p>	<p>As regards Object D'Art, it may be stated that AI is in possession of precious paintings, wooden carvings, bronzes, textiles, kalamkaries, murals, etc., and most of them have been received as gifts in earlier years and have not been valued.</p> <p>The items so received have been accounted for in the books of accounts at historical cost. Accordingly, the gross book value of the same amounting to Rs.0.6 million has been shown in the books of accounts in the Fixed Assets Schedule of the Financial Statements as a separate line item.</p> <p>As per assurance given to the Govt Audit at the time of finalization of previous year accounts, the Object D'Art have been shown separately in Fixed Assets schedule of FY 2016-17 with Gross block value Rs 0.6 million and Accumulated depreciation of Rs 0.6 million.</p> <p>Since the same has been shown as a separate line item in the Financial Statements there is no need to repeat the same in the Notes to Accounts. Further, the Accounting Policy for fixed assets of Air India clearly states that these assets are carried in the books at historical cost, which in this case is Rs.0.6 million.</p> <p>As all adequate disclosures mandated by Accounting Standards and Companies Act have been made, separate Note is not required to be given.</p>



CAG Observation	Management Comments
<p><b>Non Current Investment (Note 9):- Rs 16717.7 million</b></p> <p>Accounting Standard-13 “Accounting of Investments” states that provision for diminution shall be made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Further, where there is a decline, other than temporary, in the carrying amounts of long term investments, the resultant reduction in the carrying amount is charged to the profit and loss statement.” However it was observed that:</p>	
<p>I. The Company has made an investment of Rs4022.5 million in equity capital of Airline Allied Services Ltd. (AASL). As on 31<sup>st</sup> March 2017 the company has incurred losses Rs2827.2 million with negative net worth of Rs13440 million. However, the Company has not provided for the diminution in the value of investment as required under AS-13. Non-provision of the same has resulted in understatement of provision as well loss for the year by Rs 4022.5 million.</p>	<p>AASL is a regional connectivity carrier and has been inducting in a phased manner additional ATR 72 aircraft on lease for 12 year term with a view to provide connectivity to unserved and underserved airports as per the Government of India UDAN scheme. Accordingly, a number of new aircraft have been inducted during 2016-17 taking the total fleet of aircraft of AASL to 16 as at the end of February 2018.</p> <p>AASL revenues have been increasing (37% increase in 2016-17 over 2015-16) and the entity is expected to perform better in coming years with potential target of self-sustainability through such regional network routes in addition to providing feeder support to AI network all over the world. Hence, the decline in the Net Worth is likely to be temporary.</p> <p>As per TAP, the Company is expected to Break Even/post Cash Profit in the near future. Hence, the diminution in value of investment is not considered permanent at this stage as disclosed in the Notes to Accounts.</p> <p>It may also be noted that the investment in AASL is expected to realize a higher value than the investment in Equity capital of the airline. Hence, there is no reason to conclude that the investment of AI in AASL is considered as depleted.</p> <p>Hence there is no understatement of provision or loss for the year.</p>



CAG Observation	Management Comments
<p>ii. The Company has made an investment of Rs1666.7million in equity capital of Airline India Engineering Services Ltd. (AIESL). The accumulated losses of the company as on 31.03.2017 was of Rs13060 million against the share capital of Rs1666.7 million, infused by the company. The company has not recognised any diminution in the value of the investment in equity capital of AIESL. This has resulted in understatement of provision and loss for the year by Rs 1666.7 million.</p>	<p>AIESL is in the field of MRO business support and is still under gestation period and expected to generate revenues from the captive growing market of several airline operators within India in addition to AI especially once its MRO infrastructure at Nagpur becomes fully functional.</p> <p>In the coming years, AIESL is expected to get additional business, resulting in expected improvements in financials. Hence, the decline in the Net Worth is likely to be temporary.</p> <p>AIESL has been operationalised with effect from Jan 2015 only and being a highly capital intensive industry it takes long gestation period to become profitable. As per TAP, the Company is expected to Break Even/ post Cash Profit in the near future. Hence, the diminution in value of investment is not considered permanent at this stage as disclosed in the Notes to Accounts.</p> <p>It may also be noted that the investment in AIESL is expected to realize a higher value than the investment in equity capital of AIESL. Hence, there is no reason to conclude that the investment of AI in AIESL is considered as depleted.</p> <p>Hence, there is no understatement of provision or loss for the year.</p>
<p><b>Deferred tax Assets (Note 47): Rs 28425.2 million.</b></p> <p>Accounting Standard-22 which states that the deferred tax should be recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets which should be recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.</p> <p>The company had recognized an amount of Rs 28425.2 million as Deferred Tax Assets during the years 2007-08 and 2008-09 in its books of accounts. Though, the company has not recognized the available Deferred Tax Assets with</p>	<p>In this regard the following is stated:</p> <ul style="list-style-type: none"> <li>• The company had in terms of AS-22 recognized Deferred Tax Assets on Depreciation loss to the tune of Rs 28425.2 million during the years 2007-08 and 2008-09 in its books of accounts.</li> <li>• Depreciation loss can be recognized for DTA in case of reasonable certainty in its utilization.</li> <li>• From FY 2009-10 onwards, no further asset has been recognized as a matter of prudence. Hence, the Net Deferred Tax Assets remain at Rs 28425.2 million as on 31 March 2017 also. This fact has also been consistently disclosed in the Notes to Accounts each year.</li> </ul>



CAG Observation	Management Comments
<p>effect from FY 2009-10, Deferred Tax Assets carried forward from the years 2007-08 and 2008-09 has not been written off by the Company.</p> <p>Accordingly, carrying forward such deferred tax assets has resulted in overstatement of deferred tax assets and understatement of losses by Rs28425.2 million.</p>	<ul style="list-style-type: none"> <li>In terms of TAP AI is expected to be profitable with more than reasonable certainty. Hence, the Deferred Tax has been carried forward since the amount is most likely to be capable of being absorbed by future permissible profits as per Income Tax Act and this is perfectly in order with the clarification given by the Institute of Chartered Accountants of India with regard to this AS. Hence the question of reversal of the same is not appropriate.</li> </ul> <p>Hence, neither the Deferred Tax Assets have been overstated nor the loss has been understated.</p>
<p><b>Current Assets</b> <b>Inventories (Note No. 13): Rs 12767 million</b></p> <p>(i) As per significant accounting policy on Inventories (Note 1© (4) (ii)), "Expendables/ consumables are charged off at the time of initial issue except those meant for repairs of repairable items which are expensed when the work order is closed on the completion of repair work.</p> <p>The Company has not provided for an amount of Rs324.37 million towards expendable issued for work orders which have already completed Non-provision for the expendables issued has resulted in understatement of Loss for the year by Rs.324.37 million and overstatement of Inventories by the same amount.</p>	<p>As regards non provision of Rs.324.37 million towards expendables, it may be stated that the value of these items were included in the Work in Progress of inventories, since as per procedure consumption entry to this effect will be accounted for, only when the Work Orders are closed and work in progress is completed.</p> <p>Hence, neither the loss has been understated nor inventory has been overstated.</p>
<p>(ii) In absence of item wise details supporting the Inventory balances (appearing in respective GL), grouped in Inventory amounting to Rs12723.31 million, could not be vouched safe.</p>	<p>AI had provided to the Government Audit the Inventory certificate with inventory balances which are matching with the total GL balances.</p>
<p><b>COMMENTS ON SIGNIFICANT ACCOUNTING POLICIES</b></p> <p><b>Fixed Assets Para (a)(I) (b)</b></p> <p>(I) As per above Note, Rotables/Repairables are shown as Fixed Assets. However it is observed that Repairables have also been treated as Inventory as on 31 March 2017 which is not in line with the Accounting</p>	<p>Repairables have been treated as fixed assets and this policy has been consistently followed for the last 5 years. Repairables are shown as fixed assets and depreciation is provided on the same since they have an extended life. On the other hand inventory related</p>



CAG Observation	Management Comments
<p>Policies of the Company.</p>	<p>to Repairables which do not have an extended life have been classified as Inventory.</p> <p>The word “Repairable” appearing in the accounting policies is regarding Fixed Assets only and relates to Components of fixed assets which could be repaired and reused.</p> <p>The above treatment afforded in respect of Repairables has been consistently followed over the years and are in line with the Accounting Policy of the Company.</p>
<p><b>Inventories Para (I)</b></p> <p>(ii) As per this Note, Inventories are valued at weighted average cost. However, as per AS-2, Inventories should be valued at cost or net realizable value whichever is lower. Hence, Inventory policy is in contravention to AS-2.</p>	<p>According to Para 3.2 of AS-2, Net Realizable Value has been defined as “Net Realizable Value is the estimated selling price in ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale”.</p> <p>It would be seen from the definition that the “inventory to have a net realizable value should be intended to be sold in the ordinary course of business”.</p> <p>However, in the case of Air India, inventory mainly consists of aircraft parts, consumables and expendables which are not meant for or intended for sale in the ordinary course of business but are meant for internal consumption only and hence, have been valued at weighted price .</p> <p>Since the inventory does not contain any inventory like 'finished goods' for sale, the words 'realisable value' has been omitted. The question of valuation at lower of cost or net realizable value is likely to occur only when the total inventories consist of goods meant for sale.</p> <p>Also, attention is invited to Para 24 of AS 2 as per which “Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.” The material held by the company is not intended to be converted to finished goods and/ or sold and hence, the question of consideration of NRV for valuation is not relevant.</p>



CAG Observation	Management Comments																									
	<p>Hence the policy of valuation of inventory has been appropriately stated that “Inventories are valued at weighted average cost and market value is not considered as the company is not carrying any inventory meant for sale”.</p>																									
<p><b>OTHER COMMENTS</b></p>																										
<p><b>Note No. 43 B (a). Operating Lease</b></p> <p>A reference is invited to Note No. 43, B, (a) (i) stating that the Company has acquired 31 aircraft on non-cancelable operating lease. As per contractual obligation, the Company has to redeliver the 31 aircraft to the lessor at the end of the lease term, in stipulated technical condition. This would entail cost for technical inspection, maintenance checks, repainting cost etc. prior to its redelivery. Since a reliable estimate of, of the cost to be incurred for these works may not be possible, the liability for the same should have been disclosed as Contingent liabilities.</p>	<p>Any amount payable towards re delivery costs or receivable under the Upside Sharing arrangements are uncertain and cannot be considered for booking of the same in the P &amp; L Account.</p> <p>Further, Government Audit has stated in the Para that “Since a reliable estimate of the cost to be incurred for these works may not be possible” it will not be possible to work out the amount payable or receivable at the time of re delivery of these Aircraft.</p> <p>Hence an amount which cannot be quantifiable, can neither be provided as firm liability nor contingent liability.</p>																									
<p><b>Note No.-51 Going Concern</b></p> <p>A reference is invited to note number 51 of notes forming part of accounts wherein it has been disclosed that “<i>the company has shown an all-round improvement in the operational/ financial performance such as improvement in the seat factor, pax carriages, aircraft utilization etc., Barring unforeseen circumstances the company hopes to return to Cash Positive Status earlier than contemplated under the TAP</i>”.</p> <p>Under Turnaround Plan (TAP)/ Financial Restructuring Plan (FRP), the company was expected to earn positive earnings before Interest Taxes Depreciation and Amortization (EBITDA) from the financial year 2012-13 and cash surplus from financial year 2017-18. However, as per the latest Proposed Financials under Financial Restructuring Plan, the company is now likely to become Cash Positive from FY 2018-19 onwards.</p>	<p>The company has been constantly improving its overall financial as well as operational performance since the implementation of TAP/FRP. The same can be seen from the following:</p> <p style="text-align: right;">(Rs in Crs)</p> <table border="1" data-bbox="792 1486 1502 1934"> <thead> <tr> <th>Particulars</th> <th>2013-14</th> <th>2014-15</th> <th>2015-16</th> <th>2016-17</th> </tr> </thead> <tbody> <tr> <td>Total Revenue</td> <td>20140.59</td> <td>20606.27</td> <td>20524.56</td> <td>20032.29</td> </tr> <tr> <td>Total Expenditure</td> <td>26420.19</td> <td>26466.18</td> <td>24361.33</td> <td>25797.40</td> </tr> <tr> <td>Net Profit/ (Loss) Before Extraordinary Items</td> <td>(6939.45)</td> <td>(5853.02)</td> <td>(3835.21)</td> <td>(3619.72)</td> </tr> <tr> <td>Net Profit/ (Loss) after Tax</td> <td>(6279.60)</td> <td>(5859.91)</td> <td>(3836.77)</td> <td>(5765.11)</td> </tr> </tbody> </table>	Particulars	2013-14	2014-15	2015-16	2016-17	Total Revenue	20140.59	20606.27	20524.56	20032.29	Total Expenditure	26420.19	26466.18	24361.33	25797.40	Net Profit/ (Loss) Before Extraordinary Items	(6939.45)	(5853.02)	(3835.21)	(3619.72)	Net Profit/ (Loss) after Tax	(6279.60)	(5859.91)	(3836.77)	(5765.11)
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CAG Observation	Management Comments
<p>Therefore, the disclosure that “Barring unforeseen circumstances the company hopes to return to Cash Positive Status earlier than contemplated under the TAP” is incorrect to that extent.</p>	<p>It can be seen that the Net Loss (before Extraordinary/Exceptional Items) has consistently come down over the past few years.</p> <p>Even in 2016-17, the Net Loss has increased mainly on account of Exceptional/Extra-Ordinary Provision of Rs 2145.39 crores towards JDC Recommendations for Pay Structure rationalization amounting to Rs 1298.16 crores and write off of Rs 847.23 crores towards SFIS Scrips Revenue.</p> <p>The company has also been EBITDA Positive since FY 2012-13 as contemplated in TAP.</p> <p>Govt is also committed to the TAP/FRP and has been constantly infusing funds into AI as per the recommendations of TAP/FRP.</p> <p>Further, the company has also made an all round improvement in Operational Parameters such as Passenger Load Factor, aSKMs/RPKMs, No of Revenue Pax carried etc.</p> <p>Continuing this improved performance, and going forward, as per TAP projections the company is expected to become Cash Positive in FY 2018-19, and the company has been striving to achieve this target.</p>
<p><b>Independent Auditors Report Annexure 1 (Para 1): Fixed Assets</b></p> <p>The Independent Auditors has reported that the Fixed Asset Register has been maintained by the Company, which is under the process of updation in respect of certain individual items including those which have been migrated to SAP on a block level as one line item and the components items.</p> <p>The above reporting is not in line with Clause 3 (i) (a) of CARO 2016 and para number 34 of Guidance note on the Companies (Auditor's Report) Order, 2016 which mandates reporting whether the company is maintaining proper records showing full particulars including quantitative details and situation of fixed asset.</p> <p>It has been noticed from Inventory certificate produced to audit that Repairables amounting to</p>	<p>AI has been maintaining the Fixed Assets Register (FAR) in the SAP system (which complies with requirement contemplated to be reported by the Auditors in their report) and full particulars were migrated from the previous Oracle system including the quantitative details and situation of fixed asset.</p> <p>FAR has been updated item wise in respect of Aircraft, Building and Vehicles which consist of more than 95% of the value of assets.</p> <p>Most of the remaining assets have been migrated line item wise into SAP except certain assets which are migrated block wise for which line item details are under process of updation.</p>



CAG Observation		Management Comments
<p>Rs3948.97 are maintained outside RAMCO and their current location was not available and were not physically verified. This fact has not been reported by Independent Auditors.</p> <p>Hence as regards Fixed Assets the reporting by the independent auditor is not in line with the requirements of CARO 2016.</p>		<p>Hence, the wordings used in the audit report state the fact that the process of updation is still in the process.</p> <p>Accordingly, the reporting requirement under CARO has been duly complied with.</p>
<p><b>Non-reconciliation of Migration control accounts</b></p> <p>Migration Control Account created during transfer of data from Legacy System to SAP-ERP System are still in existence without the total balance in these accounts reduced to zero.</p>		<p>This is to clarify that the overall migration account total is zero. During migration, the process was split according to sources to ensure controls and hence there were 5 migration control accounts created and are fully reconciled and the net effect of which is zero. Further, this has no impact on the profit of the year.</p>
<b>Name of Migration Control A/c</b>	<b>Amount (in million)</b>	
MM	773.2	
Ap	47425.4	
AR Migration Control A/c	45658.9	
FA Migration Control A/c	346619.4	
GL	254308.2	
<p>Though the net effect is zero, each account migration control account has not been reconciled and nullified.</p>		
<p>(ii) 18404 Assets, including 89 assets comprising of Land and Buildings, existing in the SAP-ERP system of the Company are displayed at zero Acquisition value. Out of these 18404 assets, 781 assets were procured during the current financial year 2016-17. The reflection of these 89 assets comprising Land and Buildings at zero value. This is not in line with the requirements of Accounting Standard 10, according to which the gross book value of a fixed asset should be either historical cost or a revaluation amount computed in accordance with the standard.</p>		<p>In this regard it may be stated that there were many assets which were fully depreciated in the books of the erstwhile companies and hence transferred with zero value on the effective date of merger in 2007.</p> <p>Further, the items highlighted by Audit represents the Assets showing Zero acquisition value in the SAP mainly on account of the following reasons:</p> <ol style="list-style-type: none"> <li>a) Fully depreciated Assets migrated at the time of merger of erstwhile IAL and AIL.</li> <li>b) Assets transferred to the newly formed Subsidiary Companies, AIESL and AIATSL.</li> </ol>



<b>CAG Observation</b>	<b>Management Comments</b>
	<p>c) Assets carrying less than Rs 5000 value which were fully depreciated in the year of addition.</p> <p>d) Certain Assets for which Asset No. is created in SAP on the approval of the Competent Authority but procurement action is still to be taken as at the close of the year.</p> <p>It may be stated that in order to have an Internal Control over such assets the historical cost of these assets are maintained in the SAP at Zero Value.</p> <p>Hence, the value at which these assets are carried in books is the historical cost and is as per AS-10.</p>



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIR INDIA LIMITED

### REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of **Air India Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility, is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we, the Auditors comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures made in the financial statements. The procedures selected depend on our (i.e. 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, we (the auditors) consider internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 audit opinion on the standalone financial statements.

### BASIS FOR QUALIFIED OPINION

1. The Company has not complied with the provisions of certain accounting standards as stated below.
  - i) AS 10- "Property, Plant & Equipment" to the extent that flats in respect of which possession have been handed over/allotment letters issued in earlier years, have been carried as fixed assets of the



company (and depreciated) and advances received for sale of such flats have been carried as Other non-current liabilities [Refer Note No 29 (b)]. The effect of necessary adjustments in this regard is not ascertainable.

- ii) AS 13- “ Accounting for Investments” to the extent of non-provision of diminution other than temporary in the value of non-current investment in a subsidiary viz. Hotel Corporation of India Limited amounting to Rs 1106.0 million. [Refer Note No.44(a)];
- iii) AS 15 – “Employee Benefits” to the extent that the provision towards liability for post-retirement medical benefits has been made on adhoc basis, [refer Note No- 46(D)] and in respect of non-provision of additional liability towards gratuity and leave encashment of certain category of employees. [Refer Note No.26]. The effect of the same is not ascertainable.

2. The impact of the following are not ascertained:

- a) Non- reconciliation/non-confirmation of certain receivables, payables (including certain staff related accounts) and statutory dues. Refer Note No.36.
- b) Disputed amounts included under differences in balances with subsidiaries and Joint Controlled Entity (Refer Note No 44 (b)).
- c) Interest claims from airport operators pending determination of actual liability. (Refer Note No 25 A (a)).

We further report that in view of the observations made by us in the Paragraph 1 & 2 above and considering the impact to the extent quantifiable: (a) Loss for the year is understated by Rs. 1106.0 million with consequential impact on EPS, (b) accumulated losses are understated by Rs. 1106.0 million, and total Assets are overstated by the same amount.

## **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 the Basis for Qualified Opinion paragraph, the standalone financial statements give the information , (except for the information mentioned in Para v of Emphasis of Matter Paragraph ) , 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, of the standalone state of affairs of the Company as at 31st March, 2017 and its loss and its cash flows for the year ended on that date.

## **EMPHASIS OF MATTER**

We draw attention in respect of;

- I) The contingent liability referred to in Note No. 25 A (b) regarding waiver of Differential Guarantee Fee in respect of Working Capital Loans, including additional guarantee fee, of Rs. 14250.4 million in respect of which approval from Government of India is yet to be received.
- ii) Non execution of lease deed in respect of a leasehold land for which advance of Rs.24.6 million has been given. (Refer Note No 29(c));
- iii) The possibility of non-recoverability of advance to a subsidiary company viz. Hotel Corporation of India, amounting to Rs 1724.6 million including interest accrued thereon (Refer Note No 44(b & c), in view of the fact that the Net Worth of the Subsidiary is not positive.



- iv) Provision made towards liability for revised pay structure on the basis of recommendation of Justice Dharmadhikari Committee amounting to Rs.12981.6 million. (Refer Note No.26);
- v) Non-Disclosure of certain requirement as required by Schedule-III of the Companies Act 2013 due to the reasons stated against each:
  - a) Terms of repayment of Loan (*Refer foot Note No-4(2)(a) of Note No 4*)
  - b) Nature of Security separately for each Loan (*Refer Foot Note No- 4(2)(a) of Note No 4*)
  - c) Period and amount of continuing default in repayment of Loans and Interest thereon. Refer foot note of Note No. 5 & Note No 7
  - d) Foreign Currency Fluctuation under Finance Cost. Refer Note No- 19 (a)
  - e) Information of dues/payments to MSME, if any, included in Trade Payable. Refer Note No -49.
- vi) The contention of the management, regarding the ability of the Company to continue as a going concern and the in-principle approval for strategic disinvestment of the company. Refer Note No.51 and 28;
- vii) Change in the estimated useful life of aircrafts from 20 to 25 years resulting in a decrease in depreciation for the year by Rs.3228.6 million and consequent effect on the loss for the year. Refer Note No.30;

Our Opinion is not modified in respect of the matters stated in Para (i) to (vii) above.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the **Annexure 1**, a statement on the matters specified in the paragraphs 3 and 4 of the said Order.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except as stated in Para No 1(i) & (iii) and Para No 2 of Basis of Qualified Opinion.
  - (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 and returns adequate for the purposes of our audit.
  - (c) With respect to those foreign stations not visited by us, we have relied upon the summary reports made available to us for the verification of transactions related to such foreign stations, which have been properly dealt by us in preparing this report.
  - (d) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (e) Except for the effects of the matter described in Para No 1 of "Basis for Qualified Opinion" above, in our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.



- (f) The Going Concern matter described in sub paragraph No- (vi) under “Emphasis of Matter” paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- (g) Section 164(2) of the Companies Act, 2013 is not applicable to a Government Company.
- (h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (I) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate reports in **Annexure-2**.
- (j) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, (as amended) in our opinion and to the best of our information and according to the explanations given to us:
- a) The Company has disclosed the impact of pending litigations on its Financial position in its Financial Statements – Refer Note No 25 to the Financial Statements;
- b) The Company has made provisions, as required under the applicable laws or Accounting Standards, for material foreseeable losses, if any, on long-term contracts, including derivative contracts that have been entered into by the Company.
- c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- d) The Company has provided disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Refer Note No.53. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company as produced to us by the Management.
3. We are enclosing our report in terms of Section 143 (5) of the Act, on the directions and sub-directions issued by the Comptroller and Auditor General of India on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the **Annexure- 3**.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co**  
Chartered Accountants  
**FRN: 000038N**

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
**FRN: 109262W**

For and on Behalf of  
**Varma & Varma**  
Chartered Accountants  
**FRN: 004532S**

**V. Rajaraman**  
Partner  
**M.No.2705**

**Sitaram Pareek**  
Partner  
**M.No.016617**

**P R Prasanna Varma**  
Partner  
**M.No. 025854**

Place : New Delhi  
Date : 29.12.2017



**“ANNEXURE – 1” REFERRED TO IN PARAGRAPH 5(1) UNDER THE HEADING REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OF EVEN DATE.**

**1. Fixed Assets:**

- (a) The Fixed Assets Register has been maintained by the company, which is under the process of updation in respect of certain individual items including those which have been migrated to SAP on a block level as one line item and the components identified.
- (b) The Company has a programme of verification of fixed assets to cover all the items over a biennial period which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Assets. According to information and explanations given to us, physical verification of major fixed assets has been conducted by the Management during the year and no major discrepancies were found. In this connection attention is drawn to Note No 32(a) regarding Physical Verification of Assets other than the major items.
- (c) Based on records and confirmations provided by the company, the title/ lease deeds of the immovable properties are held in the name of the Company except for the assets mentioned below (Refer Note No.29 (a));

<b>Sr No.</b>	<b>Type</b>	<b>Areas ( in sq.mtrs)</b>	<b>Net Block (Rs. in million)</b>
<b>A</b>	Vacant Land	142658	11217.1
<b>B</b>	Land & Buildings	131271	51323.6

**2. Inventories :**

The Company has a programme of physical verification of inventory to cover all the items over a biennial period which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Inventory. As explained to us, Physical Verification of Inventories for the biennial period 2014-16 has been completed, except in respect of items lying with third parties; and the impact of the discrepancies has been provided for during the year. We are informed that the physical verification for biennial period 2016-18 is still under progress [Refer Note No. 32(b)].

**3. Transactions with parties u/s 189 of the Companies Act, 2013**

According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, during the year, to any companies, firms, limited liability partnerships or other parties covered in register maintained under Section 189 of the Companies Act, 2013. In view of above, the clauses 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable.

**4. Loans, Investments, Guaranties & Securities etc. covered u/s 185 and 186 of the Act.**

As per information and explanations given to us, Company has not granted any loans or given any guarantee and security covered under section 185 of the Companies Act 2013.

Further, Company, being a Government Company, is exempted from the provisions of section 186 as it is engaged in the business of providing infrastructure facilities as stated in Schedule-VI of the Companies Act'2013.

**5. Deposits**

On the basis of the examination of the books of accounts, the Company has not accepted Deposits under the provisions of Section 73 to 76 or any other provisions of Companies Act, 2013 and the Rules framed thereunder.

**6. Cost Records**

The maintenance of cost records has not been prescribed by the Central Government of India under sub-section (1) of Section 148 of the Companies Act, 2013, in respect of the Company which falls under the category of Service Industry.

**7. Statutory Dues**

- a) According to the information and explanations given to us and on the basis of our examinations of the Books of Account, undisputed Statutory dues, including Provident Fund, Employees State Insurance Fund, Custom Duty, Excise Duty, Wealth Tax, Sales Tax, Value Added Tax, Cess and any other material Statutory Dues, as applicable, have generally been deposited with the appropriate authorities within the due dates except in the case of Income Tax, Service Tax and contributions to Provident Fund.

As per the information and explanations, undisputed statutory liabilities outstanding for more than 6 months as on March 31, 2017 are as under :

Sr No.	Particulars	Amount Outstanding (Rs. in million)
1	Income Tax including TDS	50.5
2	Interest on PF	121.5

- b) According to the information and explanations given to us and as per the books of accounts, there are no dues outstanding of Sales tax, Wealth Tax, Custom Duty, Excise Duty, Value Added Tax, Service Tax and Cess which have not been deposited as on 31<sup>st</sup> March 2017 by the company, on account of any dispute, except for the following:

SL.No	Name of Statute	Amount Outstanding (Rs. In million)	Nature of Dues	Year	Forum where dispute is pending
1	Indian Customs Act 1962	222.61	Custom Duty	2001 to 2016	Commissioner of Central Excise
2	Indian Customs Act 1962	95.18	Custom Duty	2000 to 2014	CESTAT
3	Indian Customs Act 1962	101.66	Custom Duty	2003 to 2007	Commissioner of Custom (A)
4	Indian Customs Act 1962	608.40	Custom Duty	2002 to 2010	Commissioner of Custom (A)
5	Indian Customs Act 1962	16.29	Custom Duty	2014-2016	Commissioner of Custom



SL.No	Name of Statute	Amount Outstanding (Rs. In million)	Nature of Dues	Year	Forum where dispute is pending
6	Indian Customs Act 1962	14.43	Custom Duty	2005-2006	Supreme Court
7	Indian Customs Act 1962	16.56	Custom Duty	1997 to 2004	Central Board of Excise and Custom
8	Finance Act, 1994	203.56	Service Tax	2007 to 2011	Commissioner of Service Tax
9	Finance Act, 1994	6071.73	Service Tax	2003 to 2014	CESTAT
10	Finance Act, 1994	4.34	Service Tax	2007 to 2011	Commissioner of Appeals
11	Finance Act, 1994	2.75	Service Tax	2013 to 2015	Service Tax Dept.
12	Income Tax Act, 1961	423	Income Tax	2001 to 2007	Income Tax Tribunal
13	Other Statutes	141.94	Others	2000 to 2011	Concerned Department.

#### 8. Term Loans from Banks & Financial Institutions:

According to the information and explanations given to us, the Company has delayed in repayment of dues to Financial Institutions/ Banks/ Government and there is an overdue Interest on Loans of Rs.403.1million outstanding for payment as at the year end. The period and amount of default including lender wise details for the same has not been provided to us in view of the reasons stated in the Footnote of Note No.4, 5 and 7 of the Financial Statements.

#### 9. Public Offer & Loans:

The Company has not raised any money by way of initial public offer or further public offer (including debts instruments) and hence the application of such money for the specified purposes is not applicable.

The Company has applied the Term Loans for the purpose for which the Loans were obtained.

#### 10. Fraud:

We have not come across any instances of material fraud by the company or on the company by its officers or employees which has been, noticed or reported during the year, except for certain other irregularities, disclosed in Note 37 to the Financial Statements.;

#### 11. Managerial Remuneration:

As informed, the provisions of Section 197 relating to managerial remuneration are not applicable to the Company, being a Government Company, in terms of MCA Notification no. G.S.R. 463 (E) dated 5th June 2015.

**12. Nidhi Company**

The company is not a Nidhi Company and hence the clause is not applicable.

**13. Related Parties Transactions:**

In our opinion and according to the information and explanations given to us, all transactions during the year with the related parties were approved by the Audit Committee and are in compliance with sections 177 of the Companies Act, 2013 where applicable and the provisions of section 188 of the Companies Act, 2013 are not applicable. The details of Related Party Transactions have been disclosed in the Financial Statements, as required by the applicable Accounting Standards; Refer Note 42.

**14. Preferential allotment or Private placement of shares:**

The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review as such the clause is not applicable to the company.

**15. Non Cash transactions with Directors:**

As per the records of the company and information and explanation provided to us, the company has not entered into any non-cash transactions with directors or persons connected with them and hence the clause is not applicable.

**16. Registration u/s 45-IA of RBI Act.**

The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co**  
Chartered Accountants  
**FRN: 000038N**

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
**FRN: 109262W**

For and on Behalf of  
**Varma & Varma**  
Chartered Accountants  
**FRN: 004532S**

**V. Rajaraman**  
Partner  
**M.No.2705**

**Sitaram Pareek**  
Partner  
**M.No.016617**

**P R Prasanna Varma**  
Partner  
**M.No. 025854**

Place : New Delhi  
Date : 29.12.2017



## **“ANNEXURE- 2” TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LIMITED**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of Air India Limited (“the Company”) as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls ;**

The Company's management is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility;**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls, and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting :**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that



- (1) pertains to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting :**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Qualified Opinion**

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2017:

- (i) The company did not have an effective interface between various functional software relating to Sales/Revenue and Inventory Management with the accounting software resulting in accounting entries being made manually on periodical basis.
- (ii) The company did not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales / Revenue, Inventory and Payroll.
- (iii) The company did not have an appropriate internal control system for deduction, timely deposit and reconciliation of statutory dues.
- (iv) The company did not have effective internal audit system commensurate with the size, nature and complexities of the business.
- (v) The company did not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables.
- (vi) The Company did not have an effective Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.
- (vii) The company did not have an effective system for timely accounting of entries & approval thereof in IT System.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.



In our opinion, except for the effects/possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have, to the extent possible, considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 standalone financial statements of the Company, and these material weaknesses are not likely to affect our opinion on the standalone financial statements of the Company.

For and on Behalf of

**Thakur, Vaidyanath Aiyar & Co**  
Chartered Accountants  
**FRN: 000038N**

For and on Behalf of

**Sarda and Pareek**  
Chartered Accountants  
**FRN: 109262W**

For and on Behalf of

**Varma & Varma**  
Chartered Accountants  
**FRN: 004532S**

**V. Rajaraman**  
Partner  
**M.No.2705**

**Sitaram Pareek**  
Partner  
**M.No. 016617**

**P R Prasanna Varma**  
Partner  
**M.No. 025854**

**Place : New Delhi**  
**Date : 29.12.2017**



**ANNEXURE- 3 TO THE INDEPENDENT AUDITORS' REPORT**

S.No	Directions under section 143(5) of Companies Act 2013	Auditor's Comment														
1.	Whether the Company has clear title / lease deeds free hold and lease hold respectively? If not, please state the area of free hold and lease hold land for which title / lease deeds are not available?	The details provided by the Management are enclosed in <b>Annexure-I</b> of Independent Auditors' Report – CARO, Sr. No.1(c) and Note No.29(a) forming part of Financial Statements.														
2.	Whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.	There is no write-off being done by the management during the year.														
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift/ grants from Govt. or other authorities.	<p>Records are maintained by the company in respect of inventories lying with third parties. However, since confirmation in respect of such inventories have not been provided to us we are unable to verify the completeness of the same.</p> <p>We are informed that there are no gifts and grants from govt. and other authorities received during the year and accordingly there are no records in respect of such items.</p>														
4.	To ascertain and quantify the impact of															
	(a) Pending reconciliation of receivables and payables particularly with airport operators, subsidiaries, JVs and oil companies.	Refer Note No 36 and 44 (b) read with Para 2 of Basis of Qualification.														
	(b) Claims lodged, settled, pending and rejected in the case of aviation and non aviation insurance.	<p>The Data as given below are based on the information provided by the company; <b>(Rs in Million)</b></p> <table border="1" data-bbox="836 1438 1502 1925"> <thead> <tr> <th data-bbox="836 1438 1149 1556">Particulars</th> <th data-bbox="1149 1438 1320 1556">Non Aviation Claims</th> <th data-bbox="1320 1438 1502 1556">Aviation Claims</th> </tr> </thead> <tbody> <tr> <td data-bbox="836 1556 1149 1627">Claim Lodged</td> <td data-bbox="1149 1556 1320 1627">34.72</td> <td data-bbox="1320 1556 1502 1627">569.45</td> </tr> <tr> <td data-bbox="836 1627 1149 1759">Claim Rejected/ Withdrawn during the year 2016-17</td> <td data-bbox="1149 1627 1320 1759">-</td> <td data-bbox="1320 1627 1502 1759">-</td> </tr> <tr> <td data-bbox="836 1759 1149 1925">Claim Settled during the year 2016-17</td> <td data-bbox="1149 1759 1320 1925">7.50</td> <td data-bbox="1320 1759 1502 1925">453.65</td> </tr> </tbody> </table>			Particulars	Non Aviation Claims	Aviation Claims	Claim Lodged	34.72	569.45	Claim Rejected/ Withdrawn during the year 2016-17	-	-	Claim Settled during the year 2016-17	7.50	453.65
Particulars	Non Aviation Claims	Aviation Claims														
Claim Lodged	34.72	569.45														
Claim Rejected/ Withdrawn during the year 2016-17	-	-														
Claim Settled during the year 2016-17	7.50	453.65														



S.No	Directions under section 143(5) of Companies Act 2013	Auditor's Comment		
		Particulars	Non Aviation Claims	Aviation Claims
		Policy amount deducted from Claim	-	91.54
		Claims Pending as on 31st March 2017	<b>27.22</b>	<b>24.27</b>
	(c) With reference to inter-company transactions adjustment in the CFS of AIL for 2015-16, the impact of the same in the standalone accounts of AIL for 2016-17 may be looked into.	<p>*The above data excludes, those claims for which amount is yet to be ascertained.</p> <p>The difference with the subsidiaries as on 31.03.2016 was Rs.1491.8 million against which Rs.222.1 million is pending adjustments as at 31.03.2017. We are informed that such differences will be identified and adjusted in the respective books in the due course.</p>		

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co**  
Chartered Accountants  
**FRN: 000038N**

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
**FRN: 109262W**

For and on Behalf of  
**Varma & Varma**  
Chartered Accountants  
**FRN: 004532S**

**V. Rajaraman**  
Partner  
**M.No.2705**

**Sitaram Pareek**  
Partner  
**M.No. 016617**

**P R Prasanna Varma**  
Partner  
**M.No. 025854**

**Place : New Delhi**  
**Date : 29.12.2017**



**MANAGEMENT REPLIES TO THE INDEPENDENT AUDITORS' REPORT ON  
THE FINANCIAL STATEMENTS OF AIR INDIA LTD FOR THE FINANCIAL YEAR 2016-17**

<b>Sr. No.</b>	<b>AUDIT OBSERVATIONS</b>	<b>MANAGEMENT COMMENTS</b>
	<p><b>Report on the Standalone Financial Statements</b></p> <p>We have audited the accompanying standalone financial statements of <b>Air India Limited</b> ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.</p>	<p>This is a statement of fact.</p>
	<p><b>Management's Responsibility for the Standalone Financial Statements.</b></p> <p>The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.</p>	<p>This is a statement of fact.</p>
	<p><b>Auditor's Responsibility</b></p> <p>Our responsibility, is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.</p>	<p>This is a statement of fact.</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we, the Auditors comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures made in the financial statements. The procedures selected depend on our (i.e. 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, we (the auditors) consider internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 audit opinion on the standalone financial statements</p>	
1.	<p><b>Basis for Qualified Opinion</b></p> <p>The Company has not complied with the provisions of certain accounting standards as stated below :</p>	
I)	<p>AS 10- "Property, Plant &amp; Equipment" to the extent that flats in respect of which possession have been handed over/allotment letters issued in earlier years, have been carried as fixed assets of the company (and depreciated) and advances received for sale of such flats have been carried as Other non-current liabilities [Refer Note No 29 (b)]. The effect of necessary adjustments in this regard is not ascertainable</p>	<p>The sale in respect of properties in the land owned by AI at Nerul is not yet completed since the title in the property has not yet been passed on to the proposed society/association formed by the employees for administering the property sold to them. It is also understood that these societies are not yet registered pending the completion of certain documentation. Due to this the sale proceeds received from the employees have also not been adjusted in the books of accounts and the properties continue to be owned by AI. Depreciation is therefore being charged on these properties and subject to the</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		completion of these formalities in FY 2017-18 necessary accounting action will be taken.
ii)	AS 13- "Accounting for Investments" to the extent of non-provision of diminution other than temporary in the value of non-current investment in a subsidiary viz. Hotel Corporation of India Limited amounting to Rs 1106.0 million. [Refer Note No.44(a)];	<p>Various initiatives are being taken by HCI for improving the operational performance of the company and increasing the revenues to improve its operational and financial performance/ Net Worth such as:</p> <ul style="list-style-type: none"><li>● Equity Infusion of Rs270 million from the Govt of India upto 31.3.2017.</li><li>● The renovation of 80 guest rooms and other allied works at Centaur Hotel Delhi has been completed in the quarter ended June 2017, augmenting the revenue.</li><li>● HCI has appointed a Consultant for upgradation and refurbishment of 75 guest rooms and allied works at Centaur Hotel Srinagar.</li><li>● The holding company, AI, has converted Rs 70 crores of advances to the Company as Equity Capital.</li><li>● HCI has reduced the retirement age for its employees from 60 to 58.</li></ul> <p>It may also be stated that the value of the properties owned by HCI at Delhi Airport, Srinagar and Chefair in Mumbai are substantial in value. Further, the company is a going concern and is carrying out its normal activities of inflight catering and providing hotel accommodation to passengers and others.</p> <p>However, it may be mentioned that in the event of DIAL requiring additional land for a fourth runway, the Centaur</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>Hotel, as per the terms of agreement of AAI and DIAL (OMDA) has to surrender this land to DIAL for which the compensation has to be determined.</p> <p>Similarly, due to litigation in the Srinagar property, HCI is unable to give it on long term Management Contract.</p> <p>But for these factors, in view of measures taken by HCI as well as AI to improve the operational/financial performance of HCI, Air India Ltd is hopeful that HCI in future will be able to sustain its requirements from its own revenues. As regards its investment in HCI, Air India is confident that it would retrieve its investment in the property as well as the loans given to HCI in the event of the closure/sale of HCI.</p> <p>Accordingly, no provision has been considered for the investment made by the company in HCI.</p>
iii)	<p>AS 15 – “Employee Benefits” to the extent that the provision towards liability for post-retirement medical benefits has been made on adhoc basis, [refer Note No-46(C.)(a) ] and in respect of non- provision of additional liability towards gratuity and leave encashment of certain category of employees. [Refer Note No.26]. The effect of the same is not ascertainable.</p>	<p>It may be noted that an adhoc provision of Rs500.0 million has been made towards Post Retirement Medical Benefits for the year 2016-17 as against the provision of Rs 350.0 million made in FY 2015-16.</p> <p>This provision has been made as the relevant statistical data could not be gathered on account of the amendment of the Scheme i.e. for enhanced Contribution for Medical Benefits. The Management is of the opinion that the provision of Rs.500.0 million is adequate. However, once the relevant statistics are collected and actuarial valuation thereof is carried out after giving effect to the transfer of employees to the hived off subsidiary companies namely AIESL and AIATSL, the necessary accounting treatment would be carried out in 2017-18. The same has been adequately disclosed in Note No 46(D)(i).</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>Moreover due to the ongoing divestment of AI the future liability of medical benefits of retired personnel can be actually determined once the terms are settled with the Strategic Investor</p>
<p>2.</p> <p>a)</p>	<p>The impact of the followings are not ascertained:</p> <p>Non- reconciliation/non-confirmation of certain receivables, payables (including certain staff related accounts) and statutory dues. Refer Note No.36</p>	<p>The company has reconciled a substantial percentage of receivables and payables in SAP. However, in respect of the remaining accounts necessary action will be taken to reconcile the unmatched receivables and payables in SAP in FY 2017-18.</p> <p>The company has hired an external firm of Chartered Accountants to reconcile the statutory dues with the returns filed/statutory records maintained. The company would give effect to any adjustments as and when these reconciliations are completed.</p>
<p>b)</p>	<p>Disputed amounts included under differences in balances with subsidiaries and joint venture Controlled Entity.</p> <p>Refer Note No 44 (b)</p>	<p>This is a statement of fact. However, we are in the process of reconciling these differences and accounting action, if any, will be taken in 2017-18.</p>
<p>c)</p>	<p>Interest claims from airport operators pending determination of actual liability. Refer Note no 25A(a)</p>	<p>The company has continuously contested its liability of payment of Interest on its dues to Airport Operators. This was based on the ground that the interest charged them is at a very high rate of interest and totally disproportionate to the market in terms of rates/losses suffered by them, if any.</p> <p>AI has not accepted their claims and shown their claims as Contingent Liability. The methodology of calculating interest has also been contested by the company. More recently an independent auditor has been appointed to assess the liability, if any in this regard.</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>We further report that in view of the observations made by us in the paragraph 1 &amp; 2 above and considering the impact to the extent quantifiable: (a) Loss for the year is understated by Rs. 1106.0 Million with consequential impact on EPS, (b) accumulated losses are understated by Rs. 1106.0 Million, and total Assets overstated by the same amount.</p>	
	<p><b>Qualified Opinion</b></p> <p>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 the Basis for Qualified Opinion paragraph, the standalone financial statements give the information, (except for the information mentioned in Para v of Emphasis of Matter Paragraph), 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, of the standalone state of affairs of the Company as at 31st March, 2017 and its loss and its cash flows for the year ended on that date.</p>	
	<p><b>Emphasis of Matter</b></p> <p>We draw attention in respect of;</p>	
<p>I)</p>	<p>The contingent liability referred to in Note No. 25 A (b) regarding waiver of Differential Guarantee Fee in respect of Working Capital Loans, including additional guarantee fee, Rs. 14250.4 Million in respect of which approval from Government of India is yet to be received.</p>	<p>The company has provided for Guarantee Fee @ 0.5% on all aircraft loans and working capital loans guaranteed by the Govt. The company has taken up the issue for waiver of Guarantee Fees over and above 0.5% in respect of working capital and ECB loans with the Ministry of Civil Aviation/Finance. This subject was also discussed and highlighted during TAP and FRP Oversight Committee Meetings.</p> <p>Accordingly, the Guarantee Fee over and above 0.5% amounting to Rs3594.4 million has been disclosed as Contingent. Further, the additional liability on account of the delayed payment amounting to Rs10,656.0 million has also been shown as Contingent.</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>This issue has been taken up with the Ministry of Finance through the Ministry of Civil Aviation through a Cabinet note. The company is confident that the Ministry of Finance will favorably consider the proposal of the MOCA since the company is under a Financial Restructuring Plan wherein the Govt. is actively infusing Equity into the company and divestment plans have been announced for the Company.</p> <p>The Company has also given the option to Ministry of Finance of adjusting the VVIP dues owing from the Govt against the Guarantee fee (normal fee of 0.5%) payable to the Government.</p> <p>Moreover, the entire facts relating to the Govt Guarantees has been duly disclosed vide Note No 25 (A)(b).</p>
ii)	Non execution of lease deed in respect of a leasehold land for which advance of Rs.24.6 Million has been given. Refer Note no 29(c).	This is a Statement of fact.
iii)	Recoverability of advance to a subsidiary company viz. Hotel Corporation of India, amounting to Rs1724.6 million including interest accrued thereon. Refer Note 44(b&c);	Already replied to in Para No 1(ii) above.
iv)	Provision made towards liability for revised pay structure on the basis of recommendation of Justice Dharmadhikari Committee amounting to Rs.12981.6 million. Refer Note No.26;	<p>Based on Justice Dharmadhikari Committee (JDC) recommendations, the Revised Basic Pay (RBP) had been implemented for most of the categories of the employees from different dates.</p> <p>Upto last year the JDC recommendations were not implemented for categories comprising of the Pilots of the Wide Body aircraft (Non-Executive) and Cabin Crew (Non Managerial) due to ongoing litigations which are still pending in the Supreme Court. However, provision amounting to Rs 12981.6 million for all employees (including for the above said categories also) has been made during the year as</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>Exceptional Item on the basis of certification made by an independent firm of Chartered Accountants.</p> <p>In the opinion of the company this provision will substantially cover all liabilities originating out of the implementation of JDC recommendations except impact on provision for Gratuity and Leave Encashment for above said two categories of employees.</p> <p>Adequate disclosure for the same has been made vide Note No 26.</p>
v)	<p>Non-Disclosure of certain requirement as required by Schedule-III of the Companies Act 2013 due to the reasons stated against each:</p> <ul style="list-style-type: none"> <li>- Terms of repayment of Loan (<i>Refer foot Note No-4(2)(a) of Note No 4</i>)</li> <li>- Nature of Security separately for each case of Loans (<i>Refer Foot Note No- 4(2)(a) of Note No 4</i>)</li> <li>- Period and amount of continuing default in repayment of Loans and Interest thereon. Refer foot note of Note No. 4 &amp; Note No 7</li> <li>- Foreign Currency Fluctuation under Finance Cost. Refer Note No- 19 (a).</li> <li>- Information of dues/payments to MSME, if any, included in Trade Payable. Refer Note No -49.</li> </ul>	<p>This is a statement of fact. Due to the confidential nature of the agreements entered into with the consortium of banks wherein the terms of payments, rates of interest, the nature of security has been clearly specified, it has not been disclosed. However, the same is available with the company, the important extracts of which are already disclosed in the accounts.</p>
vi)	<p>The contention of the management, regarding the ability of the Company to continue as a going concern and in-principle approval for strategic disinvestment of the company. Refer Note No.51 and 28;</p>	<p>This is a Statement of fact.</p>
vii)	<p>Change in the estimated useful life of aircrafts from 20 to 25 years resulting in decrease in depreciation by Rs.3228.6 million and consequent effect on the loss for the year. Refer Note No.30;</p>	<p>This is a Statement of fact. The life of the new aircraft in A 320 family and B 777 aircraft, acquired after FY 2006-07 has been increased from 20 to 25 years in line with industry practice and the past history/experience of utilization of these aircraft in the fleet.</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		The same has been adequately disclosed vide Note No 30.
	Our Opinion is not modified in respect of above matters	
	<b>Report on Other Legal and Regulatory Requirements</b>	
1.	As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the <b>Annexure 1</b> , a statement on the matters specified in the paragraphs 3 and 4 of the said Order	
2.	As required by Section 143 (3) of the Act, we report that:	This is a statement of fact.
(a)	We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except as stated in Para No 1(i & ii) and Para No 2 of Basis of Qualified Opinion.	
(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 and returns adequate for the purposes of our audit.	
(c)	With respect to those foreign stations not visited by us, we have relied upon the summary reports made available to us for the verification of transactions related to such foreign stations, which have been properly dealt by us in preparing this report.	
(d)	The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account	
(e)	Except for the effects of the matter described in Para No - 1 of "Basis for Qualified Opinion" above, in our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.	



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
(f)	The Going Concern matter described in sub paragraph No-(vi) under “Emphasis of Matter” paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.	
(g)	Section 164(2) of the Companies Act, 2013 is not applicable to a Government Company.	
(h)	The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.	
(I)	With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate reports in <b>Annexure-2</b> .	
(j)	With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, (as amended) in our opinion and to the best of our information and according to the explanations given to us:	
	a) The Company has disclosed the impact of pending litigations on its Financial position in its Financial Statements – Refer Note 25 to the Financial Statements;	
	b) The Company has made provisions, as required under the applicable laws or Accounting Standards, for material foreseeable losses, if any, on long-term contracts derivative contracts have been entered into by the Company.	
	c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.	
	d) The Company has provided disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Refer Note No.53. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management.	Consequent upon the directions of the Govt, the Company had maintained records of the receipts/payments of the Specified Bank Notes (SBNs) accepted/ received at all Airports/Booking Offices of the company towards the sale of Air Tickets during the period of 10 <sup>th</sup> November to 31 <sup>st</sup> December 2016.



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>The disclosure of the information on SBNs transacted during the above notified period has been compiled from the inputs received/collected from all base stations/Booking Offices of the company. Further, the counterfoils of the bank deposit slips towards deposit of all cash, including SBNs are also available at these Airports/Booking Offices to substantiate the SBN Disclosure made vide Note No 53.</p>
3.	<p>We are enclosing our report in terms of Section 143 (5) of the Act, on the directions and sub-directions issued by the Comptroller and Auditor General of India on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the <b>Annexure-3</b>.</p>	



**“ANNEXURE – 1” REFERRED TO IN PARAGRAPH 5(1) UNDER THE HEADING REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OF EVEN DATE.**

Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS												
1.	<b>Fixed Assets :</b>													
(a)	The Fixed Assets Register has been maintained by the company, which is under the process of updation in respect of certain individual items including those which have been migrated to SAP on a block level as one line item and the components identified.	The Company has a regular procedure for the physical verification of all aircraft, APUs and other related equipment which constitutes nearly 91% of the total value of the assets which are tallied with the Assets Register maintained.												
(b)	The Company has a programme of verification of fixed assets to cover all the items over a biennial period which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Assets. According to information and explanations given to us, physical verification of major fixed assets has been conducted by the Management during the year and no major discrepancies were found. In this connection attention is drawn to Note No 32(a) regarding Physical Verification of Assets other than the major items.	<p>As regards the remaining assets, the Company has already implemented the Fixed Assets module which streamlines the data on Fixed Assets including the details of location and quantitative details on the SAP system.</p> <p>All requests for the acquisition of fixed assets are processed through the FA Module in the SAP wherein the actual expenditure is compared with the budgets available and thereby incorporating proper internal controls for the monitoring and verification of the assets.</p>												
(C)	<p>Based on records and confirmations provided by the company, the title/ lease deeds of the immovable properties are held in the name of the Company except for the (refer Note No.29 (a)); <b>assets mentioned below :</b></p> <table border="1" data-bbox="199 1438 959 1696"> <thead> <tr> <th data-bbox="199 1438 284 1476">Sr No</th> <th data-bbox="284 1438 511 1476">Type</th> <th data-bbox="511 1438 699 1476">Areas (in sq.mtr)</th> <th data-bbox="699 1438 959 1476">Net Block (Rs. in million)</th> </tr> </thead> <tbody> <tr> <td data-bbox="199 1556 284 1614">A</td> <td data-bbox="284 1556 511 1614">Vacant Land</td> <td data-bbox="511 1556 699 1614">142658</td> <td data-bbox="699 1556 959 1614">11217.1</td> </tr> <tr> <td data-bbox="199 1619 284 1677">B</td> <td data-bbox="284 1619 511 1677">Land &amp; Buildings</td> <td data-bbox="511 1619 699 1677">131271</td> <td data-bbox="699 1619 959 1677">51323.6</td> </tr> </tbody> </table>	Sr No	Type	Areas (in sq.mtr)	Net Block (Rs. in million)	A	Vacant Land	142658	11217.1	B	Land & Buildings	131271	51323.6	<p>This matter is being pursued actively with the Ministry of Urban Development through the Ministry of Civil Aviation and other authorities and the Company is hopeful of reinstatement of the title deeds in the future.</p> <p>Moreover, as a part of the Disinvestment process of AI, the physical possession of two of the major unregistered properties namely Vasant Vihar Housing Colony (Rs 51295.1 million) and Baba Kharag Singh Marg Land (Rs 4770.7 million), have been handed over to the Ministry of Urban Development (MoUD).</p> <p>The MoUD has been entrusted with the overall responsibility of development</p>
Sr No	Type	Areas (in sq.mtr)	Net Block (Rs. in million)											
A	Vacant Land	142658	11217.1											
B	Land & Buildings	131271	51323.6											



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>and sale of these two properties by the Govt. The sale proceeds from these two properties shall be utilized in liquidating Air India debts. These properties have been offered as security against working capital loans taken from various banks.</p> <p>Adequate disclosure for the same has been made vide Note No 29 (a).</p>
2.	<p><b>Inventories :</b></p> <p>The Company has a programme of physical verification of inventory to cover all the items over a biennial period which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Inventory. As explained to us, Physical Verification of Inventories for the biennial period 2014-16 has been completed, except in respect of items lying with third parties; and the impact of the discrepancies has been provided for during the year. We are informed that the physical verification for biennial period 2016-18 is still under progress [Refer Note No 32(b)].</p>	<p>The exercise of Physical Verification of Inventories for the biennial period 2014-16 has been completed by independent firms of Chartered Accountants. However, necessary accounting action of the discrepancies found on such physical verification will be carried out after obtaining confirmation from Materials Management Department (MMD).</p> <p>However a suitable provision has been made in the books of accounts to take care of shortages observed in the biennial period 2014-16.</p> <p>In addition, streamlining of the physical verification process would be further strengthened along-with the up-gradation of the 5.7 RAMCO System.</p>
3.	<p><b>Transactions with parties u/s 189 of the Companies Act, 2013</b></p> <p>According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, during the year, to any companies, firms, limited liability partnerships or other parties covered in register maintained under Section 189 of the Companies Act, 2013. In view of above, the clauses 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable.</p>	<p>This is a statement of fact.</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
4.	<p><b>Loans, Investments, Guaranties &amp; Securities etc. covered u/s 185 and 186 of the Act.</b></p> <p>As per information and explanations given to us, Company has not granted any loans or given any guarantee and security covered under section 185 of the Companies Act 2013.</p> <p>Further, Company, being a Government Company, is exempted from the provisions of section 186 as it is engaged in the business of providing infrastructure facilities as stated in Schedule-VI of the Companies Act'2013.</p>	This is a statement of fact.
5.	<p><b>Deposits</b></p> <p>On the basis of the examination of the books of accounts, the Company has not accepted Deposits under the provisions of Section 73 to 76 or any other provisions of Companies Act, 2013 and the Rules framed thereunder.</p>	This is a statement of fact.
6.	<p><b>Cost Records</b></p> <p>The maintenance of cost records has not been prescribed by the Central Government of India under sub-section (I) of Section 148 of the Companies Act, 2013, in respect of the Company which falls under the category of Service Industry.</p>	This is a statement of fact.
7.	<p><b>Statutory Dues</b></p> <p>According to the information and explanations given to us and on the basis of our examinations of the Books of Account, undisputed Statutory dues, including Provident Fund, Employees State Insurance Fund, Custom Duty, Excise Duty, Wealth Tax, Sales Tax, Value Added Tax, Cess and any other material Statutory Dues, as applicable, have generally been deposited with the appropriate authorities within the due dates except in the case of Income Tax Service Tax and contributions to Provident Fund.</p> <p>As per the information and explanations, undisputed statutory liabilities outstanding for more than 6 months as on March 31, 2017 are as under :</p>	This is a statement of fact.



Sr. No.	AUDIT OBSERVATIONS			MANAGEMENT COMMENTS		
	Sr No.	Particulars	Amount Outstanding (Rs. In Millions)			
	1.	Income Tax including TDS	50.5			
	2	Interest on PF	121.5			
a)	According to the information and explanations given to us and as per the books of accounts , there are no dues outstanding of Sales tax, Wealth Tax, Custom Duty, Excise Duty, Value Added Tax, Service Tax and Cess which have not been deposited as on 31 <sup>st</sup> March 2017 by the company, on account of any dispute, except for the following:			This is a statement of fact.		
No	Name of Statute	Amount Outstanding (Rs. In Million)	Nature of Dues	Year	Forum where dispute is pending	
1	Indian Customs Act 1962	222.61	Custom Duty	2001 to 2016	Commissioner of Central Excise	
2	Indian Customs Act 1962	95.18	Custom Duty	2000 to 2014	CESTAT	
3	Indian Customs Act 1962	101.66	Custom Duty	2003 to 2007	Commissioner of Custom (A)	
4	Indian Customs Act 1962	608.40	Custom Duty	2002 to 2010	Commissioner of Custom (A)	
5	Indian Customs Act 1962	16.29	Custom Duty	2014-2016	Commissioner of Custom	
6	Indian Customs Act 1962	14.43	Custom Duty	2005-2006	Supreme Court	
7	Indian Customs Act 1962	16.56	Custom Duty	1997 to 2004	Central Board of Excise and Custom	
8	Finance Act, 1994	203.56	Service Tax	2007 to 2011	Commissioner of Service Tax	
9	Finance Act, 1994	6071.73	Service Tax	2003 to 2014	CESTAT	
10	Finance Act, 1994	4.34	Service Tax	2007 to 2011	Commissioner of Appeals	
11	Finance Act, 1994	2.75	Service Tax	2013 to 2015	Service Tax Dept.	
12	Income Tax Act, 1961	423	Income Tax	2001 to 2007	Income Tax Tribunal	
13	Other Statute	141.94	Others	2000 to 2011	Concerned Department.	



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
8.	<b>Term Loans from Banks &amp; Financial Institutions:</b>	
	According to the information and explanations given to us, the Company has delayed in repayment of dues to Financial Institutions/ Banks/ Government and there is an overdue Interest on Loans of Rs.403.1 Million outstanding for payment as at the year end. The period and amount of default including lender wise details for the same has not been provided to us in view of the reasons stated in the Footnote of Note No.4, 5 and 7 of the Financial Statements.	Due to the liquidity position faced by the company, there have been certain delays in the payment of Interest. However, the same have been paid subsequently. Certain banks have levied penalties for such delayed payments which have been taken up with the respective banks for waiver.
9.	<b>Public Offer &amp; Loans:</b>	
	<p>The Company has not raised any money by way of initial public offer or further public offer (including debts instruments) and hence the application of such money for the specified purposes is not applicable.</p> <p>The Company has applied the Term Loans for the purpose for which the Loans were obtained.</p>	This is a statement of fact.
10.	<b>Fraud :</b>	
	We have not come across any instances of material fraud by the company or on the company by its officers or employees which has been, noticed or reported during the year, except for certain other irregularities, disclosed in Note 37 to the Financial Statements.;	These matters are already being investigated and depending on the findings necessary corrective action will be taken in order to avoid the recurrence of such incidents.
11.	<b>Managerial Remuneration :</b>	
	As informed, the provisions of Section 197 relating to managerial remuneration are not applicable to the Company, being a Government Company, in terms of MCA Notification no. G.S.R. 463 (E) dated 5th June 2015.	This is a statement of fact.
12.	<b>Nidhi Company</b>	
	The company is not a Nidhi Company and hence the clause is not applicable.	This is a statement of fact.
13.	<b>Related Parties Transactions:</b>	
	In our opinion and according to the information and explanations given to us, all transactions during the year with the related parties were approved by the Audit Committee and are in compliance with sections 177 of the	This is a statement of fact.



<b>Sr. No.</b>	<b>AUDIT OBSERVATIONS</b>	<b>MANAGEMENT COMMENTS</b>
	Companies Act, 2013 where applicable and the provisions of section 188 of the Companies Act, 2013 are not applicable. The details of Related Party Transactions have been disclosed in the Financial Statements, as required by the applicable Accounting Standards; Refer Note 42	
<b>14.</b>	<b>Preferential allotment or Private placement of shares</b>	
	The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review as such the clause is not applicable to the company.	This is a statement of fact.
<b>15.</b>	<b>Non Cash transactions with Directors:</b>	
	As per the records of the company and information and explanation provided to us, the company has not entered into any non-cash transactions with directors or persons connected with them and hence the clause is not applicable.	This is a statement of fact.
<b>16.</b>	<b>Registration u/s 45-IA of RBI Act.</b>	
	The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.	This is a statement of fact.



**“ANNEXURE- 2” TO THE INDEPENDENT AUDITORS’ REPORT OF EVEN DATE ON THE  
STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LIMITED**

Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<b>Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)</b>	
	We have audited the internal financial controls over financial reporting of Air India Limited (“the Company”) as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.	
	<b>Management's Responsibility for Internal Financial Controls ;</b>	
	The Company's management is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	This is a statement of fact.
	<b>Auditor's Responsibility;</b>	
	Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls, and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and	



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.</p> <p>Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.</p>	
	<p><b>Meaning of Internal Financial Controls over Financial Reporting :</b></p>	
	<p>A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that</p> <ol style="list-style-type: none"> <li>1) pertains to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;</li> <li>2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and</li> </ol>	<p>This is a statement of fact.</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.	
	<b>Inherent Limitations of Internal Financial Controls over Financial Reporting :</b>	
	Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.	
	<b>Qualified Opinion</b>	
	According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2017:	
	(i) The company did not have an interface between various functional software relating to Sales/ Revenue and Inventory Management with the accounting software resulting in accounting entries being made manually on periodical basis.	<p><b>Answer to (i) and (ii)</b></p> <p>In airline industry, sales are booked as a liability and get converted to revenue only on the completion of travel by the pax. Hence, sales processing and revenue processing are two independent activities.</p>
	(ii) The company did not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales / Revenue, Inventory and Payroll.	<p>Regarding sales, 85-90% of sales are generated through BSP (ARC in USA) and data in respect of these sales are received electronically, on a daily basis directly from IATA. Only the balance 15% (sales made at airport/booking office/GSA office and through Web) are received from SITA, in a similar manner. For all sales made at a particular station, there are BSP reports available for sales through agents, and SOR, that is, sales report from SITA for booking office sales. The station records the cash sales or</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>receivables based on these reports. The same data is processed by the third part vendor (Accelya) to create the liability. The receivables booked by the station and the liability created by Accelya should normally be the same. Rather than one party booking the receivables and creating the liability, this two way process is mainly for internal financial controls, through the intermediary accounts, to ensure that they match. There is a reconciliation statement which is generated for every office, on a monthly basis, which also gives the reasons for discrepancies.</p> <p>It is observed that the differences arise, mainly due to time overlap, incorrect reflection of currency, incorrect form of payment (mostly due to ticketing errors), which are subsequently investigated and rectified. The stations do check these reports, after which, either a receivable is created, if they have made any error, or Accelya is informed, if they need to make any correction. It may be pointed out that differences if any, do not affect the P and L account and remain in assets /liabilities.</p> <p>A substantial amount has been identified, reconciled from the balances outstanding in the intermediary accounts as on 31.03.2017. These reconciliations have been shown to auditors, and adjustment entries have already been passed in 2016-17. Revenue processing is a separate activity. This liability created through sales processing, then gets converted to revenue, based on the flown data received from SITA system, again on a daily basis, for all uplifts made at all airports.</p> <p>It is relevant to point out that any ticket which is uplifted, for which there is no sale that is processed, is immediately</p>



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>captured as unreported sales, and debits are raised on the agents instantly.</p> <p>Further, the Revenue Reports generated by the outside agency have been linked to SAP System during 2017-18.</p>
(iii)	The company did not have an appropriate internal control system for deduction, deposit and reconciliation of statutory dues.	The company has hired an external firm of Chartered Accountants to reconcile the statutory dues with the deductions/returns filed/statutory records maintained. The company would give effect to any adjustments as and when the reconciliations are completed. However the Company has taken all steps to ensure that TDS provisions has been properly captured and remitted. In respect of Service tax the existing system is being further examined to ensure that all CENVAT credits are taken on a timely basis.
(iv)	The company did not have effective internal audit system commensurate with the size, nature and complexities of the business.	External Internal Auditors were appointed during the year 2016-17 to strengthen and enhance the scope of Internal audit in several areas of the company's business. With the assistance of these auditors and strengthening of the in house internal audit team the company intends to strengthen the scope and coverage of internal audit commensurate with the size and nature of the company's business.
(v)	The company did not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables.	The company has confirmed the balances with the major vendors, banks and financial institutions to whom the company owes the money. This constitutes a majority of creditors of the company. Similarly, in respect of receivables/payables from the Agents/ GSA/Vendors the company will strengthen the system of obtaining balance confirmation on periodic basis.



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>Further, in respect of reconciliation of unmatched receivables and payables it is stated that the company has reconciled a substantial percentage of receivables and payables in SAP. However, in respect of the remaining accounts necessary action will be taken to reconcile the unmatched receivables and payables in SAP in FY 2017-18</p> <p>The Management is of the view that considering the multitude of vendors with which it has to deal with in the ordinary course of its business, it may not be possible to obtain a complete confirmation of balances from the all the vendors. Based on the confirmation received from the banks, financial institutions and other major vendors the Management is of the view that the balances reflected in the financial statement reflect a true and fair view of the amount owed/owing to/from various vendors/parties.</p>
	(vi) The Company did not have an effective Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.	The Company has an effective ERP-SAP System in place and IBM has been appointed to implement and hand hold AI upto 2023. Several Computer related applications are checked for accuracy and control by the Service Providers. The reliability of Reports are also checked.
	(vii) The company did not have an effective system for timely accounting of entries & approval hereof in IT System.	ERP-SAP has been introduced and implemented at all online stations and an effective system has been put in place for the timely accounting and approval of entries.
	A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.	



Sr. No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>In our opinion, except for the effects/possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.</p>	
	<p>We have, to the extent possible, considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 standalone financial statements of the Company, and these material weaknesses are not likely to affect our opinion on the standalone financial statements of the Company.</p>	



**ANNEXURE- 3 TO THE INDEPENDENT AUDITORS' REPORT**

Sr. No.	Directions under section 143(5) of Companies Act 2013	Auditor's Comment																				
1.	Whether the Company has clear title / lease deeds free hold and lease hold respectively? If not, please state the area of free hold and lease hold land for which title / lease deeds are not available?	The details provided by the Management are enclosed in <b>Annexure-I</b> of Independent Auditors' Report – CARO, Sr. No.1(c) and Note No.29(a) forming part of Financial Statements.																				
2.	Whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.	There are no write-offs of debts/loans/interest during the year.																				
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift/ grants from Govt. or other authorities.	<p>Records are maintained by the company in respect of inventories lying with third parties. However, since confirmation in respect of such inventories have not been provided to us we are unable to verify the completeness of the same.</p> <p>We are informed that there are no gifts and grants from govt. and other authorities received during the year and accordingly no such records are maintained.</p>																				
4.	To ascertain and quantify the impact of																					
	(a) Pending reconciliation of receivables and payables particularly with airport operators, subsidiaries, JVs and oil companies.	Refer Para 2 of Basis of qualification.																				
	(b) Claims lodged, settled, pending and rejected in the case of aviation and non aviation insurance.	<p>The Data as given below are based on the information provided by the company;</p> <p style="text-align: right;">(Rs in Million)</p> <table border="1" data-bbox="777 1417 1500 1927"> <thead> <tr> <th data-bbox="777 1417 1122 1528">Particulars</th> <th data-bbox="1122 1417 1292 1528">Non Aviation Claims</th> <th data-bbox="1292 1417 1500 1528">Aviation Claims</th> </tr> </thead> <tbody> <tr> <td data-bbox="777 1528 1122 1581">Claim Lodged</td> <td data-bbox="1122 1528 1292 1581">34.72</td> <td data-bbox="1292 1528 1500 1581">569.45</td> </tr> <tr> <td data-bbox="777 1581 1122 1692">Claim Rejected/ Withdrawn during the year 2016-17</td> <td data-bbox="1122 1581 1292 1692">-</td> <td data-bbox="1292 1581 1500 1692">-</td> </tr> <tr> <td data-bbox="777 1692 1122 1776">Claim Settled during the year 2016-17</td> <td data-bbox="1122 1692 1292 1776">7.50</td> <td data-bbox="1292 1692 1500 1776">453.65</td> </tr> <tr> <td data-bbox="777 1776 1122 1860">Policy amount deducted from Claim</td> <td data-bbox="1122 1776 1292 1860">-</td> <td data-bbox="1292 1776 1500 1860">91.54</td> </tr> <tr> <td data-bbox="777 1860 1122 1927">Claims Pending as on 31st March 2017</td> <td data-bbox="1122 1860 1292 1927"><b>27.22</b></td> <td data-bbox="1292 1860 1500 1927"><b>24.27</b></td> </tr> </tbody> </table>			Particulars	Non Aviation Claims	Aviation Claims	Claim Lodged	34.72	569.45	Claim Rejected/ Withdrawn during the year 2016-17	-	-	Claim Settled during the year 2016-17	7.50	453.65	Policy amount deducted from Claim	-	91.54	Claims Pending as on 31st March 2017	<b>27.22</b>	<b>24.27</b>
Particulars	Non Aviation Claims	Aviation Claims																				
Claim Lodged	34.72	569.45																				
Claim Rejected/ Withdrawn during the year 2016-17	-	-																				
Claim Settled during the year 2016-17	7.50	453.65																				
Policy amount deducted from Claim	-	91.54																				
Claims Pending as on 31st March 2017	<b>27.22</b>	<b>24.27</b>																				



Sr. No.	Directions under section 143(5) of Companies Act 2013	Auditor's Comment
		*The above data excludes, amount of those claims for which amounts is yet to be ascertained.
	(c) With reference to inter-company transactions adjustment in the CFS of AIL for 2015-16, the impact of the same in the standalone accounts of AIL for 2016-17 may be looked into.	The difference with the subsidiaries as on 31.03.2016 was Rs.1491.8 million against which Rs.222.1 million is pending adjustments as at 31.03.2017. We are informed that such differences will be identified and adjusted in the respective books in the due course.



**BALANCE SHEET AS AT 31ST MARCH 2017**

(Rupees in Million)

Particulars	Note No.	As at March 31, 2017		As at March 31, 2016	
<b>I EQUITY AND LIABILITIES :</b>					
<b>Shareholders' Funds</b>					
a) Share Capital	2	267,530.0		214,960.0	
b) Reserves and Surplus	3	(468,047.2)		(412,269.5)	
			(200,517.2)		(197,309.5)
<b>Share Application Money Pending Allotment</b>	2(C)		1,372.1		29,290.0
<b>Non-current Liabilities</b>					
a) Long Term Borrowings	4	335,498.4		358,063.8	
b) Other Long Term Liabilities	5(B)	586.4		666.7	
c) Long Term Provisions	6	11,671.8		11,393.6	
			347,756.6		370,124.1
<b>Current Liabilities</b>					
a) Short Term Borrowings	7	125,714.3		145,508.8	
b) Trade Payables	5 (A)	93,176.5		80,093.0	
c) Other Current Liabilities	5 (B)	89,573.3		76,727.1	
d) Short Term Provisions	6	2,076.5		2,081.2	
			310,540.6		304,410.1
<b>TOTAL</b>			<b>459,152.1</b>		<b>506,514.7</b>
<b>II ASSETS :</b>					
<b>Non-current Assets</b>					
a) Fixed Assets	8				
(i) Tangible Assets (Property, Plant & Equipment)		294,963.5		283,298.8	
(ii) Intangible Assets		628.4		1,223.4	
(iii) Capital Work-in-Progress		2,320.9		6,734.0	
(iv) Intangible Assets under development		13.5		13.5	
		297,926.3		291,269.7	
b) Non-Current Investments	9	16,717.7		16,717.8	
c) Deferred Tax Assets (net)	47	28,425.2		28,425.2	
d) Long Term Loans and Advances	10	52,019.3		43,602.9	
e) Long Term Trade Receivables	11	61.6		47.4	
f) Other Non-Current Assets	12	99.5		36.8	
			395,249.6		380,099.8
<b>Current Assets</b>					
a) Inventories	13	12,767.0		15,011.1	
b) Trade Receivables	11	18,572.3		19,030.1	
c) Cash and Bank Balances	14	7,351.4		8,054.9	
d) Short Term Loans and Advances	10	10,826.0		6,718.8	
e) Other Current Assets	12	14,385.8		77,600.0	
			63,902.5		126,414.9
<b>TOTAL</b>			<b>459,152.1</b>		<b>506,514.7</b>

**Significant Accounting Policies and** 1

**Notes forming part of the Financial Statement** 2-54

The accompanying notes are an integral part of the Financial Statements  
This is the Balance Sheet referred to in our report of even date.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co.**  
Chartered Accountants  
FRN : 000038N

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
FRN : 109262W

For and on Behalf of  
**Varma and Varma**  
Chartered Accountants  
FRN : 004532S

For and on behalf of the Board  
Sd/-  
**(Pardeep Singh Kharola)**  
Chairman & Managing Director

Sd/-  
**(V. Rajaraman)**  
Partner  
M.No. 02705

Sd/-  
**(Sitaram Pareek)**  
Partner  
M.No. 016617

Sd/-  
**(P. R. Prasanna Varma)**  
Partner  
M.No. 025854

Sd/-  
**(V.S. Hejmadi)**  
Director-Finance

Sd/-  
**(Kalpana Rao)**  
Company Secretary

Place : New Delhi  
Date : 29 December 2017



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2017**

(Rupees in Million)

Particulars	Note No.	2016-17		2015-16	
<b>I Revenue</b>					
1. Revenue from Operation	15				
i) Scheduled Traffic Services		171,969.3		169,184.1	
ii) Non-Scheduled Traffic Services		12,343.5		11,340.5	
iii) Other Operating Revenue		34,283.3		21,583.6	
<b>Revenue from Operation</b>			218,596.1		202,108.2
II 2. Other Income	16		3,180.7		3,995.1
<b>III Total Revenue (I+II)</b>			<b>221,776.8</b>		<b>206,103.3</b>
<b>IV Expenses</b>					
1. Aircraft Fuel & Oil			63,375.8		58,454.0
2. Other Operating Expenses	17		98,059.1		84,442.0
3. Employee Benefit Expenses	18		25,578.3		23,455.2
4. Finance Costs	19		42,358.7		44,740.0
5. Depreciation and Amortization	20		16,095.1		18,677.8
6. Other Expenses	21		16,405.5		14,453.2
7. Prior Period Adjustments (Net)	22		(3,897.9)		(608.9)
<b>Total Expenses</b>			<b>257,974.6</b>		<b>243,613.3</b>
<b>V (Loss) before Exceptional and Extraordinary Items and Tax</b>			<b>(36,197.8)</b>		<b>(37,510.0)</b>
VI Exceptional Items (Net)	23		(12,981.6)		-
<b>VII (Loss) before Extraordinary Items and Tax (V+VI)</b>			<b>(49,179.4)</b>		<b>(37,510.0)</b>
VIII Extra Ordinary Items (Net)	24		(8,472.3)		(857.8)
<b>IX (Loss) before Tax (VII+VIII)</b>			<b>(57,651.7)</b>		<b>(38,367.8)</b>
X Tax Expenses :			-		-
<b>XI (Loss) after Tax for the year (IX-X)</b>			<b>(57,651.7)</b>		<b>(38,367.8)</b>
<b>XII Earning per Share of Rs. 10 each</b>	48				
<b>Basic and Diluted before extra-ordinary items</b>			<b>(Rs.2.27)</b>		<b>(Rs.2.18)</b>
<b>Basic and Diluted after extra-ordinary items</b>			<b>(Rs.2.66)</b>		<b>(Rs.2.23)</b>
<b>Significant Accounting Policies</b>	1				
<b>Notes forming part of the Financial Statement</b>	2-54				

The accompanying notes are an integral part of the Financial Statements.

This is the statement of Profit and Loss referred to in our report of even date.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co.**  
Chartered Accountants  
FRN : 000038N

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
FRN : 109262W

For and on Behalf of  
**Varma and Varma**  
Chartered Accountants  
FRN : 004532S

For and on behalf of the Board  
Sd/-  
**(Pardeep Singh Kharola)**  
Chairman & Managing Director

Sd/-  
**(V. Rajaraman)**  
Partner  
M.No. 02705

Sd/-  
**(Sitaram Pareek)**  
Partner  
M.No. 016617

Sd/-  
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Partner  
M.No. 025854

Sd/-  
**(V.S. Hejmadi)**  
Director-Finance

Sd/-  
**(Kalpana Rao)**  
Company Secretary

Place : New Delhi  
Date : 29 December 2017



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017**

(Rupees in Million)

Particulars	2016-17		2015-16	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
(Loss) before Exceptional and Extraordinary Items and Tax		(36,197.8)		(37,510.0)
<u>Adjustment for :</u>				
Exceptional & Extraordinary Items (Net)	(21,454.0)		(857.8)	
Unrealised Foreign Exchange (Gain)/Loss	(2,334.2)		366.7	
Depreciation and amortisation (incl reserve & surplus and prior period items)	16,065.9		18,699.1	
Provision for Obsolescence / Inventory Reconciliation *	1,491.3		(842.1)	
Provision for Bad & Doubtful Receivables and Advances *	2,224.5		843.9	
Provision for Employee Benefits *	330.5		(524.0)	
Provision for Wealth Tax	-		(0.5)	
Provision for Frequent Flyer Programme	(57.0)		(22.3)	
(Profit)/Loss on sale of fixed assets	391.4		(705.1)	
Dividend income	(75.2)		(97.6)	
Interest income (on Bank Deposits, advances to subsidiary companies & others)	(2,687.1)		(2,567.6)	
Interest and Finance Charges	42,358.7		44,740.0	
		36,254.8		59,032.8
<b>Operating (Loss) / Profit Before Working Capital Changes</b>		57.0		21,522.8
<u>Adjustments for :</u>				
(Increase) / Decrease in Inventories	752.7		(1,913.7)	
(Increase) / Decrease in Trade and Other Receivables	(14,181.6)		(8,714.9)	
Increase / (Decrease) in Trade and Other Payables	28,262.4		15,993.5	
		14,833.5		5,364.9
<b>Cash Generated from Operations</b>		14,890.5		26,887.7
Direct Taxes paid		(208.9)		(572.7)
<b>Net Cash Flow (used in)/ from Operating Activities</b>		14,681.6		26,315.0
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Acquisition of fixed assets	(23,851.3)		(33,034.8)	
Proceeds from sale of fixed assets	63,116.6		7,874.3	
(Increase) / Decrease in Investments (net)	0.1		(4,825.0)	
(Increase) / Decrease in Bank Deposits (Maturity of more than 3 months)	(1,002.2)		(572.7)	
Interest received (on Bank Deposits, advances to subsidiary companies & others)	2,652.6		2,948.1	
Dividend Received	75.2		97.6	
<b>Net Cash Flow used in Investing Activities</b>		40,991.0		(27,512.5)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Issue of Shares / Share application money received	24,652.1		33,000.0	
Proceeds from Long Term Borrowings	(1,479.6)		31,052.2	
Repayment of Long Term Borrowings	(21,225.2)		(18,494.6)	
Proceeds from Short Term Borrowings	50,059.7		18,135.7	
Repayment of Short Term Borrowings	(67,647.2)		(18,161.6)	
Addition to Capital Reserve	825.2		494.1	
Interest Paid	(42,541.4)		(44,596.9)	
<b>Net Cash Flow from/(used in) Financing Activities</b>		(57,356.4)		1,428.9
<b>Net increase/ (Decrease) in Cash and Cash equivalents</b>		(1,683.8)		231.4
<b>Unrealised Foreign Exchange Gain/(Loss) in Cash &amp; Bank Balances</b>		(21.9)		1,019.7
<b>Cash and Cash equivalents (Opening balance)</b>		5,365.1		4,114.0
<b>Cash and Cash equivalents (Closing balance)</b>		3,659.4		5,365.1

Notes :

\*These figures have been taken from Balance Sheet movements.

1 The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 (AS-3) on "Cash Flow Statements", and present cash flows by operating, investing and financing activities.

2 For details of components of Cash and Cash equivalents, see Note No. 14.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co.**  
Chartered Accountants  
FRN : 000038N

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
FRN : 109262W

For and on Behalf of  
**Varma and Varma**  
Chartered Accountants  
FRN : 004532S

For and on behalf of the Board  
Sd/-  
**(Pardeep Singh Kharola)**  
Chairman & Managing Director

Sd/-  
**(V. Rajaraman)**  
Partner  
M.No. 02705

Sd/-  
**(Sitaram Pareek)**  
Partner  
M.No. 016617

Sd/-  
**(P. R. Prasanna Varma)**  
Partner  
M.No. 025854

Sd/-  
**(V.S. Hejmadi)**  
Director-Finance

Place : New Delhi  
Date : 29 December 2017

Sd/-  
**(Kalpana Rao)**  
Company Secretary

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017****NOTE “1”****A. CORPORATE INFORMATION**

Air India Ltd represents the merged company which came into existence consequent upon the amalgamation of erstwhile Indian Airlines Ltd and erstwhile Air India Ltd as on 1<sup>st</sup> April 2007. The amalgamated company was known as National Aviation Company of India Limited (NACIL). The name of the company was changed to “Air India Ltd.”w.e.f 24/11/2010. The company provides domestic and international air transport services. The aircraft fleet of the company consists of a wide range of aircraft mainly comprising of Airbus and Boeing aircraft such as A-319, A-320, A-321, B-747, B-777 and B-787.

**Disinvestment of Air India Ltd.**

In view of the NITI Aayog recommendations on the disinvestment of AI and followed by the recommendations of the Core Group of Secretaries on disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) gave an 'In-Principle' approval for considering the strategic disinvestment of AI and five of its Subsidiaries in its meeting held on 28<sup>th</sup> June 2017 i.e. after 31.3.2017.. CCEA also constituted an Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment from time to time and decide on the following:

- a) Treatment of unsustainable debt of Air India.
- b) Hiving off of certain assets to a Shell Company.
- c) Demerger and strategic disinvestment of three profit making Subsidiaries.
- d) Quantum of Disinvestment.
- e) Choosing of Bidders.

**B. SIGNIFICANT ACCOUNTING POLICIES****i) Basis of Preparation**

These Financial Statements have been prepared on going concern concept on accrual basis, under historical cost convention, and are in compliance with generally accepted accounting principles and the Accounting Standards notified under the Section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules 2014.

**ii) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which results are known / materializes.



### iii) Operating Cycle

The Company being in service sector, there is no specific operating cycle; However, 12 months period ending on 31<sup>st</sup> March of each year has been adopted as “the Operating Cycle” in-terms of the provisions of Schedule III to the Companies Act 2013.

## C. SIGNIFICANT ACCOUNTING POLICIES

### 1. FIXED ASSETS

#### a) Tangible Assets (Property Plant & Equipment)

- i) a) Fixed Assets (including major components) are stated at cost including incidental costs incurred pertaining to the acquisition and bringing them to the location for their use and interest on loans borrowed, where applicable, upto the date of putting the concerned asset to use.
- b) Aircraft Rotables/Repairables, are shown as fixed assets.
- ii) Expenditure on major modernization /modification /conversion of aircraft, engines resulting in increased efficiency/economic life, is capitalized.
- iii) Assets under leases, in respect of which substantially all the risks and rewards of ownership are transferred to the Company, are considered as Finance Leases and the appropriate amounts are capitalized.

#### iv) Physical Verification of Assets

Physical Verification of Assets is done on a rotational basis so that every asset is verified in every two years, the discrepancies observed in the course of the verification are adjusted in the year in which the report is submitted.

#### v) “Assets held for Sale”

In respect of assets held with an intention to sale, the net book value of the assets, including SLB transactions, is transferred from the block of fixed assets to “Assets held for Sale” when the sale becomes highly probable and are classified as Current Assets at lower of cost and net realizable value. No depreciation is provided if the price at which the Asset is likely to be sold exceeds its cost.

#### b) Intangible Assets

Intangible Assets are stated at cost including incidental costs.

### 2. DEPRECIATION / AMORTIZATION

- a) Depreciation is provided on all assets on straight-line method over the useful life of assets which for the purpose has been taken as prescribed in the Schedule II of the Companies Act 2013 (except as otherwise stated), from the date the prescribed asset is put to use, keeping a residual value of 5% of the original cost, which is reviewed by the management at each year end.



- b) The Fleet of aircrafts (procured from 2006-07 onwards) are depreciated upto 95% of the block value over 25 years (instead of the life of 20 years prescribed in Schedule II).
- c) The life of the following assets, for which no life has been prescribed by Schedule II have been determined by technically qualified persons and approved by the Board of Directors, keeping a residual value of 5% of the original cost.
  - i) Rotables:
    - Aircraft rotables relating to Airbus family are depreciated over the residual average useful life of the aircraft fleet relating to respective family and of the respective engineering base, from the relevant year of purchase.
    - Aircraft rotables relating to Boeing are depreciated over the residual average useful life of the related aircraft fleet from the relevant year of purchase.
  - ii) Depreciation on additions to “Other Fixed Assets” is provided for the full year in the year of acquisition and no depreciation is provided in the year of disposal.
  - iii) Aircraft Repairables are amortized over a period of 10 years (in case of post migration i.e. Boeing Repairables acquired after 28<sup>th</sup> May 2012 and Airbus Repairables acquired after 25<sup>th</sup> Nov 2012) and 5 years (in case of pre-migration) from the date of its purchase unless scrapped earlier.
- d) Major modifications/refurbishment, modernization/conversion carried to leased assets are shown under improvement to leasehold assets and amortized over the balance period of the lease.
- e) Leasehold Land, other than perpetual lease, is amortized over the period of lease.
- f) Intangible assets which have a useful economic life are amortized over the estimated useful life; Software of 'Passenger Services System' over 10 years and in other cases of Software over 5 years.
- g) No depreciation needs to be provided on “Assets held for Sale” as required by Accounting Standard No 10.

### 3. INVESTMENTS

- a) Long-term investments are stated at cost less permanent diminution in value, if any. Diminution, in value is considered to be permanent only when the possibility of restoring the value of the Investment to its original face value becomes a distant possibility.
- b) Investments in Subsidiaries are considered as long term and are valued at cost.
- c) Current investments are valued at lower of cost and fair value.

### 4. INVENTORIES

- i) Inventories are valued at weighted average cost and market value is not considered as the Company is not carrying any inventory meant for sale. However, Aircraft Turbine Fuel (ATF) in aircraft as at the year-end are valued at closing prevailing rate.



- ii) Expendables/consumables are charged off at the time of initial issue except those meant for repairs of repairable items which are expensed when the work order is closed on the completion of the repair work.
- iii) Obsolescence provision for aircraft stores and spare parts:
  - a) Provision is made for the non-moving inventory exceeding a period of five years (net of realizable value of 5%) except for (b) & (c) below and netted off from the value of inventory.
  - b) Inventory of Aircraft Fleet which has been phased out, is shown at estimated realizable value unless the same can be used in other Aircrafts.
  - c) Obsolescence provision in respect of inventories exclusively relating to aircraft on dry/wet lease, is made on the basis of the completed lease period compared to the total lease period as at the year-end.
- iv) Full Obsolescence Provision for non-aircraft stores and spares is made for non-moving inventory exceeding a period of five years.
- v) Spares retrieved from the cannibalization of the scrapped aircraft are taken into stock at zero value.

## 5. MANUFACTURERS' CREDIT

Manufacturers' credit entitlements are accounted for on accrual basis and credited to 'Incidental Revenue' by contra debit to 'Advances'; when the credit entitlement are used, the 'advances' are adjusted against the liability created for either acquiring an asset or incurring an expenditure.

## 6. REVENUE RECOGNITION

- a) Passenger, Cargo and Mail Revenue are recognized when transportation service is provided. At the end of each financial year, based on available historical statistical data, a certain estimated percentage of the value of tickets/airway bills remaining unutilized by the persons concerned, is recognized as Revenue.
- b) Loss or gain on reissue/refund/ involuntary transfer of passengers to other carriers is also deducted or included, as the case may be, in the revenue.
- c) Blocked Space arrangements/Code share revenue/expenditure is recognized on an actual basis, based on uplift data received from the code share partners. Wherever details from code share partners are not available, revenue/expenditure is booked to the extent of documents/information received, and adjustments required, are carried out at the time of availability of such information for adjustment.
- d) Income from Interest is recognized on a time proportion basis.
- e) Dividend is recognized as income if the right to receive is established before the close of the year.
- f) The claims receivable from Insurance Company are accounted for, on the basis of acceptance by the Insurance Company.



- g) Warranty claims /credit notes received from vendors are recognized on acceptance of claim/receipt of credit note.
- h) Other Operating Revenue is recognized when goods are delivered or services are rendered during the year.
- i) Haj Operations amount receivable from the Government of India and Central Haj Committee towards expenses incurred by the Company for carrying Haj Ballottee pilgrims is accounted for as Charter Revenue.
- j) Gain or loss arising out of sale/scrap of Fixed Assets (including aircraft) over the net depreciated value is taken to Statement of Profit & Loss as Non-Operating Revenue or Expenses.
- k) Other Items:
  - i) Scrap sales, reimbursement from employees availing medical, educational and other leave without pay, claims of interest from suppliers, other staff claims and lost baggage claims are recognized on cash basis.
  - ii) Liability for amounts payable towards IATA dues, liabilities for expenses and Manufacturers' Credits are recognized to the extent of claims/ invoices received.

## **7. PROVISION FOR DOUBTFUL DEBTS/ADVANCES**

Debts/Advances are provided for, if they are either more than three years old or specifically identified, as doubtful, even within three years. However, in respect of debts pertaining to Govt, whether State or Central Departments or Public Sector undertakings which are known to be recoverable with certainty, are not provided for, in spite of their age exceeding three years.

## **8. FOREIGN CURRENCY TRANSACTIONS**

- i) Foreign Currency transactions are of Integral Foreign Operations and hence are recorded at established monthly rates (based on published IATA rates).
- ii) Interline settlement with Airlines for transportation is carried out at the exchange rate published by IATA for respective month.
- iii) Foreign Currency Monetary Items:

The Company has opted for accounting the exchange differences arising on reporting of long-term foreign currency monetary items in line with Accounting Standards notified under the Section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules 2014 pertaining to AS-11 notified by the Govt. of India on 31<sup>st</sup> March 2009 (as amended on 29<sup>th</sup> December 2011) and further as amended from time to time.

- a) Accordingly, the effect of exchange differences arising on settlement or reporting of long term monetary items at the rates different from those at which they were initially recorded during the period, or reported in previous financial statements, is accounted as addition or deduction to the cost of the assets so far as it relates to acquisition of depreciable capital assets and is depreciated over the balance useful life of the concerned asset and in other cases such difference is accumulated by transfer to "Foreign Currency Monetary Items



Translation Difference Account” to be amortized over the balance period of such long term Assets or Liability.

- b) Foreign currency monetary items other than those identified as long term at the year-end are converted at the year-end exchange rate circulated by Foreign Exchange Dealers Association of India (FEDAI), and the gains/losses arising out of fluctuations in exchange rates are recognized in the Statement of Profit and Loss.
- iv) Exchange variation is not considered at the year-end in respect of Debts and Loans & Advances for which doubtful provision exists since they are not expected to be realized.

## 9. RETIREMENT BENEFITS

The Retirement Benefits to the employees comprise of Defined Contribution Plans and Defined Benefit Plans.

- a) Defined Contribution Plans consist of contributions to Employees Provident Fund and Employees State Insurance Scheme. The Company has created separate Trusts to administer Provident Fund contributions to which contributions are made regularly. ESI dues are regularly deposited with government authorities.
- b) The Company's Defined Benefit Plans, which are not funded, consist of Gratuity, Leave Encashment including Sick Leave and Post Retirement Medical Benefits and other benefits. The liability for these benefits except for (c) below is actuarially determined under the Projected Unit Credit Method at the year end as per Indian Laws.
- c) Liability for Gratuity, Leave Encashment, Pension and other retirement Benefits for staff directly recruited at foreign stations is provided in compliance with local laws prevailing in the respective countries based on available information as at the year end.

## 10. BORROWING COST

- a) Borrowing cost that are directly attributable to acquisition, construction of qualifying assets including capital work-in-progress are capitalized upto the date of commencement of commercial use of the assets.
- b) Interest incurred on borrowed funds that are used for acquisition of qualifying assets exceeding the value of Rs.10.0 million is capitalized at the weighted average borrowing rate on loans outstanding at the time of acquisition.

## 11. IMPAIRMENT OF ASSETS

The Company assesses at each Balance Sheet date, whether there is any indication that an asset has been impaired. If any such indication exists, the provision for impairment is made in accordance with AS-28.

## 12. OPERATING LEASE

- a) Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased assets are classified as Operating Lease and Lease rental payable for the year is charged to Statement of Profit and Loss. In respect of leases which have been extended by paying a termination/release sum, by which the company acquires a residual right in the aircraft, such amount is amortized over the remaining useful life of the aircraft determined by flying hours.



- b) Contributions made to lessors on account of Maintenance Reserve for which, maintenance is expected to arise during the lease period is treated as Expense.

### **13. COMMODITY HEDGING TRANSACTIONS**

Premium relating to commodity hedging contracts are accounted for on the date of entering into contract. However, gains / losses in respect of settled contracts are recognized in the Statement of Profit and Loss in the year of realization.

### **14. TAXES ON INCOME**

Provision for current tax is made in accordance with the provisions of Income Tax Act, 1961.

Deferred tax is recognised on timing differences between book and taxable profit using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The Deferred tax assets are recognised and carried forward to the extent that there is a virtual certainty based on operational and financial restructuring, revenue generation and cost reduction programme of the company that the assets will be realised in the near future.

### **15. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS**

- a) Provisions, involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.
- b) Contingent liabilities exceeding Rs.0.1 million in each case are disclosed in respect of possible obligations that may arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.
- c) Contingent Assets are neither recognized nor disclosed in the financial statements.

### **16. FREQUENT FLYER PROGRAMME**

The Company operates Frequent Flyer programme that provides travel awards to its members based on accumulated mileage points. The estimated pax amenities and legal liability, if any, for free travel under this programme are provided for as expense on the basis of data for unexpired miles available for redemption and charged to Statement of Profit and Loss.

### **17. OTHER LIABILITIES**

Liabilities, which are more than three years old, are written back under the head "Provision no Longer Required Written Back" unless such liabilities are specifically known to be payable in the future.

### **18. PREPAID EXPENSES/LIABILITY FOR EXPENSES**

Pre-paid expenses / Liabilities for expenses are recognized as under:-

- a) Foreign Stations – Rs. 50,000/- and above in each case.
- b) Domestic Stations – Rs 10,000/- and above in each case.



**NOTE "2" : SHARE CAPITAL**

(Rupees in Million)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>A. AUTHORISED</b>		
30,000.0 Million Equity Shares of Rs.10 each (Previous Year : 25,000.0 Million Equity Shares of Rs.10 each)	<b>300,000.0</b>	250,000.0
	<b>300,000.0</b>	250,000.0
<b>B. ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES</b>		
26,753.0 Million Equity Shares of Rs. 10 each (Previous Year : 21,496.0 Million Equity Shares of Rs.10 each)	<b>267,530.0</b>	214,960.0
<b>TOTAL</b>	<b>267,530.0</b>	214,960.0

**B.i) Reconciliation of number of shares :**

Particulars	(Number of Shares in Million)		(Share Value Rupees in Million)	
	2016-17	2015-16	2016-17	2015-16
Equity Shares at the beginning of the year	<b>21,496</b>	17,178	<b>214,960.0</b>	171,780.0
Add : Equity Shares Allotted during the year	<b>5,257</b>	4,318	<b>52,570.0</b>	43,180.0
Equity Shares at the end of the year	<b>26,753</b>	21,496	<b>267,530.0</b>	214,960.0

**ii) Term/rights attached to equity shares**

The company has single class of shares i.e. Equity Shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after all the creditors have been paid. The distribution will be in proportion to the number of equity shares held by the shareholders.

**iii) Share Holding Pattern :**

The Company is a Government Company with 100% share held by the President of India and his nominees, through administrative control of Ministry of Civil Aviation.

**C. Share Application Money :** Share application money amounting to Rs.1,372.1 Million (Previous Year: Rs.29,290.0 Million) represents money paid by the Government of India towards capital infusion during 2016-17 but allotment of shares not yet made.



**NOTE "3" : RESERVES AND SURPLUS**

(Rupees in Million)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>1. CAPITAL RESERVE</b>		
Balance as per Last Balance Sheet	6,678.3	6,485.3
Add : Additions during the year *	825.3	494.2
	<b>7,503.6</b>	6,979.5
Less : Transfer to the Statement of Profit and Loss to offset Depreciation (Refer Note 20)	308.8	301.2
<b>Closing Balance</b>	<b>7,194.8</b>	6,678.3
<b>2. GENERAL RESERVE</b>		
Balance as per Last Balance Sheet	(1,436.7)	(1,436.7)
<b>Closing Balance</b>	<b>(1,436.7)</b>	(1,436.7)
<b>3. OTHER RESERVES</b>		
<b>a) Foreign Currency Monetary Item Translation Difference Account (FCMITDA)</b>		
Balance as per last Balance Sheet	(3,706.6)	(3,465.0)
Add : Exchange gain/(loss) during the year	652.1	(527.4)
	<b>(3,054.5)</b>	(3,992.4)
Less : Amortization during the year	705.4	285.8
<b>Closing Balance</b>	<b>(2,349.1)</b>	(3,706.6)
<b>4. Surplus / (Deficit)</b>		
Balance as per last financial statements	(413,804.5)	(375,440.4)
Adjustment in Depreciation as per Schedule II	-	3.7
(Loss) for the year	(57,651.7)	(38,367.8)
<b>Net deficit</b>	<b>(471,456.2)</b>	(413,804.5)
<b>TOTAL (1+2+3+4)</b>	<b>(468,047.2)</b>	(412,269.5)

\* Represents MRO Allowance received from GE towards construction of Test Cell Facility at Nagpur.



**NOTE "4" : LONG TERM BORROWINGS**

(Rupees in Million)

Particulars	Non-Current		Current*	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>I Debentures</b>	<b>136,000.0</b>	136,000.0	-	-
<b>II Term Loans</b>				
a) from Banks (Secured)	<b>116,289.5</b>	121,249.6	<b>5,065.0</b>	2506.8
b) from Banks (Unsecured)	<b>25,067.4</b>	24,130.7	<b>1,652.1</b>	5,693.0
c) from Other Parties (Unsecured)	<b>218.7</b>	233.8	<b>10.2</b>	10.5
<b>III Long Term Maturities of Finance Lease Obligations</b>	<b>57,922.8</b>	76,449.7	<b>16,533.7</b>	16,387.4
<b>TOTAL</b>	<b>335,498.4</b>	358,063.8	<b>23,261.0</b>	24,597.7

**4.1 Debentures**

- a) 136,000 Redeemable, Unsecured Non-convertible Debentures of face value of Rs.1 Million each (Previous Year : 136,000 Debentures), are guaranteed by Government of India. Maturity Profile and Rate of interest are as set out below :

(Rupees in Million)

Month of Redemption	Amount to be Redeemed	Rate of Interest
Dec-2031	4,714.0	9.08%
Nov-2031	10,086.0	9.08%
Sep-2031	15,000.0	10.05%
Dec-2030	4,714.0	9.08%
Nov-2030	10,086.0	9.08%
Dec-2029	4,714.0	9.08%
Nov-2029	10,086.0	9.08%
Dec-2028	4,714.0	9.08%
Nov-2028	10,086.0	9.08%
Dec-2027	4,714.0	9.08%
Nov-2027	10,086.0	9.08%
Sep-2026	40,000.0	9.84%
Mar-2020	7,000.0	9.13%
<b>Total</b>	<b>136,000.0</b>	

- b) Debenture Redemption Reserve as required under Section 71(4) of the Companies Act, 2013 has not been created in the absence of earned profits by the Company.



4.2(a) Details of Secured Term Loans from Banks are as under :

(Rupees in Million)			
Sr No.	Restructuring Lender	As at 31.03.2017	As at 31.03.2016
1	Allahabad Bank	2,793.9	2,841.7
2	Andhra Bank	3,361.7	3,434.8
3	Bank of Baroda	12,551.8	12,768.1
4	Bank of India	16,337.9	16,795.8
5	Canara Bank	8,071.8	8,340.3
6	Central Bank of India	8,939.6	9,082.8
7	Corporation Bank	7,258.2	7,384.2
8	Dena Bank	1,315.2	1,313.7
9	The Federal Bank Limited	1,974.7	2,040.2
10	IDBI Bank Limited	4,183.8	4,256.3
11	Indian Bank	4,177.0	4,247.5
12	Indian Overseas Bank	6,824.1	6,974.2
13	Oriental Bank of Commerce	8,528.8	8,680.3
14	Punjab National Bank	11,772.4	11,971.9
15	Punjab & Sind Bank	2,653.1	2,696.3
16	State Bank of India	6,360.7	6,461.8
17	Syndicate Bank	6,145.6	6,231.6
18	UCO Bank	5,587.3	5,675.1
19	United Bank of India	2,516.9	2,559.8
<b>TOTAL</b>		<b>121,354.5</b>	<b>123,756.4</b>

For all Secured Term Loans from Banks, interest rate is linked to respective Bank's Prime Lending Rate / Base Rate / Libor plus Margin. These loans are repayable in Quarterly Instalments starting from 31st December 2013 and ending in 30th September 2026. Disclosure as regards amount of repayment installment and rate of interest are not made due to complexity of repayment schedules and confidentiality clause with the banks as regards interest rate.

All Term Loans from above Banks are secured by Hypothecation of 29 aircraft and 12 immovable properties at market value and all Current Assets (Previous Year 29 aircrafts, 12 immovable properties and all Current Assets). However equitable mortgage for 7 immovable properties with banks are yet to be created.

4.2(b) Total Unsecured Term Loan from Banks of Rs.26,719.5 Million (Previous Year Rs.29,823.7 Million) has been guaranteed by the Government of India.

(Rupees in Million)				
Equal Number of Loan Instalments	Amount of Loan as at 'March 31, 2017	Rate of Interest	Starting Month of Repayment	Month of Maturity
Bullet	4,478.3	Libor + 1.45 /2.5	Sep-2016	Sep-2021
17	897.0	Libor + 2.13455	Apr-2015	Apr-2021
17	987.2	Libor + 2.15	Mar-2015	Mar-2021
16	1,103.7	Libor + 1.55	Mar-2016	Mar-2021
16	1,221.0	Libor + 1.55	Mar-2016	Mar-2021
07	17,859.7	Libor + 1.80	Jun-2016	Mar-2020
01	172.6	Libor + 4.01%	Jan-2016	Jul-2017
<b>TOTAL</b>	<b>26,719.5</b>			



4.2(c) Unsecured Term Loan from Others of Rs.228.9 Million (Previous Year Rs. 244.3 Million) are guaranteed by the Government of India.

(Rupees in Million)

Equal Number of Loan Instalments	Amount of Loan as at 'March 31, 2017	Rate of Interest	Starting Month of Repayment	Month of Maturity
46	157.9	Interest Free	Oct-1990	Oct-2039
40	71.0	Interest Free	Oct-1987	Mar-2037
<b>TOTAL</b>	<b>228.9</b>			

4.3 Long Term Maturities of Finance Lease Obligations of Rs.74,456.5 Million (Previous Year Rs.92,837.1 Million) are guaranteed by the Government of India to the extent of Rs.60,565.1 Million (Previous Year Rs.74,901.3 Million)

(Rupees in Million)

Number of Equated Loan Instalments	Amount of Loan as at March 31, 2017	Rate of Interest	Starting Month of Repayment	Month of Maturity
42	12,349.0	Libor + 0.24	Aug-2011	Jul-2022
66	23,313.0	Libor + 0.93	Mar-2010	Sep-2021
16	16,200.3	Libor + 0.75	Feb-2008	Feb-2021
25	4,556.0	Libor - 0.05+0.55	Jan-2009	May-2020
33	6,951.1	2.46% to 2.89% Fixed	Oct-2007	Dec-2019
11	11,087.1	Libor + 0.75	Mar-2007	Dec-2019
<b>TOTAL</b>	<b>74,456.5</b>			

\* Current maturities of long term borrowings have been grouped under the head Other Current Liabilities (Refer Note No.5)



**NOTE "5" : LIABILITIES**

(Rupees in Million)

Particulars	Other Long-term Liabilities		Other Current Liabilities	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Trade Payable *</b>	-	-	<b>93,176.5</b>	80,093.0
<b>(A)</b>	<b>-</b>	<b>-</b>	<b>93,176.5</b>	80,093.0
<b>Other Liabilities</b>				
a) Current maturities of long-term debts**	-	-	<b>6,727.3</b>	8,210.3
b) Current maturities of finance lease obligations**	-	-	<b>16,533.7</b>	16,387.4
c) Interest accrued but not due on borrowings	-	-	<b>6,544.1</b>	6,779.9
d) Interest accrued and due on borrowings***	-	-	<b>403.1</b>	349.9
e) Forward Sales (Net) [Passenger / Cargo]	-	-	<b>20,941.6</b>	22,281.5
f) Advance from customers (Net)	-	-	<b>473.2</b>	484.8
g) Others Liabilities (Net)	<b>586.4</b>	666.7	<b>37,950.3</b>	22,233.3
<b>(B)</b>	<b>586.4</b>	666.7	<b>89,573.3</b>	76,727.1
<b>TOTAL (A + B)</b>	<b>586.4</b>	666.7	<b>182,749.8</b>	156,820.1

\* **Trade Payable includes :**

Net payable to subsidiary company Air India Air Transport Services Ltd. Rs.1,158.0 Million (Previous Year : Rs.861.2 Million).

Net payable to associate company AI-SATS Rs. 454.4 Million (Previous Year : Rs. 654.2 Million).

Also Refer Note No.49 - Identification of Micro and Small Enterprises.

\*\* For details of Current maturities of long term debts / Finance Lease Obligation Refer Note No.4.

\*\*\* **Interest accrued and due includes :**

Rs.243.4 Million being interest on Secured Loans repayable on demand from Banks (Previous Year :Rs. 253.0 Million), paid subsequently(Refer Note 7).

Rs.159.7 Million being interest on Unsecured Loans repayable on demand from Banks (Previous Year : Rs. 96.9 Million), paid subsequently (Refer Note 7).



**NOTE "6" : PROVISIONS**

(Rupees in Million)

Particulars	Long-term Provisions		Short-term Provisions	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Provision for Employee Benefits</b>				
a) Gratuity	5,407.4	5,347.2	885.1	936.4
b) Leave Encashment	3,265.4	3,406.3	477.7	514.0
c) Post Employment Medical and Other Benefits	2,999.0	2,640.1	501.1	361.2
<b>(A)</b>	<b>11,671.8</b>	11,393.6	<b>1,863.9</b>	1,811.6
<b>Other Provisions</b>				
a) Frequent Flyer Programme	-	-	212.6	269.6
<b>(B)</b>	<b>-</b>	-	<b>212.6</b>	269.6
<b>TOTAL (A + B)</b>	<b>11,671.8</b>	11,393.6	<b>2,076.5</b>	2,081.2



**NOTE "7" : SHORT TERM BORROWINGS**

(Rupees in Million)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>I Loans repayable on demand :</b>		
a) from Banks (Secured) 1 / 2 / #	76,904.0	119,653.2
b) from Banks (Unsecured) #	48,810.3	25,855.6
<b>TOTAL</b>	<b>125,714.3</b>	<b>145,508.8</b>

1. Secured loans repayable on demand from Banks are to the tune of Rs. 63,123.4 Million (Previous Year Rs.64,827.2 Million). Details are as under :

(Rupees in Million)

Sr.No.	Name of Lender	As at 31.03.2017	As at 31.03.2016
1	Allahabad Bank	3,850.0	3,850.0
2	Andhra Bank	1,010.0	1,002.9
3	Bank of Baroda	3,975.2	4,009.9
4	Bank of India	4,825.9	5,596.2
5	Canara Bank	5,395.6	4,810.4
6	Central Bank of India	2,716.5	2,716.5
7	Corporation Bank	2,182.1	2,185.7
8	Dena Bank	3,512.0	3,641.2
9	HDFC Bank Ltd.	-	166.8
10	The Federal Bank Limited	649.0	662.6
11	IDBI Bank Limited	1,256.8	1,262.6
12	Indian Bank	1,280.0	1,280.0
13	Indian Overseas Bank	2,082.5	2,041.2
14	Oriental Bank of Commerce	2,597.7	2,597.7
15	Punjab National Bank	3,770.2	3,813.8
16	Punjab & Sind Bank	784.9	789.9
17	Standard Chartered Bank	16,873.4	18,390.6
18	State Bank of India	2,032.1	2,443.7
19	Syndicate Bank	1,867.7	1,867.7
20	UCO Bank	1,697.8	1,697.8
21	United Bank of India	764.0	-
<b>TOTAL (1)</b>		<b>63,123.4</b>	<b>64,827.2</b>



The loans to the tune of Rs.63,123.4 Million are secured by Hypothecation of 34 aircraft, 12 immovable properties at market value and all Current Assets (Previous Year: 34 aircraft, 12 immovable properties and all Current Assets). However equitable mortgage for 7 immovable properties with banks are yet to be created:

2. Secured loan repayable on demand from Bank is to the tune of Rs.13,780.6 Million (Previous Year Rs.54,826.0 Million). Details of Secured Loans from Banks are as under:

<b>(Rupees in Million)</b>			
<b>Sr.No.</b>	<b>Name of the Lender</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
1	Bank of India	-	13,118.5
2	Deutsche Bank / Standard Chartered Bank	-	41,707.5
3	First Gulf Bank	<b>13,780.6</b>	-
<b>TOTAL (2)</b>		<b>13,780.6</b>	54,826.0
<b>TOTAL (1 + 2)</b>		<b>76,904.0</b>	119,653.2

The loans to the tune of Rs.13,780.6 Million (Previous Year Rs.54,826.0 Million) are secured by Hypothecation of 2 aircraft at market value (Previous Year: 9 aircraft).

- # Disclosure as regards Bank wise rate of interest and period of default is not made due to complexity of data & confidentiality clause with the banks. (Also refer Note 4 & 5).



**NOTE "8" : FIXED ASSETS**

(Rupees in Million)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at April 01, 2016	Additions	Deductions / Reclassification	As at March 31, 2017	Upto April 01, 2016	For the year	Deductions / Reclassification	Upto March 31, 2017	As at March 31, 2017	As at March 31, 2016
<b>TANGIBLE ASSETS (PROPERTY, PLANT &amp; EQUIPMENT)</b>											
<b>A. LAND &amp; BUILDINGS</b>											
1.	Land-Freehold	7,011.6	-	-	7,011.6	-	-	-	-	7,011.6	7,660.1
2.	Land-Leasehold	63,477.6	29.6	1.5	63,505.7	-	75.6	-	75.6	63,430.1	62,829.1
3.	Buildings	20,404.1	1,851.5	3.1	22,252.5	7,036.8	739.4	2.0	7,774.2	14,478.3	13,367.3
<b>SUB TOTAL "A"</b>		<b>90,893.3</b>	<b>1,881.1</b>	<b>4.6</b>	<b>92,769.8</b>	<b>7,036.8</b>	<b>815.0</b>	<b>2.0</b>	<b>7,849.8</b>	<b>84,920.0</b>	<b>83,856.5</b>
<b>B. AIRCRAFT FLEET, ROTABLES &amp; REPAIRABLES</b>											
1.	Airframes										
	Owned	196,139.0	10,859.4	653.2	206,345.2	67,315.5	7,298.2	250.2	74,363.5	131,981.7	128,823.5
2.	Aero Engines & Power Plants										
(a)	Owned-Fixed Cost	68,662.5	7,033.8	32.9	75,663.4	21,011.7	2,553.7	-	23,565.4	52,098.0	47,650.8
(b)	Owned-Variable Cost (Component)	6,061.3	398.2	15.8	6,443.7	3,212.2	1,478.3	-	4,690.5	1,753.2	2,849.1
(c)	Owned-Repair Cost	2,275.3	1,584.5	-	3,859.8	326.2	826.0	-	1,152.2	2,707.6	1,949.1
3.	Simulators & Link Trainers	2,431.3	633.6	-	3,064.9	813.3	132.0	-	945.3	2,119.6	1,618.0
4.	Airframe Rotables	7,984.2	2,005.8	-	9,990.0	2,611.0	410.8	-	3,021.8	6,968.2	5,373.2
5.	Aero-Engine Rotables	1,408.8	-	-	1,408.8	651.8	60.5	-	712.3	696.5	757.0
6.	Simulator Rotables	0.1	-	-	0.1	0.1	-	-	0.1	-	-
7.	Aircraft Repairables	10,430.7	1,849.8	621.7	11,658.8	3,354.4	1,426.4	356.1	4,424.7	7,234.1	7,076.3
<b>SUB TOTAL "B"</b>		<b>295,393.2</b>	<b>24,365.1</b>	<b>1,323.6</b>	<b>318,434.7</b>	<b>99,296.2</b>	<b>14,185.9</b>	<b>606.3</b>	<b>112,875.8</b>	<b>205,558.9</b>	<b>196,097.0</b>
<b>C. OTHER- FIXED ASSETS</b>											
1.	Workshop Equipment, Instruments, Machinery and Plants	2,549.3	1,673.6	14.0	4,208.9	612.4	311.5	13.0	910.9	3,298.0	1,936.9
2.	Ground Support & Ramp Equipment	2,008.5	3.5	114.7	1,897.3	1,449.0	315.7	93.2	1,671.5	225.8	559.5
3.	Furniture & Fixtures	247.6	103.2	1.1	349.7	148.4	37.8	1.1	185.1	164.6	99.2
4.	Vehicles	250.6	9.2	15.0	244.8	212.0	4.4	14.6	201.8	43.0	38.6
5.	Office Appliances & Equipment	758.1	41.7	15.8	784.0	645.2	41.9	14.8	672.3	111.7	112.9
6.	Computer System	1,583.1	84.3	7.4	1,660.0	1,423.6	49.9	6.8	1,466.7	193.3	159.5
7.	Electrical Fittings & Installations	700.5	73.4	0.1	773.8	261.8	63.9	0.1	325.6	448.2	438.7
8.	Object D'art (Net Block Rs.39,969,43)	-	-	(0.6)	0.6	-	-	(0.6)	0.6	-	-
<b>SUB TOTAL "C"</b>		<b>8,097.7</b>	<b>1,988.9</b>	<b>167.5</b>	<b>9,919.1</b>	<b>4,752.4</b>	<b>825.1</b>	<b>143.0</b>	<b>5,434.5</b>	<b>4,484.6</b>	<b>3,345.3</b>
<b>TOTAL FOR TANGIBLE ASSETS</b>		<b>394,384.2</b>	<b>28,235.1</b>	<b>1,495.7</b>	<b>421,123.6</b>	<b>111,085.4</b>	<b>15,826.0</b>	<b>751.3</b>	<b>126,160.1</b>	<b>294,963.5</b>	<b>283,298.8</b>
<b>INTANGIBLE ASSETS :</b>											
<b>A. COMPUTER SOFTWARE</b>											
		2,945.7	29.5	-	2,975.2	2,105.9	496.6	-	2,602.5	372.7	839.8
<b>B. OTHERS</b>											
		639.4	-	-	639.4	255.8	127.9	-	383.7	255.7	383.6
<b>TOTAL FOR INTANGIBLE ASSETS</b>		<b>3,585.1</b>	<b>29.5</b>	<b>-</b>	<b>3,614.6</b>	<b>2,361.7</b>	<b>624.5</b>	<b>-</b>	<b>2,986.2</b>	<b>628.4</b>	<b>1,223.4</b>
<b>TOTAL ASSETS</b>		<b>397,969.3</b>	<b>28,264.6</b>	<b>1,495.7</b>	<b>424,738.2</b>	<b>113,447.1</b>	<b>16,450.5</b>	<b>751.3</b>	<b>129,146.3</b>	<b>295,591.9</b>	
Previous Year		432,376.5	38,936.9	73,344.2	397,969.2	98,076.8	18,996.6	3,626.2	113,447.2		284,522.2
Capital Work-in-Progress										2,320.9	6,734.0
Intangible Assets under Development										13.5	13.5
<b>GRAND TOTAL</b>										<b>297,926.3</b>	<b>291,269.7</b>

- The Company has during the year capitalized translation difference of Rs.1,460.1 Million (Previous Year : Rs.9,166.2 Million) arising on settlement and reporting of long term monetary items. Additions to "Aircraft Fleet, Rotables & Repairables" includes Exchange Rate Fluctuations (Net of Debit & Credit) on underlying loans in foreign currency : Rs. (2,124.3) Million (Previous Year: Rs. 9,167.3 Million).
- "Aircraft Fleet, Rotables & Repairables" includes 37 Aircraft (Three B777-200LR, Twelve B777-300 ER, Ten A-319 & Twelve A-321) (Previous Year : 37 Aircraft - {Three B777-200LR, Twelve B777-300ER, Ten A-319 & Twelve A-321}) & 5 GE Spare Engines (Previous Year 5 GE Spare Engines) and Registration of these 37 Aircraft & 5 Spare Engines continues to be in the name of SPV Company for which beneficial ownership is with Air India Ltd. (Refer Note 43A).



- 3 Borrowing costs capitalized during the year are Rs.82.5 Million (Previous Year : Rs.603.1 Million)
- 4 Deductions under the block of "Aircraft Fleet, Rotables & Repairables" includes NIL scrapped during the year (Previous Year : 1 GE Engine). Gross Block Rs.NIL Million (Previous Year : Rs.1,278.8 Million), Provision for Depreciation Rs.NIL Million (Previous Year : Rs.455.5 Million).
- 5 Depreciation includes debit of Rs.46.3 Million (Previous Year : Credit of Rs. 947.8 Million) for Prior Period and debit of Rs.308.8 Million (Previous Year : Debit of Rs.301.2 Million) to Capital Reserve.
- 6 One old A320 Classic Aircraft VT-ESC (Gross Block : Rs.263.4 Million, Reserve for Depreciation : Rs.250.2 Million) impaired during the year and transferred to assets held for disposal on Net Block of Rs.13.2 Million (5% of Gross Block).
- 7 On receipt of compensation, the leasehold land at Goa was rendered back to EDC.
- 8 "Intangible Asset - Others" represents Membership Fees for joining Star Alliance.
- 9 Special tools included in Workshop Equipment, Instrument Machinery & Plants and Other Fixed Assets are being Depreciated at year wise total Block Amount.
- 10 "Land and Buildings" includes 30 properties of book value amounting to Rs.2,442.1 Million identified for monetization and 2 properties of book value amounting to Rs.56,065.8 Million, which have been handed over to MOUD for development and sale in 2017-18.



**NOTE "9" : NON-CURRENT INVESTMENTS**

(Rupees in Million)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>A INVESTMENT IN SUBSIDIARIES</b>		
<b><u>UNQUOTED EQUITY INSTRUMENTS (AT COST)</u></b>		
1) 11,060,000 Equity Shares (Previous Year : 4,060,000 Equity Shares) of Rs. 100 each fully paid up in Hotel Corporation of India Limited	1,106.0	406.0
2) NIL Equity Shares (Previous Year : 7,000,000 Equity Shares Application Money pending allotment of Rs.100 each fully paid up in Hotel Corporation of India Limited	-	700.0
3) 78,000,000 Equity Shares (Previous Year :78,000,000 Equity Shares) of Rs. 100 each fully paid up in Air India Express Limited.	7,800.0	7,800.0
4) 138,424,200 Equity Shares (Previous Year :138,424,200 Equity Shares) of Rs.10 each fully paid up in Air-India Air Transport Services Limited.	1,384.2	1,384.2
5) 166,666,500 Equity Shares (Previous Year : 166,666,500 Equity Shares) of Rs.10 each fully paid up in Air-India Engineering Services Limited.	1,666.7	1,666.7
6) 40,225,000 Equity Shares (40,225,000 Equity Shares) of Rs 100/- each fully paid up in Airlines Allied Services Ltd.	4,022.5	4,022.5
<b>TOTAL INVESTMENT IN SUBSIDIARIES</b>	<b>15,979.4</b>	<b>15,979.4</b>
<b>B TRADE INVESTMENTS</b>		
<b><u>UNQUOTED INSTRUMENTS (AT COST)</u></b>		
1) 271,933 Equity Shares (Previous Year:271,915 Equity Shares) of EUR5.00 each fully paid up in SITA (Societe Internationale de Telecommunications Aeronautiques). (18 Shares allotted during the year)	13.9	13.9
2) 618,460 Depository Certificates of SITA Information Network Computing N.V. (Previous Year : 618,460)	28.8	28.8
3) 1,280 class B Shares (Previous Year : 1,653 Shares) of BHT 100 each fully paid up in Aeronautical Radio of Thailand Ltd. (373 Shares redeemed during the year)	0.2	0.3
4) 2,617,098 Equity Shares of MAR 10 each fully paid up in Air Mauritius Ltd.	9.5	9.5
5) 2,301,244 Equity Shares of MAR 10 each fully paid up in Air Mauritius Holding Ltd.	16.7	16.7
6) 6% Debenture Bonds of Banco De Roma face value EUR 15.49 guaranteed by the Government of Italy (Deposited with Civil Aviation Department, Italy). * (Rs. 3,057.69).	* 0.0	* 0.0
7) 12,500,000 Equity Shares of Rs. 10 each fully paid up in Cochin International Airport Limited. (2,500,000 Equity Shares of Rs.10 issued and subscribed at a premium of Rs.40 per share)	225.0	225.0
8) 50 Equity Shares of EUR 152.45 each fully paid up in Association Sportive Du Golf Isabella.	0.4	0.4
9) 40,424,975 Equity Shares of Rs.10 each fully paid up in Air India SATS Airport Services Private Ltd. (40,419,975 Equity Shares of Rs.10 each issued at a premium of Rs.0.79 per share)	436.2	436.2
<b>TOTAL TRADE INVESTMENTS</b>	<b>730.7</b>	<b>730.8</b>
<b><u>QUOTED (AT COST)</u></b>		
375,407 Equity Shares of EUR 0.48 each fully paid up in France Telecom (Market Value Rs.378.9 Million, Equivalent to EUR 5.5 Million). (Previous Year: Rs. 435.7 Million, Equivalent to EUR 5.8 Million)	7.6	7.6
<b>TOTAL</b>	<b>16,717.7</b>	<b>16,717.8</b>
Aggregate amount of unquoted investments	<b>730.7</b>	<b>730.8</b>
Aggregate amount of quoted investments (Market value : Rs.378.9 Million (Previous Year : Rs.435.7 Million)) (Equivalent to EUR 5.5 Million (Previous Year : EUR 5.8 Million))	<b>7.6</b>	<b>7.6</b>



**NOTE "10" : LOANS AND ADVANCES**

(Rupees in Million)

Particulars	Long Term Loans & Advances		Short Term Loans & Advances	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Capital Advances</b>				
Unsecured Considered Good	15,899.8	3,526.9	-	-
Doubtful	7.6	7.6	-	-
	15,907.4	3,534.5	-	-
Less : Provision for Doubtful Advances	7.6	7.6	-	-
(A)	15,899.8	3,526.9	-	-
<b>Security Deposits</b>				
Unsecured Considered Good	5,764.3	5,385.3	147.5	220.5
Doubtful	43.4	43.4	-	-
	5,807.7	5,428.7	147.5	220.5
Less : Provision for Doubtful Advances	43.4	43.4	-	-
(B)	5,764.3	5,385.3	147.5	220.5
<b>Advance to Subsidiary Companies *</b>				
Unsecured Considered Good	25,605.7	19,294.2	-	-
(C)	25,605.7	19,294.2	-	-
<b>Advances recoverable in Cash or in Kind</b>				
Unsecured Considered Good	1,903.6	11,798.9	8,858.0	4,643.6
Doubtful	595.6	572.1	-	-
	2,499.2	12,371.0	8,858.0	4,643.6
Less : Provision for Doubtful Advances	595.6	572.1	-	-
(D)	1,903.6	11,798.9	8,858.0	4,643.6
<b>Loans and Advances to Employees</b>				
Secured Loan Considered Good	0.2	0.2	-	-
Unsecured Advances Considered Good	24.6	23.7	498.3	373.0
Doubtful	23.1	22.3	-	-
	47.9	46.2	498.3	373.0
Less : Provision for Doubtful Advances	23.1	22.3	-	-
(E)	24.8	23.9	498.3	373.0
<b>Other Loans and Advances</b>				
Advance Payment of Income Tax and TDS (net of provision for taxation)	1,197.2	1,129.0	577.6	469.8
Prepaid Expenses	-	10.8	744.6	1,011.9
Balances with Statutory / Government Authorities	1,623.9	2,433.9	-	-
(F)	2,821.1	3,573.7	1,322.2	1,481.7
<b>TOTAL (A + B + C + D + E + F)</b>	<b>52,019.3</b>	<b>43,602.9</b>	<b>10,826.0</b>	<b>6,718.8</b>

\* **Details of Advances given to Subsidiary Companies is as under :**

Name of the Subsidiary Company	As at March 31, 2017	As at March 31, 2016
1. Air India Express Limited	5,676.3	6,757.8
2. Air India Engineering Services Limited	5,811.0	1,774.7
3. Hotel Corporation of India Limited	1,603.2	1,264.3
4. Airline Allied Services Limited	12,515.2	9,497.4
<b>Total</b>	<b>25,605.7</b>	<b>19,294.2</b>



**NOTE "11" : TRADE RECEIVABLES**

(Rupees in Million)

Particulars	Non-current Receivables		Current Receivables	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Secured *	-	-	0.1	50.1
Unsecured, Considered Good	58.5	44.3	7,946.1	8,120.1
Doubtful	9,332.8	7,045.2	-	-
	9,391.3	7,089.5	7,946.2	8,170.2
Less : Provision for Doubtful Receivables	9,332.8	7,045.2	-	-
<b>(A)</b>	58.5	44.3	7,946.2	8,170.2
<b>Other Receivables</b>				
Secured *	-	-	86.6	580.3
Unsecured, Considered Good	3.1	3.1	10,539.5	10,279.6
Doubtful	6.8	20.6	-	-
	9.9	23.7	10,626.1	10,859.9
Less : Provision for Doubtful Receivables	6.8	20.6	-	-
<b>(B)</b>	3.10	3.10	10,626.1	10,859.9
<b>Total (A + B)</b>	61.6	47.4	18,572.3	19,030.1

\* Trade Receivables amounting to Rs.86.7 Million (Previous Year Rs.630.4 Million) are backed by Bank Guarantees.

**NOTE "12" : OTHER ASSETS**

(Rupees in Million)

Particulars	Other Non-current Assets		Other Current Assets	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
1. Deposits-Others (having maturity of more than 12 months)	95.4	33.6	-	-
Less : Provision for Doubtful Deposits	0.1	0.1	-	-
	95.3	33.5	-	-
2. <u>Interest Accrued on</u>				
i) Fixed Deposits	-	-	67.9	45.1
ii) Loan to Employees	4.2	3.3	8.7	13.5
iii) Advances to Subsidiary Companies *	-	-	2,277.0	2,261.4
	4.2	3.3	2,353.6	2,320.0
3. Surplus Assets / Assets held for Sale	88.5	105.7	89.8	62,777.7
Less : Provision for Diminution in Value of Asset	88.5	105.7	-	-
	-	-	89.8	62,777.7
4. Other Non-Trade Receivables				
Unsecured, Considered Good	-	-	11,942.4	12,502.3
Doubtful	2,495.4	2,569.0	-	-
	2,495.4	2,569.0	11,942.4	12,502.3
Less : Provision for Doubtful Receivables	2,495.4	2,569.0	-	-
	-	-	11,942.4	12,502.3
<b>TOTAL</b>	99.5	36.8	14,385.8	77,600.0

\* Details of Interest Accrued on Advances to Subsidiary Companies is as under :

Name of the Subsidiary Company	As at March 31, 2017	As at March 31, 2016
1. Air India Express Limited	791.5	957.6
2. Hotel Corporation of India Limited	121.4	190.6
3. Airline Allied Services Limited	1,364.1	1,113.2
<b>Total</b>	2,277.0	2,261.4



**NOTE "13" : INVENTORIES (As taken, valued & certified by the Management)**

(Rupees in Million)

Particulars	As at March 31, 2017	As at March 31, 2016
Stores and Spare Parts *	17,264.6	17,370.0
Loose Tools	389.2	804.2
	17,653.8	18,174.2
Less : Provision for Obsolescence / Inventory Reconciliation	5,851.5	4,360.2
	11,802.3	13,814.0
Goods-in-Transit	964.7	1,197.1
<b>TOTAL</b>	<b>12,767.0</b>	<b>15,011.1</b>

\* Stores and Spare Parts includes an amount of Rs.2,162.3 Million (Previous Year Rs.2,475.6 Million) pertaining to Work Order Suspense account for inventories lying with subsidiary company Air India Engineering Services Ltd.

**NOTE : "14" : CASH AND BANK BALANCES**

(Rupees in Million)

Particulars	As at March 31, 2017	As at March 31, 2016
<b><u>Cash and Cash Equivalents</u></b>		
<b>1. Balances with Banks :</b>		
a) In Current Accounts	1,805.4	3,429.6
b) In Deposit Accounts (Maturity less than 12 months)	1,819.5	1,786.6
2. Cheques, Drafts on Hand	10.5	122.1
3. Cash on Hand (as certified by the Management)	24.0	26.8
	(A) 3,659.4	5,365.1
<b>Other Bank Balances</b>		
1. Margin money deposits	3,692.0	2,689.8
	(B) 3,692.0	2,689.8
<b>TOTAL (A + B)</b>	<b>7,351.4</b>	<b>8,054.9</b>



**NOTE "15" : REVENUE FROM OPERATION**

			(Rupees in Million)	
Particulars		2016-17	2015-16	
<b>i) Scheduled Traffic Services</b>				
1 Passenger		159,978.1	156,562.5	
2 Excess Baggage		1,039.7	1,176.1	
3 Mail		679.6	900.1	
4 Cargo		10,271.9	10,545.4	
	<b>(A)</b>	<b>171,969.3</b>	<b>169,184.1</b>	
<b>ii) Non-Scheduled Traffic Services</b>				
1 Charter		11,920.1	10,753.4	
2 Block Seat Arrangement		273.2	419.7	
3 Subsidy for Operation from Government		150.2	167.4	
	<b>(B)</b>	<b>12,343.5</b>	<b>11,340.5</b>	
<b>iii) Other Operating Revenue</b>				
1 Handling and Servicing		2,448.4	1,267.6	
2 Manufacturers Credit		3,364.1	2,728.2	
3 Incidental		22,970.8	13,566.4	
4 Revenue Share from Air India Charters Ltd. (Wholly Owned Subsidiary Company)		4,500.0	3,500.0	
5 Revenue Share from Air India Air Transport Services Ltd. (Wholly Owned Subsidiary Company)		1,000.0	521.4	
	<b>(C)</b>	<b>34,283.3</b>	<b>21,583.6</b>	
	<b>TOTAL (A + B + C)</b>	<b>218,596.1</b>	<b>202,108.2</b>	

**NOTE "16" : OTHER INCOME**

			(Rupees in Million)	
Particulars		2016-17	2015-16	
1 Interest Income on :				
a) Bank Deposits		297.1	274.8	
b) Others		113.0	31.4	
c) Advances to Subsidiary Companies		2,277.0	2,261.4	
2 Dividend from Long Term Investments (Trade)		75.2	97.6	
3 Receipts from Air-India Building		809.7	624.8	
4 Profit on Sale of Fixed Assets (Net)		(391.3)	705.1	
	<b>TOTAL</b>	<b>3,180.7</b>	<b>3,995.1</b>	



**NOTE "17" : OTHER OPERATING EXPENSES**

(Rupees in Million)

Particulars	2016-17	2015-16
1 Insurance	1,142.7	1,513.1
2 Material Consumed - Aircraft	6,117.2	4,175.1
3 Outside Repairs - Aircraft	18,088.1	17,080.1
4 Navigation, Landing, Housing and Parking	17,032.0	15,940.9
5 Hire of Aircraft	18,267.3	11,738.0
6 Handling Charges	12,269.1	11,173.8
7 Passenger Amenities	8,803.5	8,256.8
8 Booking Agency Commission (Net)	5,367.2	4,031.7
9 Communication Charges		
i) Reservation System	8,904.0	8,647.1
ii) Others	2,068.0	1,885.4
<b>TOTAL</b>	<b>98,059.1</b>	<b>84,442.0</b>

**NOTE "18" : EMPLOYEE BENEFIT EXPENSES**

(Rupees in Million)

Particulars	2016-17	2015-16
1 Salaries, Wages and Bonus	11,731.2	11,995.3
2 Crew Allowances	9,758.0	8,132.9
3 Contribution to Provident and Other Funds	807.4	776.4
4 Staff Welfare Expenses	1,532.8	1,340.2
5 Provision for Gratuity	813.2	426.4
6 Provision for Leave Encashment	435.7	434.0
7 Provision for Retirement Benefit	500.0	350.0
<b>TOTAL</b>	<b>25,578.3</b>	<b>23,455.2</b>

**NOTE "19" : FINANCE COST**

(Rupees in Million)

Particulars	2016-17	2015-16
1 Interest on :		
a) Debentures	12,786.0	12,817.6
b) Short Term and Long Term Loans	23,716.2	24,194.4
	36,502.2	37,012.0
2 Other Borrowing Costs *	3,009.9	5,240.9
3 Interest on Delayed Payment other than borrowings	2,846.6	2,487.1
<b>TOTAL</b>	<b>42,358.7</b>	<b>44,740.0</b>

\* Includes an amount of Rs.350.6 Million interest charged by Subsidiary Company, AIATSL on outstanding balances.

a) Exchange rate difference in the nature of interest cost on foreign currency borrowing has not been reclassified due to complexity of transactions.



**NOTE "20" : DEPRECIATION AND AMORTIZATION EXPENSE**

(Rupees in Million)

Particulars	2016-17	2015-16
1 Depreciation of Tangible Assets	15,703.9	18,379.4
2 Amortization of Intangible Assets	624.4	599.6
3 Impairment of Assets	75.6	-
<b>(A)</b>	<b>16,403.9</b>	<b>18,979.0</b>
Less : Recoupment from Capital Reserve (Refer Note 3)	308.8	301.2
<b>(B)</b>	<b>308.8</b>	<b>301.2</b>
<b>TOTAL (A- B)</b>	<b>16,095.1</b>	<b>18,677.8</b>

**NOTE "21" : OTHER EXPENSES**

(Rupees in Million)

Particulars	2016-17	2015-16
1 Travelling Expenses		
i) Crew	2,144.6	1,862.2
ii) Others	720.2	696.5
2 Rent	863.6	927.4
3 Rates and Taxes	245.6	135.1
4 Repairs to :		
i) Buildings	439.0	219.3
ii) Others	1,320.7	1,389.8
5 Hire of Transport	671.9	652.7
6 Electricity & Heating Charges	462.0	453.9
7 Water Charges	7.2	11.0
8 Directors' Sitting Fees	0.1	0.4
9 Publicity and Sales Promotion	1,000.1	914.5
10 Printing and Stationery	132.1	136.7
11 Legal Charges	124.7	159.0
12 Payments to the Auditors' (Refer Note No.50)		
i) Audit Fees	10.5	10.5
ii) Other Expenses	1.6	1.4
13 Provision for Bad & Doubtful Receivables and Advances	1,950.3	1,468.5
14 Write-off / Write back of Obsolete Inventory	1,641.5	(917.1)
15 Expenses on Block Seat Arrangements	191.7	351.9
16 Exchange Variation (Net)	993.4	3,516.1
17 Bank Charges	1,608.1	778.6
18 Miscellaneous Expenses	1,876.6	1,684.8
<b>TOTAL</b>	<b>16,405.5</b>	<b>14,453.2</b>



**NOTE "22" : PRIOR PERIOD ADJUSTMENTS (Net)**

Rupees in Million

Particulars	2016-17	2015-16
<b><u>Revenue Heads</u></b>		
1) Passenger Revenue	61.7	(1.4)
2) Cargo Revenue	82.7	0.9
3) Mail	-	17.5
4) Handling, Servicing and Incidental Revenue	(140.9)	6.9
5) Others	(4.3)	298.6
<b>(A)</b>	<b>(0.8)</b>	<b>322.5</b>
<b><u>Expenditure Heads</u></b>		
1) Handling Charges	(121.2)	4.8
2) Depreciation	46.3	(947.8)
3) Stores and Equipments	191.7	(378.5)
4) Passenger Amenities	26.5	67.3
5) Publicity	59.2	7.1
6) Aircraft Fuel and Oil	11.3	1.5
7) Insurance	8.6	11.8
8) Salaries/Staff Welfare Expenses	7.4	1,030.2
9) Landing, Parking and Navigation	(4,235.3)	8.6
10) Commission	42.1	0.4
11) Communication Charges	(28.0)	30.5
12) Rent, Rates and Taxes	123.7	(45.2)
13) Exchange variation	(65.6)	(5.1)
14) Legal Charges	128.2	10.0
15) Hire of Aircraft	14.6	-
16) Interest	(38.2)	67.3
17) Others (Net)	(70.0)	(149.3)
<b>(B)</b>	<b>(3,898.7)</b>	<b>(286.4)</b>
<b>TOTAL (B - A)</b>	<b>(3,897.9)</b>	<b>(608.9)</b>

**NOTE "23" : EXCEPTIONAL ITEMS (NET)**

(Rupees in Million)

Particulars	2016-17	2015-16
1 Provision for balance 25% payable to Employees as per JDC (Refer Note 26)	(12,981.6)	-
<b>TOTAL</b>	<b>(12,981.6)</b>	<b>-</b>

**NOTE "24" : EXTRA ORDINARY ITEMS (NET)**

(Rupees in Million)

Particulars	2016-17	2015-16
1 Settlement of Cargo Anti Trust Case	-	(857.8)
2 Duty Credit Entitlement under SFIS (Refer Note 33)	(8,472.3)	-
<b>TOTAL</b>	<b>(8,472.3)</b>	<b>(857.8)</b>



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS:**

**25. Contingent Liabilities not provided for:**

- A. Claims against the Company not acknowledged as debts (excluding interest and penalty in certain cases) and being contested to the extent amounts are ascertainable and quantifiable:

(Rupees in Million)

Sr.No	Description	2016-17	2015-16
(i)	Claims on account of denied boarding, loss of passenger baggage, mishandled baggage, delayed flight, cancellation of flights, damaged consignments and late receipt of cargo etc.	359.3	341.9
(ii)	Income Tax Demand Notices received by the Company which are under Appeal	423.0	1,168.3
(iii)	Customs Duty and Service Tax demanded by the Tax Authorities	7,357.5	6,944.1
(iv)	Property Taxes/House Tax demanded by the Municipal Authorities	117.2	140.0
(v)	Claims of Airport Operators (*)	6,140.7	5,298.0
(vi)	Other Claims on account of:-		
	a) Staff/Civil/Arbitration/Labour Cases pending in Courts	1,700.9	1,245.5
	b) Claim for Vasant Vihar Colony	-	3,736.0
(vii)	Government Guarantee Fee (**)		
	a) Difference between Applicable Rate & the rate of 0.5% at which Guarantee Fee has been provided	3,594.4	1,526.7
	b) Additional Guarantee Fee	10,656.0	8,014.9
(viii)	Estimated claims of Employees in terms of Justice Dharamadhikari Report Recommendations	Nil (Refer Note No. 26 Below)	Amount Unascertainable
	<b>Total</b>	<b>30,349.0</b>	<b>28,415.4</b>

**Explanatory Statement in respect of Contingent Liabilities**

**a) Claims of Airport Operators includes (\*):**

- i) AAI has raised a demand of Rs.760.0million towards interest on delayed payments for the year 2012-13 but the same has not been accepted by AI in terms of the MOU and subsequent correspondence with AAI in this regard. However, the same has been disclosed as contingent liability.



ii) Further, in the case of Other Airport Operators claims of Rs4929.2 million for interest on delayed payments has also not been accepted and pending determination of actual liability, the amounts demanded by the parties have been shown as Contingent Liability.

b) **Govt Guarantee Fee (\*\*):** The company has provided for Guarantee Fee @ 0.5% on all aircraft loans and working capital loans guaranteed by the Govt. The company has taken up the issue for waiver of Guarantee Fees over and above 0.5% in respect of Working Capital and External Commercial Borrowings (ECB) loans with the Ministry of Civil Aviation/Finance. Accordingly, the Guarantee Fee over and above 0.5% amounting to Rs.3594.4 Million,(PY: Rs.1,526.7million for which waiver has been requested has been disclosed as Contingent Liability. Further, the additional liability on account of the delayed payments of Guarantee Fee amounting to Rs.10656.0 million(PY: Rs.8,014.9 million) has also been shown as Contingent Liability. The Company has taken up the issue of reduction/waiver of Guarantee Fee and the waiver of Penal Charges with the Ministry of Civil Aviation which is still under process.

B. Corporate Guarantees, Letters of Comfort given by the Company on behalf of its Subsidiary Companies:

(Rupees in Million)

Particulars	2016-17	2015-16
Air Inia Express Ltd.	7397.8	4195.6
Airline Allied Service Ltd.	2805.3	2462.2

## 26. Provision for Revised Basic Pay on the basis of Justice Dharamadhikari Committee Report

Based on Justice Dharamadhikari Committee (JDC) recommendations, the Revised Basic Pay (RBP) had been implemented for most of the categories of the employees from different dates. However, upto last year the JDC recommendations were not implemented for categories comprising of the Pilots of the Wide Body aircraft (Non-Executive) and Cabin Crew (Non Managerial) due to ongoing litigations which are still pending in the Supreme Court. However, provision amounting to Rs 12981.6 million for all employees (including for the above said categories also) has been made during the year as Exceptional Item on the basis of certification made by an independent firm of Chartered Accountants.

In the opinion of the company this provision will substantially cover all liabilities originating out the implementation of JDC recommendations except impact on provision for Gratuity and Leave Encashment for above said two categories of employees.

27. (i) **Capital Commitments** : Estimated amount of contracts remaining to be executed on Capital Account are given hereunder:

Particulars	2016-17	2015-16
i) Aircraft Pre-Delivery Payment	55809.2	110709.6
ii) Others	2021.6	2131.8
<b>Total</b>	<b>57830.8</b>	<b>112841.4</b>



- (ii) **Long Term Commitments:** Agreements/MoU have been entered into to take delivery of 27 A-320 NEO aircraft on operating lease for a period of 12 years with scheduled deliveries beginning from Feb'17. Two (2) aircraft out of 27 had been received till 31<sup>st</sup> March 2017. However, upto the end of October 2017, only a total of 10 aircraft have been delivered. The balance 17 aircraft are scheduled to be received upto Feb.2019. An amount of USD25.9 million has been given as security deposit upto 31.03.2017. The lease rental payable against each aircraft to be delivered is approx. USD 0.37 to 0.39 Million per month.

## 28. Disinvestment of Air India Ltd.

In view of the NITI Aayog recommendations on the disinvestment of AI and followed by the recommendations of the Core Group of Secretaries on disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) has given an 'In-Principle' approval for considering the strategic disinvestment of AI, five of its Subsidiaries and a Joint Venture in its meeting held on 28th June 2017. CCEA also approved the constitution of an Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment. As of date, Transaction Advisor, Legal Advisor and Asset Valuer have been appointed to carry forward the process of Disinvestment.

## 29. Fixed Assets

- a) Land (Freehold/Leasehold) and Buildings include Gross Block Rs.62,540.8million and Net Block Rs 62,540.8 million measuring 273,930 sq.mtrs for which title deeds are not in the possession of the company.

Further, in terms of decision taken, as per the records of the discussions held in the Ministry of Finance on 1<sup>st</sup> June 2017 for the development of assets of AI located at Vasant Vihar Housing Colony (Rs 51295.1 million) and Baba Kharag Singh Marg Land (Rs 4770.7 million), the physical possession of these unregistered properties has been handed over to the Ministry of Urban Development (MoUD). The MoUD has been entrusted with the overall responsibility of development and sale of these two properties by the Govt. The sale proceeds from these two properties shall be utilized in liquidating Air India debts. These properties have been offered as security against working capital loans taken from various banks. Till the entire process of sale/transfer and final settlement of these properties in line with Disinvestment of the company is completed they continue to be shown as a part of the Fixed Assets of the company.

- b) The company had 508 flats constructed in Nerul on a portion of land measuring 28,626 sq.mtrs and it has been decided to sell these flats to the employees of the company and organizations under the control of Ministry of Civil Aviation. In terms of the orders of Hon'ble High Court at Bombay (the Court), the company issued allotment letters to 332 allottees out of 508 flats constructed and physical possession of 280 flats has also been handed over. However, title to the underlying land can only be conveyed by a tripartite conveyance deed between Societies, Air India and CIDCO which is not yet done. Therefore, in the opinion of management pending conveyance of title of land in favor of the registered societies, Air India continues to hold the title to the underlying land and accordingly, these properties have been carried under Fixed Assets. The advance against sale proceeds amounting to Rs 407.7 million received from the concerned members in respect of the above flats is being carried forward under the head "Other Non-Current Liabilities". Liability if any, on account of taxes on transfer of the flats sold is also not ascertainable at this stage. The cost of land and the cost of construction is being carried as Fixed Assets and depreciation has also been charged till the legal formalities connected with these transactions are completed. Necessary accounting entries to portray the correct picture (including reversal of depreciation amounting to Rs 82.4 million) (Previous Year Rs 76.8 million) will be made in the books of accounts on completion of these formalities.



- c) Long Term Loans & Advances include a sum of Rs.24.6 Million (Previous Year: Rs.24.6 million) being the advance paid by the company to CIDCO for the purchase of another plot of Leasehold Land at Nerul (apart from (c) above) for the purpose of construction of staff quarters. However, the possession of the plot allotted by CIDCO in this regard has not been handed over to the company and no agreement/lease deed has been executed so far.

### **30. Change in the expected life of the aircraft and subsequent effect on Depreciation:**

During the year the Company has re-assessed the life of aircraft from 20 years to 25 years for aircrafts purchased from 2006-07 onwards This will also result in Aircraft Depreciation Policy becoming comparable with other airlines, using similar Aircraft in their fleet. This change in useful life of aircraft has been made effective from 2016-17 and accordingly resulted in a reduced charge of Depreciation in the Statement of Profit & Loss by Rs.3461.1 million for the year and such reduction would continue till the aircraft are fully depreciated.

31. Assets classified as assets held for sale have been classified as Other Current/Non-Current Assets at lower of net book value or net realizable value.

### **32. Physical Verification & Reconciliation**

- a) Fixed Assets:

Physical Verification and Reconciliation of major assets viz. Airframes, Aero-engines, APUs and Simulators was carried out at the year end and reconciliation of the same has also been completed. Further, in the case of land and building reconciliation of number of properties as per fixed assets register vis-à-vis records of holding departments was done. These assets together constitute around 91% of the Gross Block of Assets. No major discrepancies were found in the same.

However, physical verification and reconciliation of assets other than above constituting around 9% of the Gross Block, including assets migrated in Fixed Assets Register at block level as one item for which line item identification is yet to be done, are to be covered in the biennial physical verification exercise of 2016-18 which is in progress.

- b) Inventory:

Physical Verification of inventory for the biennial period 2016-18 is in progress and impact of discrepancies observed during the last verification process in 2014-16 has been dealt with in the FY 2016-17. However, impact of the same in RAMCO is yet to be given.

### **33. Loans & Advance - SFIS Scrips**

As DGFT has refused to extend the validity of SFIS Scrips, an amount of Rs 8472.3 million has been written off during the year as Extraordinary Expense Item since in the previous years such SFIS Scrips were accounted for as Extraordinary Revenue.

### **34. Sale & Lease Back (SLB) of B-787-800 Dream liner Aircraft**

In terms of approved Turnaround Plan of Air India, the induction of 27 B-787-800 Dream liner aircraft is to be done only under the Sales and Lease Back (SLB) basis and the same was discussed and approved by the Board in their 45th Meeting held on 14th May, 2012. Out of 27 aircrafts, Company has received 23 aircrafts till March, 2017. SLB of 12 aircrafts has already been completed in the earlier years whereby SLB of 9 aircrafts has been carried out in the FY 2016-17.



In view of the fact that SLB of aircraft is being done by AI in the ordinary course of business, as mentioned in the Main Objects Clause of the Company, the profit on sale of these SLB aircraft amounting to Rs 10116.9 million has been recognized as revenue as 'Other Operating Income'.

In respect of 2 aircraft, which has been received by Air India in the later part of the year 2016-17, the Board of Directors had approved the SLB transaction of these 2 aircrafts backed by Government of India Guarantee. However, subsequent to the GoI decision on the Disinvestment of AI, it has also been decided that the Govt will provide Guarantee for the acquisition of these aircraft, only by financing through Bridge Loans and hence not treated as SLB transaction, leaving the Strategic Investor to take the final decision on the SLB of these aircraft. Accordingly, it has been decided that these two aircraft alongwith the future acquisitions will be capitalized in the books of accounts and not sold under SLB. Hence, these aircraft have been included in the fixed assets and have been depreciated as per the accounting policy of the company.

### **35. Effect of changes in Exchange rates (AS-11)**

- a) The Company as per the consistent practice, has been treating the bridge loans (short term borrowings) availed for acquisition of Aircrafts, during the intermediary period before arrangement of long term finance / sale thereof , as borrowings and as such these are treated as long term monetary items for the purpose of capitalization under the amended AS-11.
- b) Transactions relating to Foreign Inventory Procurements and closing balances of certain foreign currency monetary items have not been translated at the date of transaction/in accordance with the provisions of AS-11 due to complexity of transactions. The impact of translation of the same is not ascertained; however the same is not likely to be material.

### **36. Confirmations/Reconciliations**

- a) The reconciliation and matching of certain unmatched receivables and payables, including certain balances migrated to SAP at block level and staff related various GL Account Heads is under process. Impact, if any, of consequential adjustment arising out of reconciliation will be dealt with in the year of completion of reconciliation.
- b) The company has sought the confirmation of balances for most of the receivables and payables including Oil Marketing Companies. However, only some of the parties have responded. Wherever the balances confirmed by the parties are not in agreement, there conciliation of difference is under process.
- c) The Service Tax including Input credit to be availed, Tax Deducted at source (TDS), Refunds in respect of Income Tax, are still pending to be reconciled with the Returns filed/ statutory records maintained.

### **37. Shortages/Irregularities**

An irregularity in the form of excess payments to Caterers was observed at London Station during the year. The contract period was from Sept'13 to Aug'16. Since records relating to the periods from Oct'15 to Feb'17 were available, the company has quantified and recovered GBP 580,662.31 (Rs 46.9 million) for the said periods only. Further, during the year, in the case of certain domestic stations, irregularities in revenue/expenditure of nominal amounts were observed for which enquiry/investigation and recovery action is under progress.

**38. Internal Control**

The Company is in the process of strengthening the internal audit process so as to ensure the coverage of all the areas as envisaged in the Minimum Audit Programme and ensure effective internal controls at stations, regional offices, user departments and Central Accounts Office. To comply with the same, Independent Chartered Accountants firms have been appointed by the company. System for uniform, timely and proper accounting entries of transactions in SAP as well as other software, including interface with each other, is under process of being strengthened.

**39. Inventories**

The difference of year-ended inventory balances between SAP and RAMCO amounting to Rs. 89.0 million (PY: Rs. 74.8 million) is under reconciliation. The inventory balance in the Financial Statements is as per SAP, which is more by Rs 89.0 million than the RAMCO balance.

**40. Status of Reconciliation with****(I) Airport Operators**

- (i) The reconciliation with various Airport Operators such as AAI, MIAL, DIAL, CIAL and GHAIL has been carried out during the year and the status of the same as on 31<sup>st</sup> March 2017 is given hereunder:

**(Rupees in Million)**

S.No	Name of Airport Operator	Balance Payable as per Air India Ltd as on 31.3.17	Balance Receivable as per Airport Operator as on 31.3.17	Difference as on 31.3.17
1	Airport Authority of India (AAI)	18235.0	22190.0	(3955.0)
2	Mumbai International Airport Ltd (MIAL)	1441.3	3050.3	(1609.0)
3	Delhi International Airport Ltd (DIAL)	5312.4	5451.9	(139.5)
4	Cochin International Airport Ltd (CIAL)	166.9	187.9	(21.0)
5	Greater Hyderabad International Airport Ltd (GHIAL)	280.7	408.2	(127.5)

- (ii) The major reasons for the difference are due to payments/credits given by AI upto 31.3.2017 for which accounting effect by the Airport Operators has been given subsequently or yet to be given. Further, some other reasons for the difference are difference in rates applied for landing & parking charges, ground handling royalty, space rentals, etc. Moreover, interest claims on delayed payments and other disputed items have been separately disclosed as Contingent Liability as stated in Note No 25.



- (iii) Due to the ongoing expansion and reconstruction of Airport Area by MIAL, relocation of land leased to Air India is in process, with surrender of a part of the existing premises. A comprehensive review of total leased premises ultimately held including compensation, if any, can be taken only after expansion work is completed/certified and handing/taking over is in place. Accordingly, accounting impact will be taken in the books on the completion of this entire process of surrender/relocation of premises by MIAL.

## (II) Oil Companies

The status of reconciliation with various Fuel Suppliers is given below:

(Rupees in Million)

S.No	Name of Fuel Company	Balance as per Fuel Supplier as on 31.3.17	Balance as per AI as on 31.3.17	Difference as on 31.3.17
1	HPCL	8151.6	8109.4	42.2
2	BPCL	7811.0	7809.8	1.2
3	Shell MRPL (Domestic)	429.3	429.3	Nil
4	IOCL	22049.3	22082.6	(33.3)
5	Reliance Petroleum	8.7	2.3	6.4

The reconciliation with all the above Oil Companies has been completed. However, the major reasons for the difference are pending adjustment entries by the respective Oil Companies.

## 41. Segment Reporting:

- a) The Company is engaged in airline related business, which is its single primary business segment. The details of geographical area wise revenue earned (derived by allocating revenue to the area in which the sales were made) are given hereunder:

(Rupees in Million)

Particulars	2016-17	2015-16
a) USA/Canada	20,801.2	18,159.9
b) UK/Europe	15,916.5	14,572.0
c) Asia (excluding India) Africa and Australia	26,172.6	29,154.2
d) India	155,705.8	140,222.1
<b>Total</b>	<b>218,596.1</b>	<b>202,108.2</b>

- b) Major revenue-earning asset of the Company is the aircraft fleet, which is flexibly deployed across its worldwide route network. There is no suitable basis for allocation of expenditure, assets and liabilities to geographical segments. Consequently geographical area-wise results, assets and liabilities have not been disclosed.

**42. Related Party Transactions:**

Disclosure of the names and designations of the Related Parties as required by Accounting Standard (AS-18) during the year 2016-17 and upto Dec;17 are given below:

**A. Key Management Personnel & Relatives :**

Sr.No	Name	Position on Board	Designation
1	Mr Pradeep Singh Kharola	CMD	Chairman & Managing Director (Appointed as CMD effective 12 <sup>th</sup> December 2017)
2	Mr Rajiv Bansal	CMD	Chairman & Managing Director (Appointed as CMD effective 24 <sup>th</sup> August 2017 and ceased to be CMD on 12 <sup>th</sup> December 2017)
3	Mr. AshwaniLohani	CMD	Chairman & Managing Director (Appointed as CMD effective 31 August 2015 and ceased to be CMD on 23 <sup>rd</sup> August 2017)
4	Mr. Pankaj Srivastava	Functional Director	Director-Commercial
5	Mr. Vinod Hejmadi	Functional Director	Director- Finance
6	Mr. Arvind Kathpalia	Functional Director	Director Operations (Appointed w.e.f 27th June 2017)
7	Mr. Satyendra Kumar Mishra	Govt Nominee	Joint. Secretary Ministry of Civil Aviation (Appointed as Govt Nominee Director from 2 <sup>nd</sup> February 2017)
8	Mr. Ravinder Kumar Tyagi	Independent Director	Appointed w.e.f 31 <sup>st</sup> May2017
9	Mr. Syed Zafar Islam	Independent Director	Appointed w.e.f 31 <sup>st</sup> May2017
10	Ms.Gargi Kaul	Govt.Nominee	Jt. Secretary & Financial Advisor Ministry of Civil Aviation
11	Mr. Nikhil Kumar Jain	Functional Director	Director-Personnel (Ceased to be Director Personnel eff. 3 <sup>rd</sup> February 2017)
12	Mr. Balwinder Singh Bhullar	Govt Nominee	Joint. Secretary Ministry of Civil Aviation (Ceased to be on the Board effective 2nd February 2017)



Sr.No	Name	Position on Board	Designation
13	Dr Ravindra Dholakia	Independent Director	Independent Director (Ceased to be Director from 28 <sup>th</sup> May 2016)
14	Mr Prem Vrat	Independent Director	Independent Director (Ceased to be Director from 28 <sup>th</sup> May 2016)
15	Mr Gurucharan Das	Independent Director	Independent Director (Ceased to be Director from 28 <sup>th</sup> May 2016)
16	Air Marshal (Retd) K.K.Nowahar	Independent Director	Independent Director (Ceased to be Director from 28 <sup>th</sup> May 2016)
17	Ms Renuka Ramanathan	Independent Director	Independent Director (Ceased to be Director from 28 <sup>th</sup> May 2016)

**Transactions with Key Managerial Personnel:**

i) There are no transactions with key managerial personnel other than Remuneration and Perquisites to Chairman & Managing Director and Functional Directors. During the FY 2016-17 an amount of Rs 0.04 million was paid as Sitting Fees to two Independent Directors.

ii) Key Managerial Remuneration

(Rs in Million)

SI.No.	Particulars	2016-17	2015-16
(a)	<b>Chairman and Managing Director</b> Salaries and Allowances (Including value of perquisites Rs. 0.03 million (PY:Rs. 0.02 million))	2.9	2.1
(b)	<b>Functional Directors</b>		
	i) Salaries and Allowances (Including value of perquisites Rs. 0.08 million (PY:Rs. 0.14 million))	7.9	9.6
	ii) Contribution to Provident Fund	0.6	0.6

Note:

i) As regards retirement benefits, other than Provident Fund, since they have been done on a global basis no allocation could be made.

ii) Transactions such as providing Airline related services in the normal course of airline business are not included above.



iii) Transactions with AI – SATS

(Rs in Million)

No	Nature of Transactions	During the Year 2016-17	During the Year 2015-16
i)	Expenditure	2169.8	2144.6
ii)	Revenue	853.2	883.2
iii)	Balance as on 31 <sup>st</sup> March	(454.4)	(654.2)

B. Joint Venture with M/s Singapore Airport Terminal Services (SATS), Singapore

The company has entered into Joint Venture (JV) agreement with SATS, Singapore in the equity ratio of 50:50 to provide ground handling services to airlines at certain airports this was in pursuance of GOI notification on the ground handling policy.

As per the books of AI, the net balance payable to AI-SATS as on 31/03/2017 is Rs.454.4 Million(PY:Rs. 654.2 Million) and as per the books of AI-SATS the net balance receivable from AI is Rs 1575.0 million (PY: Rs 993.0 million).

The details of the share in the Joint Venture with AI-SATS is as under:

AI-SATS Airport Services Pvt Ltd.			(Rs in Million)		
S.No	Particulars	Air India Share 50%		AI-SATS	
		As on 31.3.17	As on 31.3.16	As on 31.3.17	As on 31.3.16
(A)	Assets				
(i)	Non Current Assets				
	Fixed Assets	1,153.4	999.7	2,306.8	1,999.4
	Long Term Loans & Advances	683.2	476.2	1,366.5	952.3
(ii)	Current Assets	1,342.5	1,211.8	2,684.9	2,423.5
	<b>Total</b>	<b>3,179.1</b>	2,687.7	<b>6,358.2</b>	5,375.2
(B)	Liabilities				
(i)	Non-Current Liabilities	236.4	144.2	472.8	288.3
(ii)	Current Liabilities	1,198.9	1,129.9	2,397.8	2,259.7
	<b>Total</b>	<b>1,435.3</b>	1,274.1	<b>2,870.6</b>	2,548.0



S.No	Particulars	Air India Share 50%		AI-SATS	
		As on 31.3.17	As on 31.3.16	As on 31.3.17	As on 31.3.16
(C)	Contingent Liabilities	148.9	95.6	297.7	191.1
(D)	Capital Commitments	7.0	161.0	13.9	321.9
(E)	Income	3,100.3	2,851.5	6,200.5	5,702.9
(F)	Expenses (including Provision for Taxes)	2,926.0	2,578.4	5,851.9	5,156.7

**Note : The figures pertaining to FY 2015-16 have been compiled based on Audited Accounts.**

- C. In the opinion of the Company, the agreements with various Airlines, private parties termed as “Joint Operations/Code-share Agreements” do not fall within the definition of Joint Venture as mentioned in Accounting Standard (AS-18) and (AS-27), hence are not included in above disclosures.
- D. No loans or credit transactions were outstanding with Directors or Officers of the Company or their relatives at the end of the year.
- E. The subsidiaries of the company are State Controlled enterprise as defined under AS-18 and hence transactions undertaken by the company with its subsidiaries do not fall within the definition of related party transactions.

**43. Leases:**

**A. Finance Leases**

- a) Aircraft Fleet and Equipment acquired under finance leases are treated as if they had been purchased outright. As required under AS-19, the cost of these assets taken on lease is Rs.1,82,738.0million(Previous Year: Rs. 1,83,687.3 million). The future lease obligation in respect of the leased aircraft is Rs. 74,456.5million as at March 31, 2017 (Previous Year: Rs.92,837.1 million). The Finance leases are guaranteed by the Govt. of India.

- b) Liability on account of future minimum lease rentals is as under:

(Rs in Million)

Particulars	As at 31.3.2017	As at 31.3.2016
<b>a) Outstanding balance of Minimum Lease Payments including interest thereon</b>		
i) Not later than one year and	18004.0	17997.9
ii) Later than one year and not later than five years	58551.9	73014.8
iii) Later than five years	464.4	5357.6
<b>Total</b>	<b>77020.3</b>	<b>96370.3</b>



Particulars	As at 31.3.2017	As at 31.3.2016
<b>b) Present Value of (a) above</b>		
i) Not later than one year	<b>16920.6</b>	16767.8
ii) Later than one year and not later than five years	<b>57072.8</b>	70739.8
iii) Later than five years	<b>463.1</b>	5329.5
<b>Total</b>	<b>74456.5</b>	92837.1
<b>c) Finance Charges</b>	<b>2563.8</b>	3533.2

## B. Operating Lease

- a) i) The Company has taken 31 Aircraft (21 B-787, 7 A-320 and 3 A-319) (Previous Year: 19 leased aircraft, 11 B-787, 5 A-320 & 3 A-319) aircraft on non-cancelable operating lease. Liability on account of future minimum lease rentals in respect of leases acquired after April 01, 2001. is as under:

(Rs in Millions)

No	Particulars	As at 31.3.2017	As at 31.3.2016
i)	Not later than one year	<b>11947.8</b>	11560.9
ii)	Later than one year and not later than five years	<b>46366.0</b>	46017.9
iii)	Later than five years	<b>41462.2</b>	48692.5
	<b>Total</b>	<b>99776.0</b>	106271.3

- (ii) However, in case of premature termination, the Lessee is required to pay compensation to the Lessors of the aircraft as per the terms of the agreement. However, such compensation may differ from Lessor to Lessor.
- (iii) Lease rent expenses, in respect of aircraft taken on operating lease recognized in Statement of Profit & Loss for the year under the head 'Hire of Aircraft' is Rs. 18,267.3 Million, (Previous Year: Rs. 11,738.0 Million).
- b) The Company has taken various residential/commercial premises under cancellable operating lease/rental basis, the amount of which is unascertainable.
- c) The Company has also taken Vehicles and Office Equipment on operating lease with option to purchase but title may or may not eventually be transferred. These assets are scattered at various stations and cumulatively not significant. Complete details of future obligation in this respect could not be compiled; amount thereof is not material.

**44. Subsidiary & Joint Venture Companies**

- a) The Subsidiaries (except AIATSL) of the company are having accumulated losses and net-worth of these companies has eroded as on 31/03/2017. However, in view of the ongoing Turnaround Plan/restructuring in place, in the opinion of the management, the diminution in the value of investment in Subsidiary Cos has not been considered as permanent.

Further, in the light of the Government's in-principle approval for the Disinvestment of Air India Ltd along-with its Subsidiary Cos, all these Subsidiary Cos are intended to be disinvested as Going Concerns.

- b) The reconciliation/confirmation with the Subsidiary Cos and JV as on 31<sup>st</sup> March 2017 is given hereunder:

(Rupees in Million)

S.No	Name of Subsidiary/JV	Balance (Payable)/ Receivable as per Air India Ltd as on 31.3.17	Balance (Payable)/ Receivable as per Subsidiary/ JV as on 31.3.17	Difference as on 31.3.17
1	Air India Express Ltd (AIEL) (Formerly known as AICL)	6467.8	(6467.8)	Nil
2	Airline Allied Services Ltd (AASL)	13879.3	(13517.5)	361.8
3	Hotel Corporation of India Ltd (HCI)	1724.6	(1551.1)	173.5
4	Air India Air Transport Services Ltd (AIATSL)	(1158.0)	1222.9	64.9
5	Air India Engineering Services Ltd (AIESL)	5811.0	(5817.9)	(6.9)
6	AI- SATS Ltd	(454.4)	1575.0	1120.6

Note: The above differences includes Rs 678.9 million towards claims raised by Air India on Subsidiary Cos and claims of Rs 1035.0million raised on Air India by Subsidiary Cos which have not been accepted by each other.

- c) In view of continuity of the operations of these Subsidiary Companies, the total advances outstanding as stated above are, in the opinion of the management, considered good and realizable in the normal course of business.
- d) The company under Financial Restructuring Plan (FRP) can borrow to meet its working capital requirements only. However, on account of debts due from Subsidiary Companies, the company has been forced to borrow additional amount resulting in higher interest cost to the company. Hence, the interest paid by the company on its working capital loans is charged to the Subsidiary Companies except AIESL in proportion to the outstanding balances recoverable from the Subsidiaries. Accordingly, during the year the company has debited to the Subsidiary Companies with an amount of Rs 2,277.0 million (Previous Year: Rs 2,261.4million) by crediting Other Revenue of the Company.



**45. Payments to and Provisions for Employees:**

- a) Liability for wage arrears includes Rs.2106.4 million (Net), (Previous Year: Rs. 2,622.0 Million Net) arrived on ad-hoc basis towards wage settlement up to period 31<sup>st</sup> December 2006 pending finalization of actual liability.
- b) In view of Department of Public Enterprises (DPE) guidelines applicable to PSUs no wage revision can be granted to the employees of loss-making PSUs. The Company has been making losses since 1st January 2007 hence no provision has been made towards wage revision/settlement.

**46. Employee Benefits**

**(A) General description of Defined Benefit Plan**

- a) **Gratuity:** Gratuity is payable to all eligible employees of the Company on superannuation, death, or permanent disablement, in terms of the provisions of the Payment of Gratuity Act.
- b) **Privilege Leave Encashment:** Privilege Leave Encashment is payable to all eligible employees at the time of retirement upto a maximum of 300 days.
- c) **Sick Leave Encashment:** Sick Leave encashment is payable to all eligible employees at the time of retirement upto a maximum of 120 days subject to the condition that the employee should have at least 60 days of Sick Leave to his credit. However, the company had decided to freeze the encashment of sick leave standing to the credit of all existing employees as on 01.07.2012. Accordingly, provision for sick leave has also been computed at these frozen sick leave numbers.

**(B) Defined Contribution Plan**

**Employees Provident Fund:** The Company has Employees Provident Fund Trusts under the Provident Fund Act 1925, which governs the Provident Fund Plans for eligible employees. The Company as well as the employees contributes 10% of the PF Pay to the Fund out of which Provident Fund is paid to the employees.

**(C) Defined Benefit Plans – Gratuity & Post-Retirement Medical Benefits (Unfunded)**

Disclosure as per AS-15:-

Particulars	(Rs in Million)				
	Gratuity				
	As at 31.03.17	As at 31.03.16	As at 31.03.15	As at 31.03.14	As at 31.03.13
<b>(a) Table for Change in Benefit Obligation:</b>					
Liability at the beginning of the year	6190.6	6911.6	9456.1	-	-
<u>Less:</u> Liability transferred to AIESL/AIATSL	-	-	2316.8	-	-
Net Liability at the beginning of the year	6190.6	6911.6	7139.3	9631.3	8545.1
Interest Cost	468.0	547.4	857.7	770.5	714.3
Current service cost	110.6	219.3	299.2	335.4	329.4
Past Service Cost (Vested Benefit)	-	-	-	-	-
Benefit paid	(797.4)	(1147.3)	(836.8)	(1084.8)	(1089.6)
Actuarial (gain)/loss on obligations	234.6	(340.4)	(547.8)	(196.3)	1132.1
<b>Liability at the end of the year</b>	<b>6206.4</b>	<b>6190.6</b>	<b>6911.6</b>	<b>9456.1</b>	<b>9631.3</b>



Particulars	As at 31.03.17	As at 31.03.16	As at 31.03.15	As at 31.03.14	As at 31.03.13
<b>(b) Table for Fair Value of Plan Assets:</b>					
Value of Plan Assets at beginning of the year	-	-	-	-	-
- Expected return on Plan Assets	-	-	-	-	-
- Contributions	797.4	1147.3	836.8	1084.8	1089.6
Benefit paid	(797.4)	(1147.3)	(836.8)	(1084.8)	(1089.6)
Actuarial (gain)/loss on Plan Assets	-	-	-	-	-
Fair value of Plan Assets at the end of the year	-	-	-	-	-
<b>Total Actuarial Gain/(Loss) on Plan Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>(c) Table of Recognition of Actuarial Gains/Losses:</b>					
Actuarial (Gains)/Losses on obligation for the period	234.6	(340.4)	(547.8)	(196.3)	1132.1
Actuarial (Gains)/Losses on asset for the period	-	-	-	-	-
<b>Actuarial (Gains)/Losses recognized in P&amp;L A/c</b>	<b>234.6</b>	<b>(340.4)</b>	<b>(547.8)</b>	<b>(196.3)</b>	<b>1132.1</b>
<b>(d) Amount Recognized in the Balance Sheet:</b>					
Liability at the end of the year	6206.4	6190.6	6911.6	9456.1	9631.3
Fair value of Plan Assets at the end of the year	-	-	-	-	-
<b>Amount Recognized in the Balance Sheet</b>	<b>6206.4</b>	<b>6190.6</b>	<b>6911.6</b>	<b>9456.1</b>	<b>9631.3</b>
<b>(e) Expense recognized in the P &amp; L Account:</b>					
Current service cost	110.6	219.3	299.2	335.4	329.4
Interest cost	468.0	547.4	857.7	770.5	714.3
Expected return on Plan Assets	-	-	-	-	-
Net actuarial (gain)/loss to be recognized	234.6	(340.4)	(547.8)	(196.3)	1132.1
Past Service Cost (Vested Benefit)	0.0	0.0	0.0	-	-
<b>Expense recognized in the P &amp; L Account</b>	<b>813.2</b>	<b>426.3</b>	<b>609.1</b>	<b>909.6</b>	<b>2175.8</b>
<b>(f) Balance Sheet Reconciliation:</b>					
Opening Net Liability	6190.6	6911.6	7139.3	9631.3	8545.1
Expense as above	813.2	426.3	609.1	909.6	2175.8
Benefit Paid	(797.4)	(1147.3)	(836.8)	(1084.8)	(1089.6)
<b>Net Liability/(Asset) Recognized in P&amp;L A/c</b>	<b>6206.4</b>	<b>6190.6</b>	<b>6911.6</b>	<b>9456.1</b>	<b>9631.3</b>
<b>(g) Actuarial Assumptions for the year:</b>					
Discount Rate	6.82%	7.56%	9.07%	9.29%	8.00%
Salary Escalation Rate	5.50%	5.50%	5.50%	5.50%	5.50%
Medical Cost Inflation Rate					
Attrition Rate	2.00%	2.00%	2.00%	2.00%	2.00%



(Rs in Million)

Particulars	Post Retirement Medical Benefits				
	As at 31.03.17	As at 31.03.16	As at 31.03.15	As at 31.03.14	As at 31.03.13
<b>(a) Table for Change in Benefit Obligation:</b>					
Liability at the beginning of the year	2926.9	2578.4	2078.0	-	-
<u>Less:</u> Liability transferred to AIESL/AIATSL	-	0.0	0.0	-	-
Net Liability at the beginning of the year	2926.9	2578.4	2078.0	1795.0	1611.1
Interest Cost	500.0	350.0	500.4	143.6	132.9
Current service cost	0	0	0	552.6	490.1
Past Service Cost (Vested Benefit)	0.0	0.0	0.0	0.0	0.0
Benefit paid	-	(1.5)	0.0	(434.9)	(356.4)
Actuarial (gain)/loss on obligations	-	0.0	0.0	21.7	(82.7)
<b>Liability at the end of the year</b>	<b>3426.9</b>	<b>2926.9</b>	<b>2578.4</b>	<b>2078.0</b>	<b>1795.0</b>
<b>(b) Table for Fair Value of Plan Assets:</b>					
Value of Plan Assets at beginning of the year	-	-	-	-	-
Expected return on Plan Asset	-	-	-	-	-
Contributions	0.0	1.5	0.0	434.9	356.4
Benefit paid	0.0	(1.5)	0.0	(434.9)	(356.4)
Actuarial (gain)/loss on Plan Assets	-	-	-	-	-
Fair value of Plan Assets at the end of the year	-	-	-	-	-
<b>Total Actuarial Gain/(Loss) on Plan Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Actuarial (Gains)/Losses on obligation for the period	0.0	0.0	0.0	21.7	(82.7)
Actuarial (Gains)/Losses on asset for the period	-	-	-	-	-
<b>Actuarial (Gains)/Losses recognized in P&amp;L A/c</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>21.7</b>	<b>(82.7)</b>
<b>(d) Amount Recognized in the Balance Sheet:</b>					
Liability at the end of the year	2926.9	-	2578.4	2078.0	1795.0
Fair value of Plan Assets at the end of the year	-	-	-	-	-
<b>Amount Recognized in the Balance Sheet</b>	<b>2926.9</b>	<b>0.0</b>	<b>2578.4</b>	<b>2078.0</b>	<b>1795.0</b>
<b>(e) Expense recognized in the P &amp; L Account:</b>					
Current service cost	0	0	0	552.6	490.1
Interest cost	500.0	350.0	500.4	143.6	132.9
Expected return on Plan Assets	-	-	-	-	-
Net actuarial (gain)/loss to be recognized	0.0	0.0	0.0	21.7	(82.7)
Past Service Cost (Vested Benefit)	0.0	0.0	0.0	0.0	0.0
<b>Expense recognized in the P &amp; L Account</b>	<b>500.0</b>	<b>350.0</b>	<b>500.4</b>	<b>717.9</b>	<b>540.3</b>



Particulars	As at 31.03.17	As at 31.03.16	As at 31.03.15	As at 31.03.14	As at 31.03.13
<b>(f) Balance Sheet Reconciliation:</b>					
Opening Net Liability	2926.9	2578.4	2078.0	1795.0	1611.1
Expense as above	500.0	350.0	500.4	717.9	540.3
Benefit Paid	0.0	(1.5)	0.0	(434.9)	(356.4)
<b>Net Liability/(Asset) Recognized in P&amp;L A/c</b>	<b>3426.9</b>	<b>2926.9</b>	<b>2578.4</b>	<b>2078.0</b>	<b>1795.0</b>
<b>(g) Actuarial Assumptions for the year:</b>					
Discount Rate	-	-	-	9.26%	8.00%
Salary Escalation Rate	-	-	-	5.50%	5.50%
Medical Cost Inflation Rate	-	-	-	2.00%	2.00%
Attrition Rate	-	-	-		

(D) In the absence of statistics of required beneficiaries for Post Retirement Medical Benefits (after amendment of the scheme i.e. for enhanced Contribution for Medical Benefits) the company has decided to make an adhoc provision during the year of Rs.500.0 million (PY: Rs.350.0 million) till:

- (i) adequate statistics of required beneficiaries are collected;
- (ii) the actuarial valuation is done in due course, and
- (iii) the effect of the transfer of the employees to Subsidiary Companies is established.

#### 47. Deferred Tax Assets

In terms of the Turnaround Plan of the Company, the Govt. of India has so far infused Equity Capital amounting to Rs.247,452.1million up till 31.03.2017 and a further amount of Rs.18,000.0 million has been infused during FY 2017-18. There has been a substantial improvement in the performance of the Company. AI achieved EBITDA positive status from FY 2012-13 onwards and is expected to be Cash Positive in 2018-19 & PAT Positive in 2021-22. In view of the foregoing, the company is hopeful of adjusting the Net Deferred Tax Assets against future taxable profits. Further, the Deferred Tax Assets have been created against carry forward Depreciation/Business Losses which are available to the Company as per the provisions of the Income Tax Act.

Hence, during the year the Company has recognized Deferred Tax Asset only to the extent of additional Deferred Tax Liability required to be recognized as shown below:

(Rs in Million)

S.No	Particulars	Recognized in Accounts as on 31.3.16	DTA/DTL Recognized in 2016-17	Total DTA as on 31.3.17
<b>(A)</b>	<b>Deferred Tax Liability</b>			
(i)	Related to Fixed Assets	49732.9	17189.8	66922.7
(ii)	Related to FCMI Account	1145.3	(419.4)	725.9
	<b>Sub-Total (A)</b>	<b>50878.2</b>	<b>16770.4</b>	<b>67648.6</b>



S.No	Particulars	Recognized in Accounts as on 31.3.16	DTA/DTL Recognized in 2016-17	Total DTA as on 31.3.17
<b>(B)</b>	<b>Deferred Tax Assets</b>			
(i)	Unabsorbed Depreciation, Business Losses & Other Disallowances under IT Act.	79303.4	16770.4	96073.8
	<b>Sub-Total (B)</b>	<b>79303.4</b>	<b>16770.4</b>	<b>96073.8</b>
	<b>Deferred Tax Asset/(Liability) Net</b>	<b>28425.2</b>	<b>0.0</b>	<b>28425.2</b>

#### 48. Earnings Per Share

(Rupees in Million)

Particulars	As at 31.3.2017	As at 31.3.2016
Profit/(Loss) After Tax & Extra-Ordinary Items	(57,651.7)	(38,367.8)
<u>Less:</u> Extra-Ordinary Items	8,472.3	857.9
Profit/(Loss) After Tax & Before Extra-Ordinary Items	(49,179.4)	(37,510.0)
Weighted Average No. of Equity Shares	21,640,027,397	17,213,490,411
EPS Basic & Diluted		
a) Before Extra-Ordinary Items (Rs per Share)	(2.27)	(2.18)
b) After Extra-Ordinary Items (Rs per Share)	(2.66)	(2.23)

#### 49. The Micro and Small Enterprises Development Act

The SAP system has a field, minority indicator in Vendor Master, which is updated to identify the vendor as SSI. The system is being enhanced to capture more details of SSI Vendors, such as certificate no., issuing agency, validity, etc. However payments to such undertakings covered under the Micro, Small and Medium Enterprises Development Act (to the extent identified) have been made within the prescribed time limit/date agreed upon with the supplier and hence, no interest is payable on delayed payments. In other cases, necessary compliance/disclosure will be ensured in due course.

#### 50. Remuneration to Auditors

The details of the audit fees and expenses of the Auditors:-



(Rupees in Million)

Particulars	2016-17	2015-16
Audit Fees -For the Year	10.5	9.0
Audit Fees -For Earlier Year	-	1.5
Out of Pocket Expenses (*)	1.6	1.4
<b>Total</b>	<b>12.1</b>	<b>11.9</b>

\*Accounted on Payment Basis

## 51. Going Concern

On account of the support of GOI as well as the implementation of TAP/FRP various measures have been taken by the Company towards improving its operating and financial position. It is expected that the financial condition of the company would continue to improve in the future. During FY 2016-17, GOI has infused Equity to the tune of Rs.24,652.1 million. Thus, total Equity Infusion under FRP as on 31st March 2017 aggregated to Rs.2,47,452.1 million.

The company has shown an allround improvement in the operational/financial performance such as improvement in the seat factor, pax carriages, aircraft utilization etc. Barring unforeseen circumstances the Company hopes to return to Cash Positive status earlier than contemplated under the TAP. The Accounts are therefore being prepared on the 'Going Concern' basis.

Further, the Govt has given an in-principle approval for the Disinvestment of Air India Ltd and its Subsidiary Cos. Transaction Advisor, Legal Advisor and Assets Valuer for the same have been appointed who will be guiding the Govt through the process of Disinvestment. Accordingly, the company as well as its Subsidiary Cos shall be disinvested as Going Concern entities.

## 52. Additional Information as per the Disclosure Requirements of Part 5 Schedule III to the Companies Act 2013.

(Rs in Million)

S.No	Particulars	2016-17	2015-16
(a)	<b>Value of imports calculated on C.I.F basis by the company during the financial year in respect of—</b>		
i)	Raw Materials	Nil	Nil
ii)	Components & Spare Parts	9794.2	15701.9
iii)	Capital Goods	20499.5	15307.0
	<u>Note:</u> The value of imports calculated on CIF basis is not available, we have taken cost of imports excluding Customs Duty, Freight & Insurance.		



S.No	Particulars	2016-17	2015-16
<b>(b)</b>	<b>Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;</b>		
i)	Royalty	Nil	Nil
ii)	Know How	Nil	Nil
iii)	Professional & Consultation	Nil	Nil
iv)	Interest	5732.2	5346.2
v)	Other Matters	167635.9	98919.2
<b>(c)</b>	<b>Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;</b>		
i)	Imported Raw Material, Spare Parts & Components	7144.1 (90%)	5185.1 (90%)
ii)	Indigenous Raw Materials, Spare Parts & Components	793.8 (10%)	576.1 (10%)
<b>(d)</b>	<b>Earnings in Foreign Exchange classified under the following heads</b>		
i)	Export of goods calculated on F.O.B. basis;	Nil	Nil
ii)	Royalty, know-how, professional and Consultation Fees	Nil	Nil
iii)	Interest and Dividend	196.3	161.7
iv)	Other income, indicating the nature thereof	167734.0	98221.7
	<u>Note:</u> The above information has been compiled by the company and relied upon by the auditors.		



53. Details of Cash Transactions during the period from 8th November, 2016 to 30th December, 2016 is as given below.

(Rupees in Million)

Particulars	Specified Bank Notes (SBN)	Other Denomination Notes	Total
<b>Closing Cash in hand as on 08.11.2016</b>	<b>8.3</b>	<b>4.3</b>	<b>12.6</b>
(+) Add: Withdrawal from Bank accounts	-	36.2	36.2
(+) Receipts from Permitted Transactions	344.4	117.1	461.5
(+) Receipts from Non-permitted Transactions	-	-	-
(-) Payment for Permitted Transactions	-	15.9	15.9
(-) Payment for Non-permitted Transactions	-	-	-
(-) Amount deposited in banks	352.6	137.9	490.5
<b>Closing cash in hand as on 30.12.2016</b>	<b>0.1</b>	<b>3.8</b>	<b>3.9</b>

54. Previous Year figures have been re-grouped/re-arranged wherever considered necessary.

Signatures to the Schedules forming part of the Balance Sheet and Statement of Profit and Loss and to the above notes.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co.**  
Chartered Accountants  
FRN : 000038N

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
FRN : 109262W

For and on Behalf of  
**Varma and Varma**  
Chartered Accountants  
FRN : 004532S

For and on behalf of the Board  
Sd/-  
**(Pardeep Singh Kharola)**  
Chairman & Managing Director

Sd/-  
**(V. Rajaraman)**  
Partner  
M.No. 02705

Sd/-  
**(Sitaram Pareek)**  
Partner  
M.No. 016617

Sd/-  
**(P. R. Prasanna Varma)**  
Partner  
M.No. 025854

Sd/-  
**(V.S. Hejmadi)**  
Director-Finance

Sd/-  
**(Kalpana Rao)**  
Company Secretary

Place : New Delhi  
Date : 29 December 2017



**CONSOLIDATED  
FINANCIAL STATEMENT  
OF AIR INDIA GROUP**



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) READ WITH SECTION 129 (4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AIR INDIA LIMITED FOR THE YEAR ENDED 31 MARCH 2017**

The preparation of consolidated financial statements of Air India Limited for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) read with section 129 (4) of the Act are responsible for expressing opinion on the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 December 2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) read with section 129(4) of the Act of the consolidated financial statements of Air India Limited for the year ended 31 March 2017. We conducted a supplementary audit of the financial statements of (Air India Limited, Air India Express Limited, Hotel Corporation of India Limited, Air India Engineering Services Limited, Air India Air Transport Services Limited, Airline Allied Services Limited), but did not conduct supplementary audit of the financial statements of (Nil) for the year ended on that date. Further, section 139(5) and 143 (6) (b) of the Act are not applicable to (Air India SATS Airport Services Private Limited) being private entity (incorporated in Foreign country) under the respective laws, for appointment of their Statutory Auditor nor for conduct of supplementary audit. Accordingly, C&AG has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

**COMMENTS ON PROFITABILITY**

**Revenue**

**Other Income: ₹ 3180.7 million (Note 16)**

Air India Limited, has debited a sum of ₹ 1364.10 million as interest towards the delayed payment by AASL. Since AASL is incurring losses since inception and has a negative net worth, recognition of interest as income in the book of accounts is not in line with requirement of provisions of AS-9. Recognizing the interest receivable from a loss making subsidiary with negative networth resulted in understatement of losses and overstatement of other income by ₹ 1364.10 million.

**Finance Cost (Note No. 19):**

**Other Borrowing Costs ₹ 3009.9 million**

The above includes an amount of ₹ 249.9 million charged by AIATSL towards interest on outstanding dues from AIL for the year 2014-15 and 2015-16. As the amount pertains to previous years the same should have been charged to Prior Period Expenses. Inclusion of the amount in Financial charges has resulted in an Understatement of Prior Period Expenses and Overstatement of Finance Cost to that extent.



## COMMENTS ON FINANCIAL POSITION

### Fixed Assets (Note 8)

#### Other Fixed Assets

#### Object D' Art ₹ Nil

Air India is in possession of precious paintings, wooden carvings, bronzes, textiles, pichhwaies, kalmkaries, murals, clocks, books, photographs, prints, water colour paintings, glass paintings and embroidered textiles etc.. Till Financial Year 2015-16, these items were grouped under furniture and fixtures. During F.Y. 2016-17 the Company regrouped these items under Other Fixed Assets, with a separate nomenclature "Object D Art" and disclosed it in the Financial Statement at Nil Value as on 31st March 2017. Management intimated that pending stock taking and valuation of these items, they are shown at NIL value. However, for disclosing these items at Nil value, has not been disclosed in the notes forming part of accounts thus the note to the Accounts are deficient to that extent.

### Non Current Investment (Note 9):- ₹16717.7 million

Accounting Standard-13 "Accounting of Investments" states that provision for diminution shall be made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Further, where there is a decline, other than temporary, in the carrying amounts of long term investments, the resultant reduction in the carrying amount is charged to the profit and loss statement." However it was observed that:

- i. The Company has made an investment of ₹ 4022.5 million in equity capital of Airline Allied Services Ltd. (AASL). As on 31<sup>st</sup> March 2017 the company has incurred losses ₹ 2827.2 million with negative net worth of ₹13440 million However, the Company has not provided for the diminution in the value of investment as required under AS-13. Non-provision of the same has resulted in understatement of provision as well loss for the year by ₹ 4022.5 million.
- ii. The Company has made an investment of ₹1666.7 million in equity capital of Airline India Engineering Services Ltd. (AIESL). The accumulated losses of the company as on 31.03.2017 was of ₹13060 million against the share capital of ₹1666.7 million, infused by the company. The company has not recognised any diminution in the value of the investment in equity capital of AIESL. This has resulted in understatement of provision and loss for the year by ₹1666.7 million.

### Deferred tax Assets (Note 47): ₹ 28572.7 million.

Accounting Standard-22 which states that the deferred tax should be recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets which should be recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The company had recognized an amount of ₹ 28572.7 million as Deferred Tax Assets during the years 2007-08 and 2008-09 in its books of accounts. Though, the company has not recognized the available Deferred Tax Assets with effect from FY 2009-10, Deferred Tax Assets carried forward from the years 2007-08 and 2008-09 has not been written off by the Company.

Accordingly, carrying forward such deferred tax assets has resulted in overstatement of deferred tax assets and understatement of losses by ₹ 28572.7 million.

**Current Assets****Inventories (Note No. 13): ₹ 15097.6 million**

- (i) As per significant accounting policy on Inventories (Note 1(B) (4) (ii)), "Expendables/consumables are charged off at the time of initial issue except those meant for repairs of repairable items which are expensed when the work order is closed on the completion of repair work.

The Company has not provided for an amount of ₹ 324.37 million towards expendable issued for work orders which have already completed. Non-provision for the expendables issued has resulted in understatement of Loss for the year by ₹ 324.37 million and overstatement of Inventories by the same amount.

- (ii) In absence of item wise details supporting the Inventory balances (appearing in respective GL), grouped in Inventory amounting to ₹12723.31 million, could not be vouched safe.

**COMMENTS ON SIGNIFICANT ACCOUNTING POLICIES****Fixed Assets Para (a)(I) (b)**

- (i) As per above Note, Rotables/Repairables are shown as Fixed Assets. However it is observed that Repairables have also been treated as Inventory as on 31 March 2017 which is not in line with the Accounting Policies of the Company.

**Inventories Para (I)**

- (ii) As per this Note, Inventories are valued at weighted average cost. However, as per AS-2, Inventories should be valued at cost or net realizable value whichever is lower. Hence, Inventory policy is in contravention to AS-2.

**OTHER COMMENTS****Note No. 44 B (a).  
Operating Lease**

A reference is invited to Note No. 44, B, (a) (i) stating that the Group has acquired 49 aircraft on non-cancelable operating lease. Out of this 31 have been acquired by Air India Ltd. As per contractual obligation, the Company has to redeliver the aircraft to the lessor at the end of the lease term, in stipulated technical condition. This would entail cost for technical inspection, maintenance checks, repainting cost etc. prior to its redelivery. Since a reliable estimate of, of the cost to be incurred for these works may not be possible, the liability for the redelivery cost of 31 aircraft acquired by Air India Ltd. on non-cancelable operating lease should have been disclosed as Contingent liabilities.

**Note No.-50  
Going Concern**

A reference is invited to note number 50 of notes forming part of accounts wherein it has been stated that "*the AI and its Group Companies have shown an all-round improvement in the operational/ financial performance such as improvement in the seat factor, pax carriages, aircraft utilization etc., Barring unforeseen circumstances AI and its Group Companies hope to return to Cash Positive Status earlier than contemplated under the TAP*".



Under Turnaround Plan (TAP)/ Financial Restructuring Plan (FRP), the company was expected to earn positive earnings before Interest Taxes Depreciation and Amortization (EBITDA) from the financial year 2012-13 and cash surplus from financial year 2017-18. However, as per the latest Proposed Financials under Financial Restructuring Plan, the company is now likely to become Cash Positive from FY 2018-19 onwards. Therefore, the disclosure that “Barring unforeseen circumstances the company hopes to return to Cash Positive Status earlier than contemplated under the TAP” is incorrect to that extent.

#### **Note No. 51-Accounting Policies of the Holding Company and the subsidiary Companies**

As per Para number 20 and 21 of the AS-21, Consolidated Financial Statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the CFS, for like transactions and events in similar circumstances, appropriate adjustments are made to its Financial Statements when they are used in preparing the CFS.

With this background a reference is invited to note number 51 of CFS wherein it is disclosed that *“As against the Holding Company’s Policy of adopting the life of the aircraft as 25 years from Financial Year 2016-17 onwards, AIEL has provided depreciation on aircraft by adopting a life of 20 years for each aircraft. However, the impact of this is not material.*

The disclosure in the CFS is not line with the requirement of AS-21.

#### **Note No. 55 – Additional Information as required under Schedule III of the Companies Act 2013.**

As per Note No. 55 of the Consolidated Financial Statements the amount of consolidated loss, is given as ₹ 62441.15 million. Whereas the CFS Loss figure indicated in the schedule of Reserve and Surplus (Note 3 of the Consolidated Financial Statements) is ₹ 62885.2 million amount of loss. Therefore the difference between the data mentioned in the Note 55 and consolidated loss mentioned in CFS Reserves & Surplus works out to ₹ 444.05 million as against the difference of ₹1905.3 million as stated in the statement under note no. 55. Therefore, the note is incorrect to that extent.

#### **Non-reconciliation of Migration control accounts**

- (I) Migration Control Account created during transfer of data from Legacy System to SAP-ERP System are still in existence without the total balance in these accounts reduced to zero.

<b>Name of Migration Control A/c</b>	<b>Amount (₹ in million)</b>
MM	773.2
AP	47425.4
AR Migration Control A/c	45658.9
FA Migration Control A/c	346619.4
GL	254308.2

Though the net effect is zero, each account migration control account has not been reconciled and nullified.



- (ii) 18404 Assets, including 89 assets comprising of Land and Buildings, existing in the SAP-ERP system of the Company are displayed at zero Acquisition value. Out of these 18404 assets, 781 assets were procured during the current financial year 2016-17. The reflection of these 89 assets comprising Land and Buildings at zero value. This is not in line with the requirements of Accounting Standard 10, according to which the gross book value of a fixed asset should be either historical cost or a revaluation amount computed in accordance with the standard.

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

Sd/-  
**Tanuja Mittal**  
**Principal Director of Commercial Audit &**  
**ex-officio Member Audit Board-II, Mumbai**

Date : 7 March 2018  
Place: Mumbai



**Management Replies to the comments of the Comptroller and Auditor General of India under section 143(6)(b) of the Companies Act, 2013 on the Consolidated Financial Statements of Air India Limited for the year ended 31<sup>st</sup> March 2017**

CAG Observation	Management Comments
<p><b>COMMENTS ON PROFITABILITY</b></p> <p><b>Revenue</b> <b>Other Income: Rs 3180.7 million (Note 16)</b></p> <p>Air India Limited, has debited a sum of Rs 1364.10 million as interest towards the delayed payment by AASL. Since AASL is incurring losses since inception and has a negative net worth, recognition of interest as income in the book of accounts is not in line with requirement of provisions of AS-9. Recognizing the interest receivable from a loss making subsidiary with negative networth resulted in understatement of losses and overstatement of other income by Rs 1364.10 million.</p>	<p>Air India (AI) is under FRP, and hence can borrow to meet its own working capital requirements only. However, Air India has provided funds to its subsidiary companies against their working capital requirements and hence was forced to borrow more amounts than the amount required for its own Working Capital resulting in additional interest costs.</p> <p>AASL would have to necessarily borrow funds for conducting their own business and hence would have incurred interest expense. In this case AI has provided funds to meet their requirements.</p> <p>Therefore, it was decided by AI to apportion and recover the interest to the extent of amount disbursed to Subsidiary Co for their funds requirements from FY 2013-14 onwards.</p> <p>Accordingly, during the year the company has debited an amount of Rs.1364.1 million to AASL towards the reimbursement/sharing of the interest cost on the outstanding dues receivable from them as on 31 March.2017.</p> <p>As per AS-9, recognition of revenue should be postponed when there is no reasonable certainty of ultimate collection. AASL is under FRP approved by GOI and is expected to turnaround in the near future as indicated in the succeeding paragraph. Hence, the company does not anticipate any uncertainty in recovery of interest charged and the recognition of interest income is thus in line with AS-9. Accordingly, AS-9 has been complied with, as there is certainty of recoverability of the amount from AASL.</p> <p>Therefore, neither the loss has been understated nor the Income has been overstated.</p>



CAG Observation	Management Comments
<p><b>Finance Cost (Note No. 19): Other Borrowing Costs Rs. 3009.9 million</b></p> <p>The above includes an amount of Rs249.9 million charged by AIATSL towards interest on outstanding dues from AIL for the year 2014-15 and 2015-16. As the amount pertains to previous years the same should have been charged to Prior Period Expenses. Inclusion of the amount in Financial charges has resulted in an Understatement of Prior Period Expenses and Overstatement of Finance Cost to that extent.</p>	<p>Following the same principle as stated above, AIATSL had charged interest on the outstanding dues payable by AI to AIATSL which has been shown under "Finance Costs".</p> <p>The amount involved is not material and it is only a matter of classification of Account Head and hence the inclusion of the interest amount under Finance Costs instead of Prior Period Expenses does not have any impact on the profit of the year.</p>
<p><b>COMMENTS ON FINANCIAL POSITION</b></p>	
<p><b>Fixed Assets (Note 8) Other Fixed Assets Object D Art Rs Nil</b></p> <p>Air India is in possession of precious paintings, wooden carvings, bronzes, textiles, pichhwaies, kalmkaries, murals, clocks, books, photographs, prints, water colour paintings, glass paintings and embroidered textiles etc..Till Financial Year 2015-16, these items were grouped under furniture and fixtures. During F.Y. 2016-17 the Company regrouped these items under Other Fixed Assets, with a separate nomenclature "Object D Art" and disclosed in the Financial Statement at Nil Value as on 31st March 2017. Management intimated that pending stock taking and valuation of these items, they are shown at NIL value. However, for disclosing these items at Nil value, this has not been disclosed in the notes forming part of accounts thus the note to the Accounts are deficient to that extent.</p>	<p>As regards Object D'Art, it may be stated that AI is in possession of precious paintings, wooden carvings, bronzes, textiles, kalamkaries, murals, etc., and most of them are received as gifts in earlier years and have not been valued.</p> <p>The items so received have been accounted for in the books of accounts at historical cost. Accordingly, the gross book value of the same amounting to Rs.0.6 million has been shown in the books of accounts in the Fixed Assets Schedule of the Financial Statements as a separate line item.</p> <p>As per assurance given to the Govt Audit at the time of finalization of previous year accounts, the Object D'Art have been shown separately in Fixed Assets schedule of FY 2016-17 with Gross block value Rs 0.6 million and Accumulated depreciation of Rs 0.6 million.</p> <p>Since the same has been shown as a separate line item in the Financial Statements there is no need to repeat the same in the Notes to Accounts. Further, the Accounting Policy for fixed assets of Air India clearly states that these assets are carried in the books at historical cost, which in this case is Rs.0.6 million.</p>



CAG Observation	Management Comments
	As all adequate disclosures mandated by Accounting Standards and Companies Act have been made, separate Note is not required to be given.
<p><b>Non Current Investment (Note 9):-Rs 16717.7 million</b></p> <p>Accounting Standard-13 “Accounting of Investments” states that provision for diminution shall be made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Further, where there is a decline, other than temporary, in the carrying amounts of long term investments, the resultant reduction in the carrying amount is charged to the profit and loss statement.” However it was observed that:</p>	
<p>i. The Company has made an investment of Rs4022.5 million in equity capital of Airline Allied Services Ltd. (AASL). As on 31<sup>st</sup> March 2017 the company has incurred losses Rs2827.2 million with negative net worth of Rs13440 million. However, the Company has not provided for the diminution in the value of investment as required under AS-13. Non-provision of the same has resulted in understatement of provision as well loss for the year by Rs 4022.5 million.</p>	<p>AASL is a regional connectivity carrier and has been inducting in a phased manner additional ATR 72 aircraft on lease for 12 year term with a view to provide connectivity to un-served and underserved airports as per the Govt. of India UDAN scheme. Accordingly, a number of new aircraft have been inducted during 2016-17 taking the total fleet of aircraft of AASL to 16 as at the end of February 2018.</p> <p>AASL revenues have been increasing (37% increase in 2016-17 over 2015-16) and the entity is expected to perform better in coming years with potential target of self-sustainability through such regional network routes in addition to providing feeder support to AI network all over the world. Hence, the decline in the Net Worth is likely to be temporary .</p> <p>As per TAP, the Company is expected to Break Even/ post Cash Profit in the near future. Hence, the diminution in value of investment is not considered permanent at this stage as disclosed in the Notes to Accounts.</p> <p>It may also be noted that the investment in AASL is expected to realize a higher value than the investment in Equity capital of the airline. Hence, there is no reason to conclude that the investment of AI in AASL is considered as depleted .</p> <p>Hence, there is no understatement of provision or loss for the year.</p>



CAG Observation	Management Comments
<p>ii. The Company has made an investment of Rs1666.7million in equity capital of Airline India Engineering Services Ltd. (AIESL). The accumulated losses of the company as on 31.03.2017 was of Rs13060 million against the share capital of Rs1666.7 million, infused by the company. The company has not recognised any diminution in the value of the investment in equity capital of AIESL. This has resulted in understatement of provision and loss for the year by Rs 1666.7 million.</p>	<p>AIESL is in the field of MRO business support and is still under gestation period and expected to generate revenues from the captive growing market of several airline operators within India in addition to AI especially once its MRO infrastructure at Nagpur becomes fully functional.</p> <p>In the coming years, AIESL is expected to get additional business resulting in expected improvements in financials. Hence, the decline in the Net Worth is likely to be temporary.</p> <p>AIESL has been operationlised with effect from Jan 2015 only and being a highly capital intensive industry it takes long gestation period to become profitable. As per TAP, the Company is expected to Break Even/ post Cash Profit in the near future. Hence, the diminution in value of investment is not considered permanent at this stage as disclosed in the Notes to Accounts.</p> <p>It may also be noted that the investment in AIESL is expected to realize a higher value than the investment in equity capital of AIESL. Hence, there is no reason to conclude that the investment of AI in AIESL is considered as depleted.</p> <p>Hence, there is no understatement of provision or loss for the year.</p>
<p><b>Deferred tax Assets (Note 47): Rs 28572.7 million.</b></p> <p>Accounting Standard-22 which states that the deferred tax should be recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets which should be recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.</p> <p>The company had recognized an amount of Rs 28572.7 million as Deferred Tax Assets during the years 2007-08 and 2008-09 in its books of accounts. Though, the company has not recognized the available Deferred Tax Assets with effect from FY 2009-10, Deferred Tax Assets carried forward from the years 2007-08 and 2008-09 has not been written off by the Company.</p>	<p>In this regard the following is stated:</p> <ul style="list-style-type: none"> <li>• The company had in terms of AS-22 recognized Deferred Tax Assets on Depreciation loss to the tune of Rs 28425.2 million during the years 2007-08 and 2008-09 in its books of accounts.</li> <li>• Depreciation loss can be recognized for DTA in case of reasonable certainty in its utilization.</li> <li>• From FY 2009-10 onwards, no further asset has been recognized as a matter of prudence. Hence, the Net Deferred Tax Assets remain at Rs 28425.2 million as on 31<sup>st</sup> March 2017 also. This fact has also been consistently disclosed in the Notes to Accounts each year.</li> <li>• In terms of TAP AI is expected to be profitable with more than reasonable certainty. Hence, the</li> </ul>



CAG Observation	Management Comments
<p>Accordingly, carrying forward such deferred tax assets has resulted in overstatement of deferred tax assets and understatement of losses by Rs28572.7 million.</p>	<p>Deferred Tax has been carried forward since the amount is most likely to be capable of being absorbed by future permissible profits as per Income Tax Act and this is perfectly in order with the clarification given by the Institute of Chartered Accountants of India with regard to this AS. Hence the question of reversal of the same is not appropriate.</p> <p>Hence, neither the Deferred Tax Assets have been overstated nor the loss has been understated.</p>
<p><b>Current Assets</b> <b>Inventories (Note No. 13): Rs 12767 million</b></p> <p>(i) As per significant accounting policy on Inventories (Note 1(B) (4) (ii)), "Expendables/ consumables are charged off at the time of initial issue except those meant for repairs of repairable items which are expensed when the work order is closed on the completion of repair work.</p> <p>The Company has not provided for an amount of Rs. 324.37 million towards expendable issued for work orders which have already completed Non-provision for the expendables issued has resulted in understatement of Loss for the year by Rs. 324.37 million and overstatement of Inventories by the same amount.</p>	<p>As regards non provision of Rs.324.37 million towards expendables, it may be stated that the value of these items were included in the Work in Progress of inventories since, as per procedure consumption entry to this effect will be accounted for only when work orders are closed and the work in progress is completed.</p> <p>Hence, neither the loss has been understated nor inventory has been overstated.</p>
<p>(ii) In absence of item wise details supporting the Inventory balances (appearing in respective GL), grouped in Inventory amounting to Rs12723.31 million, could not be vouched safe.</p>	<p>AI had provided to the Govt. Audit the Inventory certificate with inventory balances which are matching with the total GL balances.</p>
<p><b>COMMENTS ON SIGNIFICANT ACCOUNTING POLICIES</b></p>	
<p><b>Fixed Assets Para (a)(I) (b)</b></p> <p>(i) As per above Note, Rotables/Repairables are shown as Fixed Assets. However it is observed that Repairables have also been treated as Inventory as on 31 March 2017 which is not in line with the Accounting Policies of the Company.</p>	<p>Repairables have been treated as fixed assets and this policy has been consistently followed for the last 5 years. Repairables are shown as fixed assets and depreciation is provided on the same since they have an extended life. On the other hand inventory related to Repairables which do not have an extended life have been classified as Inventory.</p>



CAG Observation	Management Comments
	<p>The word “Repairable” appearing in the accounting policies is regarding Fixed Assets only and relates to Components of fixed assets which could be repaired and reused.</p> <p>The above treatment afforded in respect of Repairable has been consistently followed over the years and are in line with the Accounting Policy of the Company.</p>
<p><b>Inventories Para (I)</b></p> <p>(ii) As per this Note, Inventories are valued at weighted average cost. However, as per AS-2, Inventories should be valued at cost or net realizable value whichever is lower. Hence, Inventory policy is in contravention to AS-2.</p>	<p>According to Para 3.2 of AS-2 Net Realizable Value has been defined as “Net Realizable Value is the estimated selling price in ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale”.</p> <p>It would be seen from the definition that the “inventory to have a net realizable value should be intended to be sold in the ordinary course of business”.</p> <p>However, in the case of Air India, inventory mainly consists of aircraft parts, consumables and expendables which are not meant for or intended for sale in the ordinary course of business but are meant for internal consumption only, and hence, have been valued at weighted price .</p> <p>Since the inventory does not contain any inventory like 'finished goods' for sale, the words 'realisable value' has been omitted. The question of valuation at lower of cost or net realizable value is likely to occur only when the total inventories consist of goods meant for sale.</p> <p>Also, attention is invited to Para 24 of AS 2 as per which “Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.” The material held by the company is not intended to be converted to finished goods and/ or sold and hence, the question of consideration of NRV for valuation is not relevant.</p> <p>Hence the policy of valuation of inventory has been appropriately stated that “Inventories are valued at weighted average cost and market value is not considered as the company is not carrying any inventory meant for sale”.</p>



CAG Observation	Management Comments																									
<p><b>OTHER COMMENTS</b></p> <p><b>Note No. 44 B (a). Operating Lease</b></p> <p>A reference is invited to Note No. 44, B, (a) (i) stating that the Company has acquired 31 aircraft on non-cancelable operating lease. As per contractual obligation, the Company has to redeliver the 31 aircraft to the lessor at the end of the lease term, in stipulated technical condition. This would entail cost for technical inspection, maintenance checks, repainting cost etc. prior to its redelivery. Since a reliable estimate of, of the cost to be incurred for these works may not be possible, the liability for the same should have been disclosed as Contingent liabilities.</p>	<p>Any amount payable towards re delivery costs or receivable under the Upside Sharing arrangements are uncertain and cannot be considered for booking of the same in the P &amp; L Account.</p> <p>Further, Government Audit has stated in the Para that “Since a reliable estimate of the cost to be incurred for these works may not be possible” it will not be possible to work out the amount payable or receivable at the time of re delivery of these Aircraft.</p> <p>Hence an amount which cannot be quantifiable, can neither be provided as firm liability nor contingent liability.</p>																									
<p><b>Note No.-50 Going Concern</b></p> <p>A reference is invited to note number 50 of notes forming part of accounts wherein it has been disclosed that “<i>the company has shown an all-round improvement in the operational/ financial performance such as improvement in the seat factor, pax carriages, aircraft utilization etc., Barring unforeseen circumstances the company hopes to return to Cash Positive Status earlier than contemplated under the TAP</i>”.</p> <p>Under Turnaround Plan (TAP)/ Financial Restructuring Plan (FRP), the company was expected to earn positive earnings before Interest Taxes Depreciation and Amortization (EBITDA) from the financial year 2012-13 and cash surplus from financial year 2017-18. However, as per the latest Proposed Financials under Financial Restructuring Plan, the company is now likely to become Cash Positive from FY 2018-19 onwards. Therefore, the disclosure that “Barring unforeseen circumstances the company hopes to return to Cash Positive Status earlier than contemplated under the TAP” is incorrect to that extent.</p>	<p>The company has been constantly improving its overall financial as well as operational performance since the implementation of TAP/FRP. The same can be seen from the following:</p> <p style="text-align: right;"><b>(Rs in Crs)</b></p> <table border="1" data-bbox="808 1247 1503 1759"> <thead> <tr> <th>Particulars</th> <th>2013-14</th> <th>2014-15</th> <th>2015-16</th> <th>2016-17</th> </tr> </thead> <tbody> <tr> <td>Total Revenue</td> <td>20140.59</td> <td>20606.27</td> <td>20524.56</td> <td>20032.29</td> </tr> <tr> <td>Total Expenditure</td> <td>26420.19</td> <td>26466.18</td> <td>24361.33</td> <td>25797.40</td> </tr> <tr> <td>Net Profit/ (Loss) Before Extraordinary Items</td> <td>(6939.45)</td> <td>(5853.02)</td> <td>(3835.21)</td> <td>(3619.72)</td> </tr> <tr> <td>Net Profit/ (Loss) after Tax</td> <td>(6279.60)</td> <td>(5859.91)</td> <td>(3836.77)</td> <td>(5765.11)</td> </tr> </tbody> </table> <p>It can be seen that the Net Loss (before Extraordinary/Exceptional Items) has consistently come down over the past few years.</p>	Particulars	2013-14	2014-15	2015-16	2016-17	Total Revenue	20140.59	20606.27	20524.56	20032.29	Total Expenditure	26420.19	26466.18	24361.33	25797.40	Net Profit/ (Loss) Before Extraordinary Items	(6939.45)	(5853.02)	(3835.21)	(3619.72)	Net Profit/ (Loss) after Tax	(6279.60)	(5859.91)	(3836.77)	(5765.11)
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CAG Observation	Management Comments
	<p>Even in 2016-17, the Net Loss has increased mainly on account of Exceptional/Extra-Ordinary Provision of Rs 2145.39 crores towards JDC Recommendations for Pay Structure rationalization amounting to Rs 1298.16 crores and write off of Rs 847.23 crores towards SFIS Scrips Revenue.</p> <p>The company has also been EBITDA Positive since FY 2012-13 as contemplated in TAP.</p> <p>Govt is also committed to the TAP/FRP and has been constantly infusing funds into AI as per the recommendations of TAP/FRP.</p> <p>Further, the company has also made an all round improvement in Operational Parameters such as Passenger Load Factor, ASKMs/RPKMs, No of Revenue Pax carried etc.</p> <p>Continuing this improved performance, and going forward, as per TAP projections the company is expected to become Cash Positive in FY 2018-19, and the company has been striving to achieve this target.</p>
<p><b>Note No. 51- Accounting Policies of the Holding Company and the subsidiary Companies</b></p> <p>As per Para number 20 and 21 of the AS-21, Consolidated Financial Statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the CFS, for like transactions and events in similar circumstances, appropriate adjustments are made to its Financial Statements when they are used in preparing the CFS.</p> <p>With this background a reference is invited to note number 51 of CFS wherein it is disclosed that <i>"As against the Holding Company's Policy of adopting the life of the aircraft as 25 years from Financial Year 2016-17 onwards, AIEL has provided depreciation on aircraft by adopting a life of 20 years for each aircraft. However, the impact of this is not material.</i></p> <p>The disclosure in the CFS is not line with the requirement of AS-21</p>	<p>Adequate disclosure has been given in the CFS vide Note No 51(a)(l) to the point that Air India Express Ltd (AIXL) had not followed the life of aircraft as 25 years, i.e. life adopted by the Holding Co. This was done as the impact of the same was not material.</p> <p>Accounting policy of depreciation of aircraft followed by Air India Limited and AIXL is Straight line method. As per AS-21, Para 20, consolidated financial statements should be prepared using same accounting policies for like transactions. Hence Air India has followed same accounting policy for depreciation of assets across the holding company and all subsidiaries.</p> <p>However, Para 20 of AS 21 is reproduced below;</p> <p><u>"Consolidated financial statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. <b>If it is not practicable to use uniform accounting policies in preparing the</b></u></p>



CAG Observation	Management Comments
	<p><b><u>consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied”</u></b></p> <p>Though the policy for depreciation is the same, Air India, as an additional disclosure measure, has disclosed that the life of assets used for depreciation is different, which is only a change in an accounting estimate.</p>
<p><b>Note No. 55 – Additional Information as required under Schedule III of the Companies Act 2013.</b></p> <p>As per Note No. 55 of the Consolidated Financial Statements the amount of consolidated loss, is given as Rs62441.15 million. Whereas the CFS Loss figure indicated in the schedule of Reserve and Surplus (Note 3 of the Consolidated Financial Statements) is Rs62885.2 million amount of loss. Therefore the difference between the data mentioned in the Note 55 and consolidated loss mentioned in CFS Reserves &amp; Surplus works out to Rs. 444.05 million as against the difference of Rs 1905.3 million as stated in the statement under note no. 55. Therefore, the note is incorrect to that extent.</p>	<p>The Inter company difference amounting to Rs 1905.3 million as on 31 March 2017 which could not be paired against the related holding/Subsidiary companies. has been stated in the foot note of Note no 55. Our further comments are given below:</p> <ul style="list-style-type: none"><li>a) The Net Inter-Company differences as on 31 March 2017 (for both AI v/s Subsidiary companies and Inter-se between Subsidiary companies) was Rs 1905.3 million for which provision was created in the CFS P&amp;L accounts of FY 2016-17.</li><li>b) Similarly, the Net recasted Inter-Company differences as on 31 March 2016 (for both AI v/s Subsidiary companies and Inter-se between Subsidiary companies) was Rs 1461.3 million for which provision was made in the CFS P &amp; L account of FY 2015-16.</li><li>c) For the purposes of reconciliation and presentation in CFS Accounts, the provision of Rs 1461.3 million which was created in FY 2015-16, has been reversed/adjusted during 2016-17. Thus the consolidated loss for the year is showing a net difference of Rs 444.05 million, (Rs 1905.3 million – Rs.1461.3 million).</li></ul> <p>As such note is not deficient to that extent.</p>



CAG Observation	Management Comments												
<p><b>Non-reconciliation of Migration control accounts</b></p> <p>Migration Control Account created during transfer of data from Legacy System to SAP-ERP System are still in existence without the total balance in these accounts reduced to zero.</p>	<p>This is to clarify that the overall migration account total is zero. During migration, the process was split according to sources to ensure controls and hence there were 5 migration control accounts created and are fully reconciled and the net effect of which is zero.</p>												
<table border="1"> <thead> <tr> <th data-bbox="115 506 456 596">Name of Migration Control A/c</th> <th data-bbox="456 506 808 596">Amount (in million)</th> </tr> </thead> <tbody> <tr> <td data-bbox="115 596 456 646">MM</td> <td data-bbox="456 596 808 646">773.2</td> </tr> <tr> <td data-bbox="115 646 456 678">AP</td> <td data-bbox="456 646 808 678">47425.4</td> </tr> <tr> <td data-bbox="115 678 456 716">AR Migration Control A/c</td> <td data-bbox="456 678 808 716">45658.9</td> </tr> <tr> <td data-bbox="115 716 456 747">FA Migration Control A/c</td> <td data-bbox="456 716 808 747">346619.4</td> </tr> <tr> <td data-bbox="115 747 456 793">GL</td> <td data-bbox="456 747 808 793">254308.2</td> </tr> </tbody> </table>	Name of Migration Control A/c	Amount (in million)	MM	773.2	AP	47425.4	AR Migration Control A/c	45658.9	FA Migration Control A/c	346619.4	GL	254308.2	<p>Further, this has no impact on the profit for the year.</p>
Name of Migration Control A/c	Amount (in million)												
MM	773.2												
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AR Migration Control A/c	45658.9												
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<p>Though the net effect is zero, each account migration control account has not been reconciled and nullified.</p>													
<p>(ii) 18404 Assets, including 89 assets comprising of Land and Buildings, existing in the SAP-ERP system of the Company are displayed at zero Acquisition value. Out of these 18404 assets, 781 assets were procured during the current financial year 2016-17. The reflection of these 89 assets comprising Land and Buildings at zero value. This is not in line with the requirements of Accounting Standard 10, according to which the gross book value of a fixed asset should be either historical cost or a revaluation amount computed in accordance with the standard.</p>	<p>In this regard it may be stated that there were many assets which were fully depreciated in the books of the erstwhile companies and hence transferred with zero value on the effective date of merger in 2007.</p> <p>Further, the items highlighted by Audit represents the Assets showing Zero acquisition value in the SAP mainly on account of the following reasons:</p> <ol style="list-style-type: none"> <li>a) Fully depreciated Assets migrated at the time of merger of erstwhile IAL and AIL.</li> <li>b) Assets transferred to the newly formed Subsidiary Companies, AIESL and AIATSL.</li> <li>c) Assets carrying less than Rs 5000 value which were fully depreciated in the year of addition.</li> <li>d) Certain Assets for which Asset No. is created in SAP on the approval of the Competent Authority but procurement action is still to be taken as at the close of the year.</li> </ol> <p>It may be stated that in order to have an Internal Control over such assets the historical cost of these assets are maintained in the SAP at Zero Value.</p> <p>Hence, the value at which these assets are carried in books is the historical cost and is as per AS-10.</p>												



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIR INDIA LIMITED

### 1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Air India Limited** ("Holding Company"), consisting of the Air India Ltd.(Standalone) and its subsidiaries, (together referred to as "the Group") and jointly controlled entity comprising of the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit & Loss, Consolidated Cash Flow Statement for the year ended on that date and a summary of the accounting policies and other explanatory information (hereinafter referred to as "Consolidated Financial Statements").

### 2. Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its jointly controlled entity and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### 3. Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence as per the requirement of AS 21 and AS 27 about the amounts and the disclosures in the Consolidated Financial Statements from the concerned Financial Statements of Holding Company and of its Subsidiary Companies and Jointly Controlled Entity. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design the audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates



made by the Holding Company's Board of Directors and the Board of Directors of Subsidiary Companies and jointly controlled entity, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us in respect of the company audited by us and the audit evidence obtained by the other auditors, referred to in the table in Para 7 under "Other Matters", is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

#### 4. Basis for Qualified Opinion

We draw your attention to the following qualifications in the audit opinion of the financial statements of Air India Ltd.(Standalone) and its subsidiary companies issued by Independent firm of Chartered Accountants reproduced by us except for the matters which are to be eliminated on Consolidation and not considered material at group level, along with our remarks wherever needed, as under;

##### A. Air India Limited (Holding Company- Standalone vide our report dated 29.12.2017)

Qualification	Remarks
<p>1. The Company has not complied with the provisions of certain accounting standards as stated below;</p> <p>i) AS 10- "Property, Plant &amp; Equipment" to the extent that flats in respect of which possession have been handed over/ allotment letters issued in earlier years, have been carried as fixed assets of the company (and depreciated) and advances received for sale of such flats have been carried as Other non-current liabilities [Refer Note No.29 (b)]. The effect of necessary adjustments in this regard is not ascertainable.</p> <p>ii) AS 15 – "Employee Benefits" to the extent that the provision towards liability for post-retirement medical benefits has been made on adhoc basis, [refer note No- 46(D)] and in respect of non- provision of additional liability towards gratuity and leave encashment of certain category of employees. [Refer Note No.26]. The effect of the same is not ascertainable.</p> <p>2. The impact of the following are not ascertained:</p> <p>i) Non- reconciliation/non-confirmation of certain receivables, payables (including certain staff related accounts) and statutory dues. Refer Note No.36</p>	<p>Refer Note No. 29(c) of Consolidated Financial Statements and Para 8 (a) &amp; (e) below.</p> <p>Refer Note No 46(D) (a) and Note No.26 of Consolidated Financial Statements and Para 8 (a) &amp; (e) below.</p> <p>Refer Note No 37 of Consolidated Financial Statements.</p>



Qualification	Remarks
ii) Interest claims from airport operators pending determination of actual liability. Refer Note no 25A(a)	Refer Note No 25A(a) of Consolidated Financial Statements.

**B. Airline Allied Services Limited (vide its Auditors' report dated August 22, 2017)**

Qualification	Remarks
(i) Statement of Profit and Loss includes Traffic Revenue of 3087.07 million of current year, accounted for on the basis of ledger account of Air India Limited based on the Revenue Accounting Software maintained by Accelya Kale and expenditure on service charges of 24.99 Million and Other Operating and Administration expenses of 1359.72Million accounted for only on the basis of credit and debit notes raised by Air India Limited. The basic record of these items is with Air India Limited and audit of, the said revenue and expenditure is restricted to that extent.	Refer Para 8(a), (b) and (e) below.
(ii) The accounts with the Airport Authority of India Ltd. are unconfirmed and unreconciled which may impact elements of expenditure/income as well. In absence of confirmation and reconciliation as on 31 <sup>st</sup> March 2017, we are unable to comment on the impact thereon.	Refer Para 8 (a), (b) and (e) below.
(iii) Non-confirmation of balances in respect of Other Long-Term Liabilities, Trade Payables, Other Current Liabilities, Long Term. Loans & Advances, Other Noncurrent Assets, Trade Receivables, Short Term Loans & Advances and Other Current Assets. We are unable to comment on the impact of adjustments arising out of non-confirmation of such balances on the financial statements.	Refer Note No 37 of Consolidated Financial Statements. Refer Para 8 (a), (b) and (e) below.
(iv) The company has shown contingent liability amounting to Rs. 3361.25 Millions in respect of income tax demands and Rs.6.26 Million towards unsettled legal claims, for which no provision has been made as these demands are said to be disputed by the company in appeals (Refer Note No. 26(i & ii)), In view of pending	Refer Note No 25 of Consolidated Financial Statements



Qualification	Remarks
appeals and legal opinion obtained by the company, we are unable to comment upon the liability of the company and its impact on accounts currently is not ascertainable. Further, based on information available there is an additional liability of tax, interest & penalty on account of TDS Rs.12.53 Million.	

**C. Air India Engineering Services Limited (vide its Auditors' Report dated November 27, 2017)**

Qualification	Remarks
<p>In the earlier year, the Company has capitalized assets under the head "Other Intangible Assets" for an amount of Rs. 2713.83 million which is made up of entire Payroll Expenses, Staff Expenses, Gratuity &amp; Leave Salary expenses and other general expenses (e.g. Rent, Repair &amp; Maintenances, Electricity &amp; Heating Charges etc) incurred during the period from October 2014 to December 2014 towards obtaining CAR – 145 (License from DGCA for carrying out MRO services).</p> <p>As per the opinion set out in audit report of financial year 2014-15 by the then auditor, capitalisation of "Other Intangible Assets" was not in accordance with the accounting standards, basic accounting assumptions and principles. Consequently expenses and losses were understated in Profit &amp; Loss Account and Fixed Assets are overstated to the extent of amount of Rs. 2713.83 Million in the Balance Sheet in that year.</p> <p>Consequential effect in current year of the same is that Fixed Assets are overstated to the extent of amount of Rs. 2713.83 Million and reserve and surplus being accumulated losses understated to that extent.</p> <p>Further as per accounting policy adopted for depreciation/amortisation "Intangible assets which have a useful economic life are amortised over the estimated useful life". However the company has not amortised any amount during current year as well as previous year out of such intangible assets created, which clearly indicates departure from the significant accounting policies as adopted by the company as well as provision of Accounting Standard 26 of "Intangible Assets".</p>	<p>As per report of Auditors capitalization in earlier years of Rs.2713.83 million was not in accordance with AS-26. Hence, question of amortization in the current year does not arise.</p> <p>Refer Para 8 (a), (b) and (e) below.</p>



Qualification	Remarks
Provision of Para 63 of Accounting Standard 26 of “Intangible Assets” requires “The depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Amortisation should commence when the asset is available for use.”	

**D. Hotel Corporation of India Limited (vide its Auditors Report dated October 6, 2017)**

Qualification	Remarks
<p>1. In respect of non-compliance with Accounting Standards:</p> <p>A. AS-15 “Employees Benefits” regarding non provision of liability in respect of New Medical Benefit Scheme as referred to in Note no. 36(B).</p> <p>B. AS-29 “Provisions, Contingent Liabilities and Contingent Assets” regarding non-provision in respect of lease rentals/ turnover levy and Interest on delay in payment aggregating to Rs. 275.35million and Rs. 435.35million respectively as referred in Note no. 28.</p>	<p>Refer Para 8 (e) below.</p> <p>Refer Note No 46(D)(b) of consolidated Financial Statements.</p> <p>Refer Note No 41(v) of consolidated Financial Statements.</p>

**E. Air India Limited – Consolidated Financial Statements**

We further Report that in view of the observations made by the Auditors of the Companies comprised in the Group, as stated above, and quantified by the respective auditors in their audit reports to the extent applicable (Para D above):

The Loss for the year, Accumulated losses and total Liabilities are understated by Rs.710.7 million with consequential impact on EPS.

**5. Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, jointly controlled entity, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and except for the effects of the matter referred to in the Basis for Qualified Opinion paragraph above, give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its jointly controlled entity as at 31st March, 2017, and their consolidated loss, their consolidated cash flows for the year ended on that date.



## 6. Emphasis of Matter

We draw your attention to the following matter of emphasis of the financial statements of Air India Ltd, its subsidiary companies issued by Independent firm of Chartered Accountants reproduced by us except for the matters which are to be eliminated on Consolidation and considered not material at group level, as under;

### A. Air India Limited (Holding Company- Standalone, Vide our Report dated 29.12.2017)

Emphasis of Matter	Remarks
i) The contingent liability referred to in Note No. 25 A (b) regarding waiver of Differential Guarantee Fee in respect of Working Capital Loans, including additional guarantee fee, of Rs. 14250.4 Million in respect of which approval from Government of India is yet to be received.	Refer Note No 25(A)(c) of consolidated Financial Statements.
ii) Non-execution of lease deed in respect of a leasehold land for which advance of Rs.24.6 Million has been given. Refer Note No 29(c).	Refer Note No. 29(d) of consolidated Financial Statements.
iii) Provision made towards liability for revised pay structure on the basis of recommendation of Justice Dharmadhikari Committee amounting to Rs.12981.6 million. Refer Note No.26.	Refer Note No.26 of consolidated Financial Statements.
iv) Non-Disclosure of certain requirement as required by Schedule-III of the Companies Act 2013 due to the reasons stated against each: <ul style="list-style-type: none"> <li>- Terms of repayment of Loan (Refer Foot Note No-4(2)(a) of Note No.4)</li> <li>- Nature of Security separately for each Loan (Refer Foot Note No- 4(2)(a) of Note No. 4)</li> <li>- Period and amount of continuing default in repayment of Loans and Interest thereon. Refer foot note of Note No. 4 &amp; Note No.7</li> <li>- Foreign Currency Fluctuation under Finance Cost. Refer Note No- 19 (a)</li> </ul>	
v) The management contention, regarding the ability of the Company to continue as a going concern and the in-principle approval for strategic disinvestment of the company. Refer Note No.51 and 28.	Refer Note No.50 and 28 of consolidated Financial Statements. Also refer Para 8 (f) below.
vi) Change in the estimated useful life of aircrafts from 20 to 25 years resulting in decrease in depreciation by Rs.3228.6 million for the current year and consequent effect on the loss for the year. Refer Note No.30.	Refer Note No.30 of consolidated Financial Statements.

**B. Air India Express Limited (AIEL) [formerly known as Air India Charters Limited] (vide its Auditors' report dated June 28, 2017)**

Emphasis of Matter	Remarks
<p>i) Note No. 35, 36 &amp; 45 regarding confirmations and reconciliation including matching of debits/credits in various balances in other assets / liabilities accounts at certain locations and pending reconciliation of account payables &amp; account receivables, balances in intermediary accounts. The precise financial impact of the same on the accounts / financial statements is not ascertainable. We are unable to comment on the impact of adjustments arising out of reconciliation/confirmation of such balances, on the Financial Statements.</p>	<p>Refer Note No 37 of Consolidated Financial Statement Refer Para 8 (a) below.</p>
<p>ii) Note No. 52, regarding the financial statements of the Company having been prepared on a going concern basis, notwithstanding the fact that its net worth is completely eroded. The appropriateness of the assumption of going concern is dependent upon realization of the various initiatives undertaken by the Company and/or the Company's ability to raise the requisite finance / generate cash flows in future to meet its obligations.</p>	<p>Refer Note No.50 of the Consolidated Financial Statements Refer Para 8 (f) below.</p>
<p>iii) Note No. 23(A) which describes the uncertainty related to the non-provision of interest and penalty, if any, payable towards outstanding dues for service tax, tax deduction at source.</p>	<p>Refer Note No 25 of Consolidated Financial Statements.</p>

**C. Hotel Corporation of India Limited (vide its Auditors Report dated October 6, 2017)**

Emphasis of Matter	Remarks
<p>i) Net worth of the Company continues to be completely eroded.</p> <p>Company continues to be under severe financial stress as reflected by:</p> <p>a. Trade Receivables Rs. 3,32.36 millions</p> <p>b. Trade Payables Rs. 70.20 millions</p> <p>c. Statutory dues Payable Rs. 84.92 millions</p>	<p>Refer Note No.50 of consolidated Financial Statements</p> <p>Refer Para 8 (f) below.</p>



Emphasis of Matter	Remarks
Despite the foregoing, these accounts have been prepared on a "Going Concern" basis as stated in Note no. 53.	
ii) Impairment of Assets in respect of assessment of potential impairment of loss as referred to in Note No. 33.	Refer Policy No 12 of Consolidated Financial Statements

Our Opinion is not modified in respect of above matters.

## 7. Other Matters

We did not audit the financial statements/ financial information of the following subsidiaries and jointly controlled entity, whose financial statements/ financial information reflect the total assets and net assets as at March 31, 2017, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the Consolidated Financial Statements.

Rs in Millions

Name of the Company	Total Assets	Net Assets	Total Revenue	Net Cash Flows	Audit Report Dates
<b>Subsidiaries Incorporated in India</b>					
Airline Allied Services Limited (AASL)	3,049.86	(13,435.96)	3,758.14	134.44	August 22, 2017
Air India Engineering Services Limited (AIESL)	6,057.47	(11,397.85)	7,404.84	(322.86)	November 27, 2017
Hotel Corporation of India Limited (HCI)	1,289.29	(1,665.26)	520.61	10.41	October 6, 2017
Air India Express Limited (AIEL) [formerly known as Air India Charters Limited]	37,995.15	(9,994.14)	33,555.33	614.69	June 28, 2017
Air India Air Transport Services Limited (AIATSL)	6,916.22	3,636.89	6,245.29	377.31	December 13, 2017
<b>Jointly Controlled Entity</b>					
Share of Group in Air India SATS Airport Services Private Limited (AI-SATS)	3,179.11	1,743.81	3,100.26	(75.31)	September 29, 2017

These financial statements / financial information, have been audited by other auditors whose reports dated as above have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entity, and our report on the Consolidated Financial Statements in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries and jointly controlled entity is based solely on the reports of the said other auditors.



Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

## 8. Report on other Legal and Regulatory Requirements

As required by Section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries and jointly controlled entity, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit, except for the matters stated in Para No. A (1)(i),(ii), Para No. B (i),(ii),(iii) and Para No. C of basis of Qualified Opinion and Para B(i) of Emphasis Matter.
- (b) In our opinion, proper Books of Account as required by law have been kept by the group and its Jointly Controlled Entity so far as appears from our examination of those books and returns adequate for the purposes of our audit and as per the audit reports of subsidiaries and Jointly Controlled Entity, except for the matter stated in Para No B and C of basis of Qualified Opinion.
- (c) With respect to those foreign stations not visited by us, we have relied upon the summary reports made available to us for the verification of transactions related to such foreign stations, which have been properly dealt by us in preparing this report.
- (d) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (e) Except for the effects of the matter described in Para No – A (1),B,C,D and E of “Basis for Qualified Opinion” above, in our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (f) The Going Concern matter described in Para No. A(v), B(ii) and C(i) under “Emphasis of Matter” paragraph above, in our opinion and as reported by the Auditor of said company, may have an adverse effect on the functioning of these companies.
- (g) On the basis of the Auditors' Report of the jointly controlled entity, none of the directors of that company is disqualified as on March 31, 2017 from being appointed as directors in terms of Section 164(2) of Companies Act, 2013. The Provisions of Section 164(2) of the Act are not applicable to the Holding Company and its subsidiary companies being Government Companies.
- (h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (i) With respect to the adequacy of the internal financial controls over financial reporting of the group and its Jointly Controlled Entity and the operating effectiveness of such controls, refer to our separate reports in **Annexure-1**.
- (j) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, (as amended) in our opinion and to the best of our information and according to the explanations given to us:



- a) The Group and its Jointly Controlled Entity has disclosed the impact of pending litigations on its Financial position in its Financial Statements – Refer Note 25 to the Financial Statements, except in case of a subsidiary company, AIATSL, such disclosures are not made as reported by the Auditor of the said company. Refer Note No.25(A)(d);
- b) The group and its Jointly Controlled Entity has made provisions, as required under the applicable laws or Accounting Standards, for material foreseeable losses, if any, on long-term contracts derivative contracts have been entered into by the Company.
- c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the group and its Jointly Controlled Entity.
- d) The group has provided disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016, except in case of a subsidiary, AIEL. Refer Note No.54. In respect of the holding company, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management. Based on reports of other auditors, the disclosures made in respect of such other subsidiaries and a Joint Venture is in agreement with the books of account, except in case of a subsidiary, AIATSL, where the auditor has not expressed an opinion on the same.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co**  
Chartered Accountants  
FRN: 000038N

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
FRN: 109262W

For and on Behalf of  
**Varma & Varma**  
Chartered Accountants  
FRN: 004532S

Sd/-  
**V. Rajaraman**  
Partner  
M.No.2705

Sd/-  
**Sitaram Pareek**  
Partner  
M.No.016617

Sd/-  
**P.R. Prasanna Varma**  
Partner  
M.No.025854

**Place: New Delhi**  
Date : 29-12-2017



## **“ANNEXURE- 1” TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AIR INDIA LIMITED**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of Air India Limited (“the Holding Company”) and its subsidiary companies and jointly controlled entity (which are companies incorporated in India, as of that date) as of March 31, 2017 in conjunction with our audit of the consolidated financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls;**

The respective Management of the Holding company, its subsidiary companies and jointly controlled entity, is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility;**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other Auditors' in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting:**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that



- (1) pertains to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls over Financial Reporting:**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Qualified Opinion**

According to the information and explanations given to us and based on our audit, as well as the audit done by other auditors of the Subsidiaries and Jointly controlled entity the following material weaknesses have been identified as at March 31, 2017:

##### **1. Air India Limited (Holding Company) (Vide our Report dated 29.12.2017)**

- (i) The company did not have an effective interface between various functional software relating to Sales/Revenue and Inventory Management with the accounting software resulting in accounting entries being made manually on periodical basis.
- (ii) The company did not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales / Revenue, Inventory and Payroll.
- (iii) The company did not have an appropriate internal control system for deduction, timely deposit and reconciliation of statutory dues.
- (iv) The company did not have effective internal audit system commensurate with the size, nature and complexities of the business.
- (v) The company did not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables.
- (vi) The Company did not have an effective Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.
- (vii) The company did not have an effective system for timely accounting of entries & approval thereof in IT System.



We also draw your attention to the following qualified opinion on adequacy (and therefore operating effectiveness) of Internal Financial Control over Financial Reporting of below mentioned subsidiary companies of the Holding Company issued by Independent firm of Chartered Accountants reproduced by us as under;

**2. Airline Allied Services Limited (vide its Auditors' report dated August 22, 2017)**

- (i) The Company did not have an interface between various functional software relating to Sales/Revenue and Inventory Management with the accounting software resulting in accounting entries made manually.
- (ii) The Company did not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales/Revenue.
- (iii) The Company did not have an appropriate internal control system for deduction, deposits and reconciliation of statutory dues.
- (iv) The Company did not have an appropriate internal audit control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables.
- (v) The Company did not have an effective Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.
- (vi) The Company did not have an appropriate internal control towards user access right to create & modify master data and modification in accounting entries.
- (vii) The Company does not have proper internal control for procuring goods and process of invoice/expenses.
- (viii) The Company does not have proper internal control/process of segregation of duties and following maker checker concept.

**3. Air India Air Transport Services Limited (vide its Auditors' report dated December 13, 2017).**

- i) Company does not have an Automated Control for Attendance and payroll, in spite of the large employee strength. The time office functions such as attendance, leave, over time, etc. which should be controlled by HR are being managed by the Finance which is a major risk as this may lead to short / excess payments and fraudulent payments to non-existent employees. The financial signing powers up to limit of 5 crores are available with the HR personnel. And the same grade of HR personnel has more Banking powers than the person holding the same position in the Finance Department.
- ii) As per the Board Resolution of 43<sup>rd</sup> Meeting held on 11<sup>th</sup> February, 2013, any two of the six senior executives have unlimited financial powers including Banking powers on joint basis. Further, they can also delegate unlimited Banking powers to the officials nominated by them irrespective of their designation. The Bank account operation is on joint basis but requiring only one of the signatory to have the requisite Banking powers, and the other signatory need not have Banking power for the transaction amount. For instance, a signatory having 10 lakhs signing limit can sign jointly with the other signatory having 1 crore limit. This is inappropriate, as in our view the Banking powers or limits should be defined at each levels with reference to each class of bank account (Collection account and expense account). This is high Risk area.



- iii) The delegation of banking powers are not reviewed by the company since year 2013. In most of the cases, the company has not revoked the Banking powers of officials who have got separated from the company.
- iv) In case of Material Banking transactions following three critical functions are not segregated: -
  - i. Approval of Transactions,
  - ii. Accounting in SAP / MBS and
  - iii. Custody of Assets (e.g. Issue of cheques, Banking passwords, Bank Authority letter, Keys of lockers, etc.)
- v) The Company does not have an appropriate internal financial control system over financial reporting since the internal controls adopted by the Company did not adequately consider risk assessment, which is one of the essential components of internal control, with regard to the potential for fraud when performing risk assessment. Further the adequacy and operating effectiveness of Internal Financial Controls over Financial Reporting and essential components of internal controls are not adequately considered, controlled and managed in the internal financial controls established by the company.
- vi) List of other deficiencies identified are as under: -
  - a) The company does not have independent Standard Operating Procedures for its Departments / Processes.
  - b) The company has appointed an Independent External Firm of Chartered Accountants as an Internal Auditor. The audit is in progress and the report is awaited.
  - c) The company does not have an appropriate process for obtaining confirmation of balances and reconciliation of Receivables and Payables on a periodic basis.
  - d) In some cases the Direct Payment entries are passed instead of routing through the Party / Vendor Ledger. TDS should be deducted on booking or payment, whichever is earlier. The Company does not have an appropriate mechanism for deduction, deposit and reconciliation of statutory dues including Service Tax, TDS, PF, etc. for ensuring compliance. The relevant Controls are inadequate and the consequent impact cannot be ascertained.
  - e) There is a time gap between the services provided and invoices raised. Revenue from Handling Services is recognized on rendering of services and in certain cases it is not as per the terms of relevant agreement. Instances of Excess and Short Revenue booking were identified. It shows the material weakness exist in the process of Raising the Invoices.
  - f) The Company does not have an effective information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the transactions and reports from the IT systems. The working files and folders are not stored on a centralized or common drive which leads to difficulty in backup. The SAP, MBS and Email data is maintained at Air India Servers and backed up by Air India. The IT controls needs to be strengthened.
  - g) The company could not provide the relevant supporting documents evidencing the letter / resolution submitted to the Bank for all the Accounts, with reference to the change in the



Banking powers. Further, the list of current signatories active with the Bank for all the accounts along with the limit and mode of operation has also not being provided to us.

- h) The Bank Reconciliation of the company is not carried at regular intervals.
- i) The Company has not defined and documented the Job Description duties and responsibilities for its Employees / Contract staff, etc.
- j) While passing the accounting entries, uniformity of Document Code is not maintained for similar types of transactions. Due to this, the controls cannot established for identification and scrutiny.
- k) The Company and regions are following different practices for invoicing. The invoices are raised through MBS system, SAP as well as Manual mode. Overall invoicing system needs strong Automated Controls. The MBS billing software is linked with SAP and all the invoices are posted from MBS to SAP. The time period of synchronization with SAP is on daily basis however, the approval for authorizing the transaction is delayed. The edit in MBS is possible but not in SAP. It is only possible to reverse the transaction in SAP. The reconciliation of entries in MBS with SAP is done partially.
- l) We were informed that with the existing human resources, the company could not complete the accounting function in timely manner. Further, the existing staff has to be provided appropriate training to perform their assigned duties.
- m) The company does not have an appropriate system of updating contracts of handling activities with 3rd party airlines which have expired, although such contracts are taken as renewed till they are revoked by third party airlines. This non-renewal may have legal connotations for AIATSL in the long run.
- n) Accounting is being done in SAP by the company but the concept of maker and checker is not being followed. The same person has access to both the sets of Books; i.e. AIATSL and Air India. This leads to un-identification of the user in case of error or Fraud.
- o) Fixed Assets register is maintained in SAP. Majority of assets have been transferred from Air India Limited (AIL). Physical Verification and identification of assets was not conducted at the time of transfer from AIL. During the Financial Year 2017-18, the company has appointed an external CA Firm for carrying on the activity of physical verification and reconciliation.
- p) Whistle Blower policy is adopted by the company from the parent company but the same has not been minutized.

**4. Air India Express Limited (AIEL) [formerly known as Air India Charters Limited] (vide its Auditors' report dated June 28, 2017)**

- i) Accounting of Inventory: The Company did not have an adequate internal control system for inventory with regard to receipts, issue for consumption and physical verification and valuation of the same. These could potentially result in material misstatements in the Company's trade payables, consumption, inventory and expense account balances.
- ii) Accounting of repairable spares.
- iii) Controls over planning and monitoring of financial closing process.



- iv) Controls over spreadsheets used in financial closing process.
- v) Procedural compliances in respect of statutory dues/liabilities in respect of Indirect Tax and Direct Tax.
- vi) Controls related to entries in migration accounts.
- vii) Controls related to Review of Accounts Payable.

### **Adverse Opinion**

#### **5. Air India Engineering Services Limited (vide its Auditors' Report dated November 27, 2017)**

Having regard for adverse remarks on Basis for Qualifications in the Audit Report, which in our opinion are pervasive to individual accounting balances and overall presentation of the financial statement, the company does not have an effectively operating internal financial control system in place.

### **Disclaimer of Opinion**

#### **6. Hotel Corporation of India Limited (vide its Auditors Report dated October 6, 2017)**

According to the information and explanation given to us, the Company has not established its internal financial controls over financial reporting on criteria based on or considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at 31<sup>st</sup> March, 2017.

We have considered the disclaimer reported above in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the Company and our disclaimer does not affect our opinion on the financial statements of the Company.

- 7. The auditor of the Jointly Controlled Entity, AI-SATS, vide their report dated 29.09.2017 has issued a un-qualified opinion on the adequacy and operating effectiveness of the internal financial control over financial reporting as on 31.03.2017.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects/possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have, to the extent possible, considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 consolidated financial statements of the Company, and as also the material weakness identified and reported by the



Independent Auditors of subsidiary companies and these material weaknesses are not likely to affect our opinion on the Consolidated financial statements.

### Other Matters

Our aforesaid reports under section 143(I) of the Act on the adequacy and operating effectiveness of the internal financial control over financial reporting insofar as it relates to 5 subsidiaries and 1 jointly controlled entity, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co**  
Chartered Accountants  
FRN: 000038N

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
FRN: 109262W

For and on Behalf of  
**Varma & Varma**  
Chartered Accountants  
FRN: 004532S

Sd/-  
**V. Rajaraman**  
Partner  
M.No.2705

Sd/-  
**Sitaram Pareek**  
Partner  
M.No.016617

Sd/-  
**P.R. Prasanna Varma**  
Partner  
M.No.025854

**Place: New Delhi**

Date : 29-12-2017

**MANAGEMENT REPLIES TO THE INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT OF AIR INDIA GROUP COMPANIES FOR THE FINANCIAL YEAR 2016-17**

Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
<b>1</b>	<b>Report on the Consolidated Financial Statements</b>  We have audited the accompanying consolidated financial statements of <b>Air India Limited</b> ("Holding Company"), consisting of the Air India Ltd. (Standalone) and its subsidiaries, (together referred to as "the Group") and jointly controlled entity comprising of the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit & Loss, Consolidated Cash Flow Statement for the year ended on that date and a summary of the accounting policies and other explanatory information (hereinafter referred to as "Consolidated Financial Statements").	
<b>2</b>	<b>Management's Responsibility for the Consolidated Financial Statements</b>  The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its jointly controlled entity and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair	



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.</p>	
<b>3</b>	<p><b>Auditors' Responsibility</b></p> <p>Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.</p> <p>We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.</p> <p>An audit involves performing procedures to obtain audit evidence as per the requirement of AS 21 and AS 27 about the amounts and the disclosures in the Consolidated Financial Statements from the concerned Financial Statements of Holding Company and of its Subsidiary Companies and Jointly Controlled Entity. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design the audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors and the Board of Directors of Subsidiary Companies and jointly controlled entity, as well as evaluating the overall presentation of the consolidated financial statements.</p> <p>We believe that the audit evidence obtained by us in respect of the company audited by us and the audit</p>	



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	evidence obtained by the other auditors, referred to in the table in Para 7 under “Other Matters”, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.	
4	<p><b>Basis for Qualified Opinion</b></p> <p>We draw your attention to the following qualifications in the audit opinion of the financial statements of Air India Ltd.(Standalone) and its subsidiary companies issued by Independent firm of Chartered Accountants reproduced by us except for the matters which are to be eliminated on Consolidation and not considered material at group level, along with our remarks wherever needed, as under;</p>	
A	<p><b>Air India Limited (Holding Company- Standalone vide our report dated 29.12.2017)</b></p>	
	<p><b>QUALIFICATION</b></p>	
1	<p>The Company has not complied with the provisions of certain accounting standards as stated below;</p> <p>(i) AS 10- “Property, Plant &amp; Equipment” to the extent that flats in respect of which possession have been handed over/allotment letters issued in earlier years, have been carried as fixed assets of the company(and depreciated) and advances received for sale of such flats have been carried as Other non-current liabilities [Refer Note No 29 (b))]. The effect of necessary adjustments in this regard is not ascertainable.</p> <p>Remarks :</p> <p>Refer Note No. 29(c) of Consolidated Financial Statements and Para 8 (a) &amp; (e) below.</p>	<p>The sale in respect of properties in the land owned by AI at Nerul is not yet completed since the title in the property has not yet been passed on to the proposed society/association formed by the employees for administering the property sold to them. It is also understood that these societies are not yet registered pending the completion of certain documentation. Due to this the sale proceeds received from the employees have also not been adjusted in the books of accounts and the properties continue to be owned by AI. Depreciation is therefore being charged on these properties and subject to the completion of these formalities in FY 2017-18 necessary accounting action will be taken.</p>
	<p>ii) AS 15 – “Employee Benefits” to the extent that the provision towards liability for post-retirement medical benefits has been made on adhoc basis, [refer Note No- 46(C)(a)] and in respect of non- provision of additional liability towards gratuity and leave encashment of certain category of employees. [Refer Note No.26]. The effect of the same is not ascertainable</p>	<p>It may be noted that AI has made an adhoc provision of Rs 500.0 million has been made towards Post Retirement Medical Benefits for the year 2016-17 as against the provision of Rs 350.0 million made in FY 2015-16.</p> <p>This provision has been made as the relevant statistical data could not be gathered on account of the amendment of the Scheme i.e. for enhanced Contribution for Medical Benefits. The Management is of the opinion that the</p>



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>Remarks :</p> <p>Refer Note No 46(D)(a) and Note No.26 of Consolidated Financial Statements and Para 8 (a) &amp; (e) below.</p>	<p>provision of Rs.500.0 million is adequate. However, once the relevant statistics are collected and actuarial valuation thereof is carried out after giving effect to the transfer of employees to the hived off subsidiary companies namely AIESL and AIATSL, the necessary accounting treatment would be carried out in 2017-18. The same has been adequately disclosed in Note No 46(D)(i).</p> <p>Moreover due to the ongoing divestment of AI the future liability of medical benefits of retired personnel can be actually determined once the terms are settled with the Strategic Investor.</p> <p>The above has been suitably disclosed vide Note No 46 (D)(a).</p>
	<p>The impact of the following are not ascertained:</p> <p>(i) Non- reconciliation/non-confirmation of certain receivables, payables (including certain staff related accounts) and statutory dues. Refer Note No.36.</p> <p>Remarks :</p> <p>Refer Note No 37 of Consolidated Financial Statements.</p>	<p>The company has reconciled a substantial percentage of receivables and payables in SAP. However, in respect of the remaining accounts necessary action will be taken to reconcile the unmatched receivables and payables in SAP in FY 2017-18.</p> <p>The company has hired an external firm of Chartered Accountants to reconcile the statutory dues with the returns filed/statutory records maintained. The company would give effect to any adjustments as and when these reconciliations are completed.</p>
	<p>ii) Interest claims from airport operators pending determination of actual liability. Refer Note no 25 A(a)</p> <p>Remarks:</p> <p>Refer Note No 25A(a) of Consolidated Financial Statements</p>	<p>The company has continuously contested its liability of payment of Interest on its dues to Airport Operators. This was based on the ground that the interest charged by them is at a very high rate of interest and totally disproportionate to the market in terms of rates/losses suffered by them, if any.</p> <p>AI has not accepted their claims and shown their claims as Contingent Liability. The methodology of calculating interest has also been contested by the company. More recently an independent auditor has been appointed to assess the liability, if any in this regard.</p>



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<b>B</b>	<b>Airline Allied Services Limited (vide its Auditors' report dated August 22, 2017)</b>	
	<b>QUALIFICATION</b>	
	<p>i) Statement of Profit and Loss includes Traffic Revenue of 3087.07 Million of current year, accounted for on the basis of ledger account of Air India Limited based on the Revenue Accounting Software maintained by Accelya Kale and expenditure on service charges of 24.99 Million and Other Operating and Administration expenses of 1359.72 Million accounted for only on the basis of credit and debit notes raised by Air India Limited. The basic record of these items are with Air India Limited and audit of, the said revenue and expenditure is restricted to that extent.</p>	<p>In terms of the MOU between Air India and AASL, Air India provides sales, marketing, booking facilities and other support services for the AASL operations.</p>
	Remarks:	
	Refer Para 8(a), (b) and (e) below.	<p>Further, as explained in detail during audit, the computerized revenue accounting system introduced by AIL for its and AASL flights, the revenue for passengers flown, excess baggage and cargo carried on AASL flights are segregated flight-wise for AASL flights based on flight coupons, EBTs &amp; AWBs. The revenue earnings for passenger revenue, excess baggage &amp; freight are therefore segregated and credited by AIL to AASL on the basis of flight wise monthly revenue reports generated on said elaborate computerized revenue accounting system.</p>
		<p>Further, revenue earnings of AASL flights accounted as per Para 1.5 of Note 1 (Accounting Policy), are supported by monthly revenue reports. As per terms of MoU between AIL &amp; AASL, AASL flights are captured on the said elaborate common revenue accounting system with segregated detailed reports for AASL flights, thus avoiding parallel system.</p>
		<p>Service Charges (Commission to agents on sales) of Rs. 24.99 Millions are reimbursed to Air India as revenue system is maintained by AI, for which relevant records are maintained by AI.</p>
		<p>Out of the amount pertaining to "Other Operating and Administrative expenses", the amount of Rs. 1353.64 million has been debited towards interest charged by AI. For the debited amount of Rs. 6355.98 Million, the supporting documents and relevant details are available with AASL for verification. Also Rs. 59.62 Millions has been credited by AI towards excess interest which is accounted as prior period and supporting is available.</p>
		<p>However, only for Rs. 112.79 Million the supporting documents are maintained by AI,</p>



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		<p>which is accessible to AASL. Further AI is also subject to three tier audit, thereby maintaining audit trail and 100% accuracy in the Dr./Cr. Of these transactions.</p>
ii)	<p>The accounts with the Airport Authority of India Ltd. are unconfirmed and unreconciled which may impact elements of expenditure/income as well. In absence of confirmation and reconciliation as on 31<sup>st</sup> March 2017, we are unable to comment on the impact thereon.</p> <p>Remarks:</p> <p>Refer Para 8 (a), (b) and (e) below.</p>	<p>Reconciliation is an ongoing process with regular parties like AAI.</p> <p>Further, Suitable disclosures have been also been made in Notes No. 38(g).</p>
iii)	<p>Non-confirmation of balances in respect of Other Long-Term Liabilities, Trade Payables, Other Current Liabilities, Long Term. Loans &amp; Advances, Other Noncurrent Assets, Trade Receivables, Short Term Loans &amp; Advances and Other Current Assets. We are unable to comment on the impact of adjustments arising out of non-confirmation of such balances on the financial statements.</p> <p>Remarks :</p> <p>Refer Note No 37 of Consolidated Financial Statements.</p> <p>Refer Para 8 (a), (b) and (e) below.</p>	<p>The reconciliation is a continuous process. The reconciliation with Holding company, AIL is completed upto 31st March 2017. Reconciliation with all the Oil companies, DIAL, MIAL, AIATSL, AISATS has been completed upto 31st March 2017. Concerted efforts are being made to reconcile account with all such parties. There is significant improvement in reconciliation of all the vendors except AAI which will be completed in 17-18.</p>
iv)	<p>The company has shown contingent liability amounting to Rs. 3361.25 Millions in respect of income tax demands and Rs.6.26 Million towards unsettled legal claims, for which no provision has been made as these demands are said to be disputed by the company in appeals (refer Note No. 26(ii)), In view of pending appeals and legal opinion obtained by the company, we are unable to comment upon the liability of the company and its impact on accounts currently is not ascertainable. Further, based on information available there is an additional liability of tax, interest&amp; penalty on account of TDS Rs.12.53 Million.</p> <p>Remarks:</p> <p>Refer Note No 25 of Consolidated Financial Statements</p>	<p>Disclosed as Contingent liability in Notes No 26. The income tax demands amounting to Rs. 333.1 million has been contested by the company, out of this amount Rs. 30.0 million has been deposited with Income Tax Department during the year 2016-17.</p> <p>Further, the proceedings are being held at various departments of Income Tax and company hopes to get favourable decision. Regarding the remaining claim of Rs. 6.26 million towards unsettled legal claim, it is also likely to get decision in the favour of the company.</p>



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C	<b>Air India Engineering Services Limited (vide its Auditors' Report dated November 27, 2017)</b>	
	<b>QUALIFICATION</b>	
	<p>In the earlier year, the Company has capitalized assets under the head "Other Intangible Assets" for an amount of Rs. 2713.83 million which is made up of entire Payroll Expenses, Staff Expenses, Gratuity &amp; Leave Salary expenses and other general expenses (e.g. Rent, Repair &amp; Maintenances, Electricity &amp; Heating Charges etc) incurred during the period from October 2014 to December 2014 towards obtaining CAR – 145 (License from DGCA for carrying out MRO services).</p>	<p>DGCA Licence for CAR-145 certification for the MRO was received on 1<sup>st</sup> Jan 2015. The expenditure incurred in creating this asset was capitalized in the books of the company as of 31<sup>st</sup> March, 2015, based on this license, the Company has also applied for other certifications like FAA, EASA approval for its facilities.</p>
	<p>As per the opinion set out in audit report of financial year 2014-15 by the then auditor, capitalisation of "Other Intangible Assets" was not in accordance with the accounting standards, basic accounting assumptions and principles. Consequently expenses and losses were understated in Profit &amp; Loss Account and Fixed Assets are overstated to the extent of amount of Rs. 2713.83 Million in the Balance Sheet in that year.</p>	<p>The Company therefore believes that there has been no diminution in the value of the assets as of date. Since the license was issued by DGCA for an indefinite period of time, and has not been suspended at any point of time since its issue, no impairment loss has been recognized by the Company for the year under review.</p>
	<p>Consequential effect in current year of the same is that Fixed Assets are overstated to the extent of amount of Rs. 2713.83 Million and reserve and surplus being accumulated losses understated to that extent.</p>	
	<p>Further as per accounting policy adopted for depreciation/amortisation "Intangible assets which have a useful economic life are amortised over the estimated useful life". However the company has not amortised any amount during current year as well as previous year out of such intangible assets created, which clearly indicates departure from the significant accounting policies as adopted by the company as well as provision of Accounting Standard 26 of "Intangible Assets".</p>	
	<p>Provision of Para 63 of Accounting Standard 26 of "Intangible Assets" requires "The depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.</p>	



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	<p>Amortisation should commence when the asset is available for use.”</p> <p>Remarks :</p> <p>As per report of Auditors capitalization in earlier years of Rs.2713.83 million was not in accordance with AS-26. Hence, question of amortization in the current year does not arise.</p> <p>Refer Para 8 (a), (b) and (e) below.</p>	
<b>D</b>	<b>Hotel Corporation of India Limited (vide its Auditors Report dated October 6, 2017)</b>	
	<p><b>QUALIFICATION</b></p> <p>In respect of non-compliance with Accounting Standards:</p> <p>Remarks :</p> <p>Refer Para 8 (e) below.</p> <p>(A) AS-15 “Employees Benefits” regarding non provision of liability in respect of New Medical Benefit Scheme as referred to in Note No. 36(B).</p> <p>Remarks :</p> <p>Refer Note No 46(D)(b) of consolidated Financial Statements.</p>	<p>This is a statement of fact.</p>
	<p>(B) AS-29 “Provisions, Contingent Liabilities and Contingent Assets” regarding non provision in respect of lease rentals/turnover levy and Interest on delay in payment aggregating to Rs. 275.35 million and Rs. 435.35 million respectively as referred in Note No. 28.</p> <p>Remarks :</p> <p>Refer Note No 41(v) of consolidated Financial Statements.</p>	<p>The Auditor's comments are noted. The Company would review the matter in the FY 2017-18.</p>
<b>E</b>	<b>Air India Limited – Consolidated Financial Statements</b>	
	<p>We further Report that in view of the observations made by the Auditors of the Companies comprised in the Group as stated above and quantified by the</p>	



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	<p>respective auditors in their audit reports to the extent applicable, (Para D above):</p> <p>The Loss for the year, Accumulated losses and total Liabilities is understated by Rs.710.7 million with consequential impact on EPS</p>	
<b>5</b>	<b>Qualified Opinion</b>  In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, jointly controlled entity, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and except for the effects of the matter referred to in the Basis for Qualified Opinion paragraph above, give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its jointly controlled entity as at 31st March, 2017, and their consolidated loss, their consolidated cash flows for the year ended on that date.	
<b>6</b>	<b>Emphasis of Matter</b>  We draw your attention to the following emphasis of matter of the financial statements of Air India Ltd, its subsidiary companies issued by Independent firm of Chartered Accountants reproduced by us except for the matters which are to be eliminated on Consolidation and not material at group level, as under;	
<b>A.</b>	<b>Air India Limited (Holding Company- Standalone, Vide our Report dated 29.12.2017)</b>	
	<b>EMPHASIS OF MATTER</b>	
	i) The contingent liability referred to in Note No. 25 A (b) regarding waiver of Differential Guarantee Fee in respect of Working Capital Loans, including additional guarantee fee, of Rs. 14250.4 Million in respect of which approval from Government of India is yet to be received, and hence has been disclosed as a Contingent Liability.	The company has provided for Guarantee Fee @ 0.5% on all aircraft loans and working capital loans guaranteed by the Govt. The company has taken up the issue for waiver of Guarantee Fees over and above 0.5% in respect of working capital and ECB loans with the Ministry of Civil Aviation/Finance. This subject was also discussed and highlighted during TAP and FRP Oversight Committee Meetings.



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	<p>Remarks :</p> <p>Refer Note No 25(A)© of consolidated Financial Statements</p>	<p>Accordingly, the Guarantee Fee over and above 0.5% amounting to Rs 3594.4 million has been disclosed as Contingent. Further, the additional liability on account of the delayed payment amounting to Rs10,656.0 million has also been shown as Contingent.</p> <p>This issue has been taken up with the Ministry of Finance through the Ministry of Civil Aviation through a Cabinet note. The company is confident that the Ministry of Finance will favorably consider the proposal of the MOCA since the company is under a Financial Restructuring Plan wherein the Govt. is actively infusing Equity into the company and divestment plans have been announced for the Company.</p> <p>The Company has also given the option to Ministry of Finance of adjusting the VVIP dues owing from the Govt against the Guarantee fee (normal fee of 0.5%) payable to the Government.</p> <p>Moreover, the entire facts relating to the Govt Guarantees has been duly disclosed vide Note No 25 (A)(b).</p>
	<p>ii) Non execution of lease deed in respect of a leasehold land for which advance of Rs.24.6 Million has been given. Refer Note no 29(c.)</p> <p>Remarks :</p> <p>Refer Note No. 29(d) of consolidated Financial Statements.</p>	<p>This is a statement of fact.</p>
	<p>iii) Provision made towards liability for revised pay structure on the basis of recommendation of Justice Dharmadhikari Committee amounting to Rs.12981.6 million. Refer Note No.26.</p> <p>Remarks :</p> <p>Refer Note No.26 of consolidated Financial Statements.</p>	<p>Based on Justice Dharamadhikari Committee (JDC) recommendations, the Revised Basic Pay (RBP) had been implemented for most of the categories of the employees from different dates.</p> <p>Upto last year the JDC recommendations were not implemented for categories comprising of the Pilots of the Wide Body aircraft (Non-Executive) and Cabin Crew (Non Managerial) due to ongoing litigations which are still pending in the Supreme Court. However, provision amounting to Rs 12981.6 million for all</p>



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		<p>employees (including for the above said categories also) has been made during the year as Exceptional Item on the basis of certification made by an independent firm of Chartered Accountants.</p> <p>In the opinion of the company this provision will substantially cover all liabilities originating out the implementation of JDC recommendations except impact on provision for Gratuity and Leave Encashment for above said two categories of employees.</p> <p>Adequate disclosure for the same has been made vide Note No 26.</p>
iv)	<p>Non-Disclosure of certain requirement as required by Schedule-III of the Companies Act 2013 due to the reasons stated against each:</p> <ul style="list-style-type: none"><li>- Terms of repayment of Loan (Refer foot Note No-4(2)(a) of Note No 4)</li><li>- Nature of Security separately for each Loan (Refer Foot Note No- 4(2)(a) of Note no 4)</li><li>- Period and amount of continuing default in repayment of Loans and Interest thereon in respect of each case. Refer foot note of Note No. 4 &amp; Note no.7</li><li>- Disclosure of Foreign Currency Fluctuation under Finance Cost. Refer Note No- 19 (a).</li></ul>	<p>This is a statement of fact. Due to the confidential nature of the agreements entered into with the consortium of banks wherein the terms of payments, rates of interest, the nature of security has been clearly specified, it has not been disclosed. However, the same is available with the company, the important extracts of which are already disclosed in the accounts.</p>
v)	<p>The management contention, regarding the ability of the Company to continue as a going concern and the in-principle approval for strategic disinvestment of the company. Refer Note No. 51 and 28.</p> <p>Remarks:</p> <p>Refer Note No.50 and 28 of consolidated Financial Statements.</p> <p>Also refer Para 8 (f) below.</p>	<p>This is a statement of fact.</p>



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	<p>vi) Change in the estimated life of aircrafts from 20 to 25 years resulting in decrease in depreciation by Rs.3228.6 million and consequent effect on the loss for the year.</p> <p>Remarks :</p> <p>Refer Note No.30 of consolidated Financial Statements.</p>	<p>This is a Statement of fact. The life of the new aircraft in A 320 family and B 777 aircraft, acquired after FY 2006-07 has been increased from 20 to 25 years in line with industry practice and the past history/ experience of utilization of these aircraft in the fleet.</p> <p>The same has been adequately disclosed vide Note No 30.</p>
<b>B.</b>	<b>Air India Express Limited (AIEL) [formerly known as Air India Charters Limited] (vide its Auditors' report dated June 28, 2017)</b>	
	<b>EMPHASIS OF MATTER</b>	
	<p>i) Note No. 35, 36 &amp; 45 regarding confirmations and reconciliation including matching of debits/credits in various balances in other assets / liabilities accounts at certain locations and pending reconciliation of account payables &amp; account receivables, balances in intermediary accounts. The precise financial impact of the same on the accounts / financial statements is not ascertainable. We are unable to comment on the impact of adjustments arising out of reconciliation/confirmation of such balances, on the Financial Statements.</p> <p>Remarks:</p> <p>Refer Note No 37 of Consolidated Financial Statement</p> <p>Refer Para 8 (a)below.</p>	<p>The balance as per books of accounts of various parties including the fuel vendors are reconciled as on 31<sup>st</sup> March, 2017. The confirmation of balances as required were also sent to all parties including the oil companies as on 31.3.2017 as per the SAP Balances.</p> <p>However, the confirmation of balances as on 31.3.2017 was received from few parties only.</p>
	<p>ii) Note No. 52, regarding the financial statements of the Company having been prepared on a going concern basis, notwithstanding the fact that its net worth is completely eroded. The appropriateness of the assumption of going concern is dependent upon realization of the various initiatives undertaken by the Company and/or the Company's ability to raise the requisite finance / generate cash flows in future to meet its obligations.</p>	<p>During the current financial year also, the EBIDTA of the Airlines has improved significantly and due to the various measures taken,the companies operational and financial position has also improved substantially. The Company has recorded a net profit of Rs.296.75 crores during the FY 2016-17. The Airline had achieved a net profit of Rs. 362 crores during the previous year (FY 2015-16). The Company has recorded operating profit during the last four years in a row. Further,the airline has been successful in achieving cash profit for the past 3 years and net profit for 2</p>



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	Remarks:  Refer Note No.50 of the Consolidate Financial Statements  Refer Para 8 (f) below	years including the current fiscal year. Also the Airline has budgeted a net profit of Rs.208.3 crores in FY 2017-18.  The following proposals have also been completed during the current fiscal :- <ul style="list-style-type: none"><li>● Code share arrangement with parent company.</li><li>● Special “Buy on Board” customized menu for the passengers and available for sale on line.</li><li>● Average utilization of more than 12 hours per aircraft per day.</li><li>● Introduction of PayZapp and PayTM facilities for the esteemed customers.</li><li>● Replacement of old seat and provision of In-Seat power on 17 Owned B737-800 NG.</li></ul> In view of the above, it is evident that the accounts have been prepared on “Going Concern” basis.
	iii) Note No. 23(A) which describes the uncertainty related to the non-provision of interest and penalty, if any, payable towards outstanding dues for service tax, tax deduction at source.  Remarks:  Refer Note No 25 of Consolidated Financial Statements	As a matter of prudence, the management has disclosed these items in the Contingent Liability.
<b>C</b>	<b>Hotel Corporation of India Limited (vide its Auditors Report dated October 6, 2017)</b>	
	<b>EMPHASIS OF MATTER</b>	
	i) Net worth of the Company continues to be completely eroded.  Company continues to be under severe financial stress as reflected by:  a. Trade Receivables Rs. 3,32.36 millions	Various initiatives are being taken by HCI for improving the operational performance of the company and increasing the revenues to improve its operational and financial performance/Net Worth such as:



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	<p>b. Trade Payables Rs. 70.20 millions c. Statutory dues Rs. 84.92 millions</p> <p>Despite the foregoing, these accounts have been prepared on a “Going Concern” basis as stated in Note no. 53.</p> <p>Remarks:</p> <p>Refer Note No.50 of consolidated Financial Statements</p> <p>Refer Para 8 (f) below.</p>	<ul style="list-style-type: none"><li>● Equity Infusion of Rs270 million from the Govt of India upto 31.3.2017.</li><li>● The renovation of 80 guest rooms and other allied works at Centaur Hotel Delhi has been completed in the quarter ended June 2017, augmenting the revenue.</li><li>● HCI has appointed a Consultant for upgradation and refurbishment of 75 guest rooms and allied works at Centaur Hotel Srinagar.</li><li>● The holding company, AI, has converted Rs 70 crores of advances to the Company as Equity Capital.</li><li>● HCI has reduced the retirement age for its employees from 60 to 58.</li></ul> <p>It may also be stated that the value of the properties owned by HCI at Delhi Airport, Srinagar and Chefair in Mumbai are substantial in value. Further, the company is a going concern and is carrying out its normal activities of inflight catering and providing hotel accommodation to passengers and others.</p> <p>However, it may be mentioned that in the event of DIAL requiring additional land for a fourth runway, the Centaur Hotel, as per the terms of agreement of AAI and DIAL (OMDA) has to surrender this land to DIAL for which the compensation has to be determined.</p> <p>Similarly, due to litigation in the Srinagar property, HCI is unable to give it on long term Management Contract.</p> <p>But for these factors, in view of measures taken by HCI as well as its holding company AI, to improve the operational/financial performance of HCI, it is hopeful that HCI in future will be able to sustain its requirements from its own revenues.</p> <p>Accordingly, the accounts of HCI have been prepared on Going Concern basis.</p>



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ii)	Impairment of Assets in respect of assessment of potential impairment of loss as referred to in Note no. 33.	This is a statement of fact. However, the same has also been duly stated in the Accounting Policy No 12 of the CFS.			
	Remarks ;:  Refer Policy No 12 of Consolidated Financial Statements				
	Our Opinion is not modified in respect of above matters.				
<b>7 Other Matters</b>	We did not audit the financial statements/ financial information of the following subsidiaries and jointly controlled entity, whose financial statements/ financial information reflect the total assets and net assets as at March 31, 2017, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the Consolidated Financial Statements				
<b>Name of the Company</b>	<b>Total Assets</b>	<b>Net Assets</b>	<b>Total Revenue</b>	<b>Net cash Flows</b>	<b>Audit Report Dates</b>
<b>Subsidiaries Incorporated in India</b>					
Airline Allied Services Limited (AASL)	3,049.86	(13,435.96)	3,758.14	134.44	August 22, 2017
Air India Engineering Services Limited (AIESL)	6,057.47	(11,397.85)	7,404.84	(322.86)	November 27, 2017
Hotel Corporation of India Limited (HCI)	1,289.29	(1,665.26)	520.61	10.41	October 6, 2017
Air India Express Limited (AIEL) [formerly known as Air India Charters Limited]	37,995.15	(9,994.14)	33,555.33	614.69	June 28, 2017



Sr.No.						AUDIT OBSERVATIONS						MANAGEMENT COMMENTS											
Name of the Company		Total Assets	Net Assets	Total Revenue	Net cash Flows	Audit Report Dates																	
Air India Air Transport Services Limited (AIATSL)		6,916.22	3,636.89	6,245.29	377.31	December 13, 2017																	
<b>Jointly Controlled Entity</b>																							
Share of Group in Air India SATS Airport Services Private Limited (AI-SATS)		3,179.11	1,743.81	3,100.26	(75.31)	September 29, 2017																	
<p>These financial statements / financial information, have been audited by other auditors whose reports dated as above have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entity, and our report on the Consolidated Financial Statements in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries and jointly controlled entity is based solely on the reports of the said other auditors.</p> <p>Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management</p>																							
<b>8 Report on other Legal and Regulatory Requirements</b>																							
<p>As required by Section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries and jointly controlled entity, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:</p>												<p>This is a statement of fact.</p>											



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit, except for the matters stated in Para No. A (1)(i),(ii), Para No.B (i),(ii),(iii) and Para No .C of basis of Qualified Opinion and Para B(i) of Emphasis Matter .</p> <p>(b) In our opinion, proper Books of Account as required by law have been kept by the group and its Jointly Controlled Entity so far as appears from our examination of those books and returns adequate for the purposes of our audit and as per the audit reports of subsidiaries and Jointly Controlled Entity, except for the matters in Para No B and C of basis of Qualified Opinion.</p> <p>(c) With respect to those foreign stations not visited by us, we have relied upon the summary reports made available to us for the verification of transactions related to such foreign stations, which have been properly dealt by us in preparing this report.</p> <p>(d) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.</p> <p>(e) Except for the effects of the matter described in Para No – A(1),B,C,D and E of “Basis for Qualified Opinion” above, in our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.</p> <p>(f) The Going Concern matter described in Para No. A (v), B(ii) and C(i) under “Emphasis of Matter” paragraph above, in our opinion and as reported by the Auditor of said company, may have an adverse effect on the functioning of these companies .</p> <p>(g) On the basis of the Auditors' Report of the jointly controlled entity, none of the directors of that company is disqualified as on March 31, 2017 from being appointed as directors in terms of Section 164(2) of Companies Act, 2013. The Provisions of Section 164(2) of the Act are not</p>	



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>applicable to the Holding Company and its subsidiary companies being Government Companies.</p> <p>(h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.</p> <p>(l) With respect to the adequacy of the internal financial controls over financial reporting of the group and its Jointly Controlled Entity and the operating effectiveness of such controls, refer to our separate reports in <b>Annexure-1</b>.</p> <p>(j) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, (as amended) in our opinion and to the best of our information and according to the explanations given to us:</p> <p>a) The Group and its Jointly Controlled Entity has disclosed the impact of pending litigations on its Financial position in its Financial Statements – Refer Note 25 to the Financial Statements, except in case of a subsidiary company, AIATSL, such disclosures are not made as reported by the Auditor of the said company. Refer Note No.25(A)(d);</p> <p>b) The group and its Jointly Controlled Entity has made provisions, as required under the applicable laws or Accounting Standards, for material foreseeable losses, if any, on long-term contracts derivative contracts have been entered into by the Company.</p> <p>c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the group and its Jointly Controlled Entity.</p> <p>d) The group has provided disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016, except in case of a</p>	



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>subsidiary AIEL.Refer Note No.54. In respect of the holding company, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management. Based on reports of other auditors, the disclosures made in respect of such other subsidiaries and a Joint Venture is in agreement with the books of account, except in case of a subsidiary, AIATSL, where the auditor has not expressed an opinion on the same.</p>	

**“Annexure- 1” to the Independent Auditor's Report of even date on the Consolidated Financial Statements of Air India Limited**

Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<b>Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)</b>	
	We have audited the internal financial controls over financial reporting of Air India Limited (“the Holding Company”) and its subsidiary companies and jointly controlled entity (which are companies incorporated in India, as of that date) as of March 31, 2017 in conjunction with our audit of the consolidated financial statements of the Company for the year ended on that date.	
	<b>Management's Responsibility for Internal Financial Controls</b>	
	The respective Management of the Holding company, its subsidiary companies and jointly controlled entity, is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	This is a statement of fact.
	<b>Auditor's Responsibility</b>	
	Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the standards on Auditing,	This is a statement of fact.



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	<p>issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, , and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.</p> <p>Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.</p> <p>We believe that the audit evidence we have obtained and the audit evidence obtained by the other Auditors' in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.</p>	
	<b>Meaning of Internal Financial Controls over Financial Reporting:</b>	
	<p>A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that</p> <p>(1) pertains to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;</p>	This is a statement of fact.



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and</p> <p>(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.</p>	
	<p><b>Inherent Limitations of Internal Financial Controls over Financial Reporting</b></p>	
	<p>Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.</p>	
	<p><b>Qualified Opinion</b></p>	
	<p>According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2017.</p>	
<p><b>1</b></p>	<p><b>Air India Limited (Holding Company)(Vide our Report dated 29.12.2017)</b></p>	
	<p>(i) The company did not have an effective interface between various functional software relating to Sales/Revenue and Inventory Management with the accounting software resulting in accounting entries being made manually on periodical basis.</p> <p>(ii) The company did not have an appropriate internal control system for reconciliation of</p>	<p><b>Answer to (i) and (ii)</b></p> <p>In airline industry, sales are booked as a liability and get converted to revenue only on the completion of travel by the pax. Hence, sales processing and revenue processing are two independent activities.</p>



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>Control Accounts in relation to the Sales / Revenue, Inventory and Payroll.</p>	<p>Regarding sales, 85-90% of sales are generated through BSP (ARC in USA) and data in respect of these sales are received electronically, on a daily basis directly from IATA. Only the balance 15% (sales made at airport/booking office/GSA office and through Web) are received from SITA, in a similar manner. For all sales made at a particular station, there are BSP reports available for sales through agents, and SOR, that is, sales report from SITA for booking office sales. The station records the cash sales or receivables based on these reports. The same data is processed by the third part vendor (Accelya) to create the liability. The receivables booked by the station and the liability created by Accelya should normally be the same. Rather than one party booking the receivables and creating the liability, this two way process is mainly for internal financial controls, through the intermediary accounts, to ensure that they match. There is a reconciliation statement which is generated for every office, on a monthly basis, which also gives the reasons for discrepancies.</p> <p>It is observed that the differences arise, mainly due to time overlap, incorrect reflection of currency, incorrect form of payment (mostly due to ticketing errors), which are subsequently investigated and rectified. The stations do check these reports, after which, either a receivable is created, if they have made any error, or Accelya is informed, if they need to make any correction. It may be pointed out that differences if any, do not affect the P and L account and remain in assets/liabilities.</p> <p>A substantial amount has been identified, reconciled from the balances outstanding in the intermediary accounts as on 31.03.2017. These reconciliations have been shown to auditors, and adjustment entries have already been passed in 2016-17. Revenue processing is a separate activity. This liability created through sales processing, then gets converted to revenue, based on the flown data received from SITA system, again on a daily basis, for all uplifts made at all airports.</p>



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>It is relevant to point out that any ticket which is uplifted, for which there is no sale that is processed, is immediately captured as unreported sales, and debits are raised on the agents instantly.</p> <p>Further, the Revenue Reports generated by the outside agency have been linked to SAP System during 2017-18.</p>
(iii)	The company did not have an appropriate internal control system for deduction, timely deposit and reconciliation of statutory dues.	The company has hired an external firm of Chartered Accountants to reconcile the statutory dues with the deductions/ returns filed/statutory records maintained. The company would give effect to any adjustments as and when the reconciliations are completed. However the Company has taken all steps to ensure that TDS provisions has been properly captured and remitted. In respect of Service tax the existing system is being further examined to ensure that all CENVAT credits are taken on a timely basis.
(iv)	The company did not have effective internal audit system commensurate with the size, nature and complexities of the business.	External Internal Auditors were appointed during the year 2016-17 to strengthen and enhance the scope of Internal audit in several areas of the company's business. With the assistance of these auditors and strengthening of the in house internal audit team the company intends to strengthen the scope and coverage of internal audit commensurate with the size and nature of the company's business.
(v)	The company did not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables.	<p>The company has confirmed the balances with the major vendors, banks and financial institutions to whom the company owes the money. This constitutes a majority of creditors of the company. Similarly, in respect of receivables/payables from the Agents/GSA/ Vendors the company will strengthen the system of obtaining balance confirmation on periodic basis.</p> <p>Further, in respect of reconciliation of unmatched receivables and payables it is stated that the company has reconciled a substantial percentage of receivables and payables in SAP. However, in respect of the remaining accounts necessary action will be taken to reconcile the unmatched receivables and payables in SAP in FY 2017-18</p>



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		<p>The Management is of the view that considering the multitude of vendors with which it has to deal with in the ordinary course of its business, it may not be possible to obtain a complete confirmation of balances from the all the vendors. Based on the confirmation received from the banks, financial institutions and other major vendors the Management is of the view that the balances reflected in the financial statement reflect a true and fair view of the amount owed/owing to/from various vendors/ parties</p>
(vi)	<p>The Company did not have an effective Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.</p>	<p>The Company has an effective ERP-SAP System in place and IBM has been appointed to implement and hand hold AI upto 2023. Several Computer related applications are checked for accuracy and control by the Service Providers. The reliability of Reports are also checked.</p>
(vii)	<p>The company did not have an effective system for timely accounting of entries &amp; approval thereof in IT System.</p>	<p>ERP-SAP has been introduced and implemented at all online stations and an effective system has been put in place for the timely accounting and approval of entries.</p>
	<p>We also draw your attention to the following qualified opinion on adequacy (and therefore operating effectiveness) of Internal Financial Control over Financial Reporting of below mentioned subsidiary companies of the Holding Company issued by Independent firm of Chartered Accountants reproduced by us as under;</p>	
<b>2</b>	<b>Airline Allied Services Limited (vide its Auditors' report dated August 22, 2017)</b>	
(i)	<p>The Company did not have an interface between various functional software relating to Sales/Revenue and Inventory Management with the accounting software resulting in accounting entries made manually.</p>	<p>Ever since Airline Allied Services Ltd. got into existence as a wholly owned subsidiary of its parent company Air India Ltd., revenue including sales is being directly controlled and maintained through Air India Ltd.'s inventory i.e. the stock. The sectors flown by Alliance Air is configured as an add on network to the main network of its parent company Air India Ltd., hence, the accounting of sales / revenue and inventory management is being done in the parent company, which is outsourced to M/s Accelya Kale. The sales / revenue and inventory management is being handled manually based on the periodic reports</p>



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		generated and verified by the concerned competent authority of AASL.
(ii)	The Company did not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales/ Revenue.	The company does have an internal control system for reconciliation of control accounts in relation to sales and revenue, which is based on the periodic reports from the processing company of AIL as well as AASL. The reports are periodically matched with the SAP control account before finalising the Trial.
(iii)	The Company did not have an appropriate internal control system for deduction, deposits and reconciliation of statutory dues.	Accounting entries for all the statutory deductions based on the invoices received from various vendors including payroll are duly accounted through SAP system of accounting under various tax slabs. The monthly statements are downloaded, cross checked with the invoices and paid to respective authorities on due dates and accordingly returns are filed periodically as per due dates, which are audited by Internal Auditors, Statutory Auditors and Govt. Auditors.
(iv)	The Company did not have an appropriate internal audit control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables.	To have effective internal control system for obtaining confirmation of balances on periodic basis, the balance confirmation letters are supposed to have been generated from SAP. The company is in the process of completion of the module (in-use) accounting software (SAP) and will adhere to in the current year. The company generates age-wise debtors outstanding statements in the year end, which are reconciled and provisions are made in the final accounts.
(v)	The Company did not have an effective Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.	The SAP has been installed and all the accounts were migrated in 2013-14. Since the SAP is a tested and proven software all over the world and it has been almost more than 4 years of its operation in AASL, the controls are well tested and no irregularities are detected in the System so far.
(vi)	The Company did not have an appropriate internal control towards user access right to create & modify master data and modification in accounting entries.	The SAP module for expenditure system is internally located at Mumbai and controlled by specific authorised team. Any creation or modification of master data as per the requirement of the company is being sent to them after authorisation by the competent authority for necessary modifications as desired.



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	(vii) The Company does not have proper internal control for procuring goods and process of invoice/expenses.	<p>Since the procurement module in SAP is only enabled in the parent company, AIL through which AASL is also procuring the goods and services as per the requirement. The invoices are generated from SAP system is debited by AIL to AASL.</p> <p>While, the major goods and services are procured from the parent company, all other small expenses are being approved by competent authority by adhering to MMD procedure. The company has proper internal control for procurement of goods.</p>
	(viii) The Company does not have proper internal control/process of segregation of duties and following maker checker concept.	The implementation of maker –checker in SAP will be taken in 2017-18.
<b>3</b>	<b>Air India Air Transport Services Limited (vide its Auditors' report dated December 13, 2017)</b>	
	(i) Company does not have an Automated Control for Attendance and payroll, in spite of the large employee strength. The time office functions such as attendance, leave, over time, etc. which should be controlled by HR are being managed by the Finance which is a major risk as this may lead to short / excess payments and fraudulent payments to non-existent employees. The financial signing powers up to limit of 5 crores are available with the HR personnel. And the same grade of HR personnel has more Banking powers than the person holding the same position in the Finance Department.	<p>Strict control for Attendance is maintained by the respective Divisional Heads by maintaining Muster Register and Punching Cards in various sections .</p> <p>As regard Automated Control for Attendance (Bio-Metric) System, Air India had purchased a system for all the employees of AIATSL including FTC staff.</p> <p>However, considering the delay in implementation of Bio-Metric Machine by Air India, AIATSL has initiated the process of having independent Bio-Metric system and initially will start with the FTC employees. The implementation of Bio-Metric system will take a couple of months. As regards the segregation of role(s), audit comments are noted for future compliance.</p>
	(ii) As per the Board Resolution of 43rd Meeting held on 11th February, 2013, any two of the six senior executives have unlimited financial powers including Banking powers on joint basis. Further, they can also delegate unlimited Banking powers to the officials nominated by them irrespective of their designation. The Bank account operation is on joint basis but requiring only one of the signatory to have the requisite	This is a statement of fact. However, corrective actions are being initiated.



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	<p>Banking powers, and the other signatory need not have Banking power for the transaction amount. For instance, a signatory having 10 lakhs signing limit can sign jointly with the other signatory having 1 crore limit. This is inappropriate, as in our view the Banking powers or limits should be defined at each levels with reference to each class of bank account (Collection account and expense account). This is high Risk area.</p>	
(iii)	<p>The delegation of banking powers are not reviewed by the company since year 2013. In most of the cases, the company has not revoked the Banking powers of officials who have got separated from the company.</p>	<p>This is a statement of fact. However, corrective actions are being initiated.</p>
(iv)	<p>In case of Material Banking transactions following three critical functions are not segregated:-</p> <ol style="list-style-type: none"><li>1. Approval of Transactions,</li><li>2. Accounting in SAP / MBS and</li></ol> <p>Custody of Assets (e.g. Issue of cheques, Banking passwords, Bank Authority letter, Keys of lockers, etc.)</p>	<p>Because of limited permanent finance personnel the authority is vested with these limited people. However, each transaction is signed jointly by two signatories.</p>
(v)	<p>The Company does not have an appropriate internal financial control system over financial reporting since the internal controls adopted by the Company did not adequately consider risk assessment, which is one of the essential components of internal control, with regard to the potential for fraud when performing risk assessment. Further the adequacy and operating effectiveness of Internal Financial Controls over Financial Reporting and essential components of internal controls are not adequately considered, controlled and managed in the internal financial controls established by the company.</p>	<p>This is statement of fact. The Company is in process of defining the appropriate Internal Financial Control System.</p>
(vi)	<p>List of other deficiencies identified are as under:</p> <ol style="list-style-type: none"><li>a) The company does not have independent Standard Operating Procedures for its Departments / Processes.</li></ol>	<p>Standard Operating Procedures for different departments / process is under preparation.</p>



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
b)	The company has appointed an Independent External Firm of Chartered Accountants as an Internal Auditor. Their audit is in progress and the report is awaited.	This is a statement of fact.
c)	The company does not have an appropriate process for obtaining confirmation of balances and reconciliation of Receivables and Payables on a periodic basis.	This is a statement of fact.
d)	In some cases the Direct Payment entries are passed instead of routing through the Party / Vendor Ledger. TDS should be deducted on booking or payment, whichever is earlier. The Company does not have an appropriate mechanism for deduction, deposit and reconciliation of statutory dues including Service Tax, TDS, PF, etc. for ensuring compliance. The relevant Controls are inadequate and the consequent impact cannot be ascertained.	This is a statement of fact. Users will be trained on the proper usage of SAP.
e)	There is a time gap between the services provided and invoices raised. Revenue from Handling Services is recognized on rendering of services and in certain cases it is not as per the terms of relevant agreement. Instances of Excess and Short Revenue booking were identified. It shows the material weakness exist in the process of Raising the Invoices.	This is statement of fact. We are in the process of automation by introducing the SD module in SAP.
f)	The Company does not have an effective information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the transactions and reports from the IT systems. The working files and folders are not stored on a centralized or common drive which leads to difficulty in backup. The SAP, MBS and Email data is maintained at Air India Servers and backed up by Air India. The IT controls needs to be strengthened.	
g)	The company could not provide the relevant supporting documents evidencing the letter / resolution submitted to the Bank for all the Accounts, with reference to the change in the Banking powers. Further, the	This is statement of fact. The Company is in the process to implement the Cloud Server of AIATSL.



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	list of current signatories active with the Bank for all the accounts along with the limit and mode of operation has also not being provided to us.	
h)	The Bank Reconciliation of the company is not carried at regular intervals.	The requisite data has been shared with the Auditors, indicating the details of Bank Accounts, Mode of Operation, Authorized Signatories and the prescribed limits.
i)	The Company has not defined and documented the Job Description duties and responsibilities for its Employees / Contract staff, etc.	The job description with designation of permanent employees of AIATSL is available with Air India . For FTC staff, there are separate job description with designation is available with HR-AIATSL.
j)	While passing the accounting entries, uniformity of Document Code is not maintained for similar types of transactions. Due to this, the controls cannot established for identification and scrutiny.	This is statement of fact. Users are being trained on the proper usage of SAP.
k)	The Company and regions are following different practices for invoicing. The invoices are raised through MBS system, SAP as well as Manual mode. Overall invoicing system needs strong Automated Controls. The MBS billing software is linked with SAP and all the invoices are posted from MBS to SAP. The time period of synchronization with SAP is on daily basis however, the approval for authorizing the transaction is delayed. The edit in MBS is possible but not in SAP. It is only possible to reverse the transaction in SAP. The reconciliation of entries in MBS with SAP is done partially.	This is statement of fact. We are in the process of automation by introducing the SD module in SAP.
l)	We were informed that with the existing human resources, the company could not complete the accounting function in timely manner. Further, the existing staff has to be provided appropriate training to perform their assigned duties.	Audit comments noted for future compliance
m)	The company does not have an appropriate system of updating contracts of handling activities with 3rd party airlines which have expired, although such contracts are taken as renewed till they are revoked by third	The contracts are based on SGHA of IATA. The contracts are valid till such time they are expressly revoked by the parties concerned. Efforts are on to get the contracts renewed by 3rd party airlines in time.



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	party airlines. This non-renewal may have legal connotations for AIATSL in the long run.	
n)	Accounting is being done in SAP by the company but the concept of maker and checker is not being followed. The same person has access to both the sets of Books; i.e. AIATSL and Air India. This leads to un-identification of the user in case of error or Fraud.	Structure for Maker and Checker has been configured in SAP. Efforts are on to position available manpower to have better control.
o)	Fixed Assets register is maintained in SAP. Majority of assets have been transferred from Air India Limited (AIL). Physical Verification and identification of assets was not conducted at the time of transfer from AIL. During the Financial Year 2017-18, the company has appointed an external CA Firm for carrying on the activity of physical verification and reconciliation.	This is a statement of fact.
p)	Whistle Blower policy is adopted by the company from the parent company but the same has not been minutized.	
<b>4</b>	<b>Air India Express Limited (AIEL) [formerly known as Air India Charters Limited] (vide its Auditors' report dated June 28, 2017)</b>	
(i)	Accounting of Inventory: The Company did not have an adequate internal control system for inventory with regard to receipts, issue for consumption and physical verification and valuation of the same. These could potentially result in material misstatements in the Company's trade payables, consumption, inventory and expense account balances.	During the period 2015-16, the parent company has signed a contract with M/s. RAMCO for upgrading the software to 5.7 / 5.8 version which would take care of all the issues / observations raised. AIEL has borne 1/3 <sup>rd</sup> of the cost for the upgradation.  The required control on recording, reporting and accounting are exercised by the Parent company for all the group companies through RAMCO system by MMD. Periodical reports are generated from the RAMCO system accordingly.  Physical verification of the Inventories would be carried out in consultation with Parent Company on completion of the project through an external professional firm if required. The outcome of the project is estimated during the FY 2017-18.



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(ii)	Accounting of repairable spares	<p>During the FY 2015-16, AIEL has changed the significant accounting policy in respect of Repairable spares:</p> <ul style="list-style-type: none"><li>a. In line with the accounting policy adopted by the Parent company.</li><li>b. The repairable are having life term of more than 2/3 cycles.</li><li>c. These items are serially numbered and adequate controls are exercised accordingly.</li><li>d. These items are considered as having life span of 10 year and depreciation is charged accordingly.</li></ul>
(iii)	Controls over planning and monitoring of financial closing process.	Statement of Fact. However, the observation of Audit is noted and necessary action would be taken during the FY 2017-18.
(iv)	Controls over spreadsheets used in financial closing process	Statement of Fact. However, the observation of Audit is noted and necessary action would be taken during the FY 2017-18
(v)	Procedural compliances in respect of statutory dues/liabilities in respect of Indirect Tax and Direct Tax	<p>The Company has correctly deducted and paid the Tax dues during the FY 2016-17.</p> <p>Also the TDS and Service Tax liability as on 31.03.2017 has been discharged in full and there is no outstanding liability.</p>
(vi)	Controls related to entries in migration accounts	Statement of Fact. However, the observation of Audit is noted and necessary action would be taken during the FY 2017-18
(vii)	Controls related to Review of Accounts Payable	Statement of Fact. However, the observation of Audit is noted and necessary action would be taken during the FY 2017-18
	<b>Adverse Opinion</b>	
<b>5.</b>	<b>Air India Engineering Services Limited (vide its Auditors' Report dated November 27, 2017)</b>	
	Having regard for adverse remarks on Basis for Qualifications in the Audit Report, which in our opinion are pervasive to individual accounting balances and overall presentation of the financial statement, the	



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	company does not have an effectively operating internal financial control system in place.	
	<b>Disclaimer of Opinion</b>	
<b>6. Hotel Corporation of India Limited (vide its Auditors Report dated October 6, 2017)</b>	<p>According to the information and explanation given to us, the Company has not established its internal financial controls over financial reporting on criteria based on or considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at 31<sup>st</sup> March, 2017.</p> <p>We have considered the disclaimer reported above in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the Company and our disclaimer does not affect our opinion on the financial statements of the Company.</p>	
<b>7</b> The auditor of the Jointly Controlled Entity, AI-SATS, vide their report dated 29.09.2017 has issued a un-qualified opinion on the adequacy and operating effectiveness of the internal financial control over financial reporting as on 31.03.2017. A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.	<p>In our opinion, except for the effects/possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2017, based on the internal control over financial reporting criteria established by the</p>	



Sr.No.	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	<p>Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.</p> <p>We have, to the extent possible, considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 consolidated financial statements of the Company, and as also the material weakness identified and reported by the Independent Auditors of subsidiary companies and these material weaknesses are not likely to affect our opinion on the Consolidated financial statements.</p>	
	<b>Other Matters</b>	
	<p>Our aforesaid reports under section 143(l) of the Act on the adequacy and operating effectiveness of the internal financial control over financial reporting insofar as it relates to 5 subsidiaries and 1 jointly controlled entity, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies.</p>	



**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2017**

**(Rupees in Million)**

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016
<b>I EQUITY AND LIABILITIES :</b>			
<b>Shareholders' Funds</b>			
a) Share Capital	2	267,530.0	214,960.0
b) Reserves and Surplus	3	(517,480.9)	(456,498.7)
		(249,950.9)	(241,538.7)
<b>Share Application Money Pending Allotment</b>		1,372.1	29,290.0
<b>Non-current Liabilities</b>			
a) Long Term Borrowings	4	343,894.1	370,479.6
b) Other Long Term Liabilities	5	1,013.0	1,074.9
c) Long Term Provisions	6	17,944.6	17,580.8
		362,851.7	389,135.3
<b>Current Liabilities</b>			
a) Short Term Borrowings	7	140,323.6	156,616.1
b) Trade Payables	5	104,263.6	89,134.1
c) Other Current Liabilities	5	105,219.2	94,840.5
d) Short Term Provisions	6	3,311.0	3,410.8
		353,117.4	344,001.5
<b>TOTAL</b>		<b>467,390.3</b>	<b>520,888.1</b>
<b>II ASSETS :</b>			
<b>Non-current Assets</b>			
a) Fixed Assets	8		
(i) Tangible Assets (Property, Plant & Equipment)		329,496.3	318,905.0
(ii) Intangible Assets		3,349.1	3,945.1
(iii) Capital Work-in-Progress		2,326.4	6,813.9
(iv) Intangible Assets under development		13.5	13.5
		335,185.3	329,677.5
b) Non-Current Investments	9	302.1	302.2
c) Deferred Tax Assets (net)	47	28,612.4	28,572.7
d) Long Term Loans and Advances	10	28,886.2	26,185.9
e) Long Term Trade Receivables	11	61.6	47.4
f) Other Non-Current Assets	12	102.7	47.9
		57,965.0	55,156.1
<b>Current Assets</b>			
a) Inventories	13	15,097.6	16,931.7
b) Trade Receivables	11	22,465.9	22,534.6
c) Cash and Bank Balances	14	10,055.7	10,827.7
d) Short Term Loans and Advances	10	14,504.1	10,366.8
e) Other Current Assets	12	12,116.7	75,393.7
		74,240.0	136,054.5
<b>TOTAL</b>		<b>467,390.3</b>	<b>520,888.1</b>
<b>Significant Accounting Policies</b>	1		
<b>Notes forming part of the Financial Statement</b>	2-56		

The accompanying notes are an integral part of the Consolidated Financial Statements  
This is the Balance Sheet referred to in our report of even date.

For and on Behalf of

**Thakur, Vaidyanath Aiyar & Co.**  
Chartered Accountants  
FRN : 000038N

Sd/-  
**(V. Rajaraman)**  
Partner  
M.No. 002705

For and on Behalf of

**Sarda and Pareek**  
Chartered Accountants  
FRN : 109262W

Sd/-  
**(Sitaram Pareek)**  
Partner  
M.No. 016617

For and on Behalf of

**Varma and Varma**  
Chartered Accountants  
FRN : 004532S

Sd/-  
**(P.R. Prasanna Varma)**  
Partner  
M.No. 025854

For and on behalf of the Board

Sd/-  
**(Pradeep Singh Kharola)**  
Chairman & Managing Director

Sd/-  
**(V.S. Hejmadi)**  
Director-Finance

Sd/-  
**(Kalpana Rao)**  
Company Secretary

Place : New Delhi

Date : 29 December 2017



**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2017**  
(Rupees in Million)

Particulars	Note No.	2016-17		2015-16	
<b>I Revenue</b>					
1. Revenue from Operation	15				
i) Scheduled Traffic Services		208,143.5		200,373.2	
ii) Non-Schedule Traffic Services		13,078.7		11,927.0	
iii) Other Operating Revenue		35,214.2		23,284.0	
<b>Revenue from Operation</b>			256,436.4		235,584.2
II 2. Other Income	16		1,280.1		2,017.0
<b>Total Revenue (I+II)</b>			<b>257,716.5</b>		<b>237,601.2</b>
<b>IV Expenses</b>					
1. Aircraft Fuel & Oil			72,517.0		65,718.9
2. Other Operating Expenses	17		100,321.6		85,122.2
3. Employee Benefit Expenses	18		45,012.3		41,850.6
4. Finance Costs	19		44,626.8		47,179.4
5. Depreciation and Amortization Expense	20		19,901.1		21,855.9
6. Other Expenses	21		20,374.2		18,458.2
7. Prior Period Adjustments (Net)	22		(3,809.5)		(405.0)
<b>Total Expenses</b>			<b>298,943.5</b>		<b>279,780.2</b>
<b>V (Loss) before Exceptional and Extraordinary Items and Tax (III-IV)</b>			<b>(41,227.0)</b>		<b>(42,179.0)</b>
VI Exceptional Items (Net)	23		(12,981.6)		(0.0)
<b>VII (Loss) before Extraordinary Items and Tax (V+VI)</b>			<b>(54,208.6)</b>		<b>(42,179.0)</b>
VIII Extra Ordinary Items (Net)	24		(8,472.3)		(857.7)
<b>IX (Loss) before Tax (VII+VIII)</b>			<b>(62,680.9)</b>		<b>(43,036.7)</b>
X Tax Expenses :					
i) Current Tax			252.8		105.5
ii) MAT Credit			(14.4)		(27.7)
iii) Excess MAT Credit for earlier year			5.6		6.3
iv) Deferred Tax			(39.7)		(14.3)
<b>XI (Loss) after Tax for the year (IX-X)</b>			<b>(62,885.2)</b>		<b>(43,106.5)</b>
XII Earning per Share of Rs. 10 each	48				
Basic and Diluted before extra-ordinary items			(2.51)		(2.45)
Basic and Diluted after extra-ordinary items			(2.91)		(2.50)
<b>Significant Accounting Policies</b>	<b>1</b>				
<b>Notes forming part of the Financial Statement</b>	<b>2-56</b>				

The accompanying notes are an integral part of the Consolidated Financial Statements  
This is the Statement of Profit and Loss referred to in our report of even date.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co.**  
Chartered Accountants  
FRN : 000038N

Sd/-  
**(V. Rajaraman)**  
Partner  
M.No. 002705

For and on Behalf of  
**Sarda and Pareek**  
Chartered Accountants  
FRN : 109262W

Sd/-  
**(Sitaram Pareek)**  
Partner  
M.No. 016617

For and on Behalf of  
**Varma and Varma**  
Chartered Accountants  
FRN : 004532S

Sd/-  
**(P.R. Prasanna Varma)**  
Partner  
M.No. 025854

For and on behalf of the Board  
Sd/-  
**(Pradeep Singh Kharola)**  
Chairman & Managing Director

Sd/-  
**(V.S. Hejmadi)**  
Director-Finance

Sd/-  
**(Kalpana Rao)**  
Company Secretary

Place : New Delhi  
Date : 29 December 2017



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017**  
(Rupees in Million)

Particulars	2016-17		2015-16	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit /(-) Loss Before Exceptional and Extraordinary Items and Tax		(41,227.0)		(42,372.4)
<b>Adjustments for :</b>				
Depreciation	19,872.0		21,877.6	
Finance Cost	44,626.8		47,155.6	
(Profit)/Loss on sale of Assets	392.3		(705.9)	
Provision for Obsolescence / Inventory Reconciliation*	2,322.2		(886.9)	
Provision for Bad & Doubtful Receivables and Advances*	2,249.0		863.9	
Provision for Employee Benefits*	327.0		534.7	
Provision for Wealth Tax	-		(0.6)	
Provision for Frequent Flyer Programme	(57.0)		(22.3)	
Dividend income	(44.9)		(97.6)	
Unrealised foreign exchange Loss	(2,347.6)		371.8	
Exceptional & Extraordinary Items (Net)	(21,453.9)		(664.2)	
Liabilities no longer required written back	(9.4)		-	
Interest on Bank & Other Deposits	(518.6)	45,357.9	(401.1)	68,025.0
<b>Cash surplus/(-) deficit before variation in Net Working Capital</b>		4,130.9		25,652.6
Changes in Working Capital				
(Increase) / Decrease in Trade and other Recievables	(16,099.3)		14,215.2	
(Increase) / Decrease in Inventories	195.3		(1,832.2)	
Increase / (Decrease) in Trade and Other Payables	35,535.6		(3,665.6)	
		19,631.6		8,717.4
Income Tax Paid(net refund)		(822.7)		(1,274.0)
<b>Net cash (-)outflow / Inflow from Operations</b>		22,939.8		33,096.0
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Purchase of Fixed Assets	(27,441.6)		(34,188.2)	
Proceeds from Fixed Assets	63,117.1		7,875.3	
(Increase) / Decrease in Investments (net)	0.1		(125.0)	
Changes in Margin Money Bank Deposits	(1,286.5)		(1,097.0)	
Dividend Received	44.9		97.6	
Interest received on Bank & Other Deposits	505.4		780.5	
<b>Net cash (-)outflow / Inflow from Investing Activities</b>		34,939.4		(26,656.8)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Finance Cost	(44,809.5)		(47,010.4)	
Change in Long Term Borrowings	(26,287.5)		5,917.0	
Dividend and Dividend Tax	(6.2)		(72.8)	
Change in short term borrowings	(14,340.0)		1,254.5	
(Decrease)/Increase in Capital Reserve	825.2		614.1	
Issue of Equity Shares	24,702.1		33,000.0	
<b>Net cash (-)outflow / Inflow from Financing Activities</b>		(59,915.9)		(6,297.6)
<b>Net Increase / (-)Decrease in Cash &amp; Cash equivalents</b>		(2,036.7)		141.6
Unrealised Foreign Exchange Gain/(Loss) in Cash & Bank Balances		(21.8)		1,019.7
Cash at the beginning of the year		7,134.9		5,973.6
<b>Cash and cash equivalents as at the end of the year</b>		5,076.4		7,134.9

Notes: 1 \*These figures have been taken from Balance Sheet movements.  
 2 The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 (AS-3) on "Cash Flow Statements", and present cash flows by operating, investing and financing activities.  
 3 For details of components of Cash and Cash equivalents, see Note No. 14.  
 4 Previous Year figures have been regrouped as per current year.

This is the Cash Flow Statement referred to in our report of even date.

For and on Behalf of  
**Thakur, Vaidyanath Aiyar & Co.**  
 Chartered Accountants  
 FRN : 000038N

For and on Behalf of  
**Sarda and Pareek**  
 Chartered Accountants  
 FRN : 109262W

For and on Behalf of  
**Varma and Varma**  
 Chartered Accountants  
 FRN : 004532S

For and on behalf of the Board  
 Sd/-  
**(Pradeep Singh Kharola)**  
 Chairman & Managing Director

Sd/-  
**(V. Rajaraman)**  
 Partner  
 M.No. 002705

Sd/-  
**(Sitaram Pareek)**  
 Partner  
 M.No. 016617

Sd/-  
**(P.R. Prasanna Varma)**  
 Partner  
 M.No. 025854

Sd/-  
**(V.S. Hejmadi)**  
 Director-Finance  
 Sd/-  
**(Kalpana Rao)**  
 Company Secretary



**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

**NOTE “1”**

**1. PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements relate to Air India Limited (Holding Company), its subsidiaries and interest in Joint Venture Company. The Company, its Subsidiaries and Joint Ventures constitute the Group and hereinafter referred to as “the Group”.

- i. The financial statements of the Holding Company and its Subsidiary Companies and Joint Venture Company have been combined on a line – by – line basis by adding together the book values of like items of assets, liabilities, income and expenses, including to the extent of companies equity interest in Joint Venture Company after eliminating the intra- group balances, intra-group transactions and unrealised profits & losses in accordance with the Accounting Standard/Policies on “Consolidated Financial Statements” and Financial Reporting of interests in Joint Ventures numbered as AS 21 and AS 27.
- ii. The consolidated financial statement are prepared using uniform accounting policies for like transaction and other events in similar circumstances and are presented to the extent possible, in the manner as the company's separate financial statement of the parent company viz. Air India Ltd except as otherwise stated.
- iii. The excess of the Equity of the Subsidiary/Joint Venture Company over the cost of investment in the Subsidiary Company/Joint Venture Company at the date on which investment is made is recognized as Capital Reserve in the Consolidated Financial Statement. Similarly, the excess of cost of investment in Subsidiary Companies/Joint Venture Company over the equity of the Subsidiary Companies/Joint Venture Company at the date on which investment is made is recognized as Goodwill in the Consolidated Financial statement.
- iv. Government of India is the only Minority Shareholder in one of the Subsidiary of Air India Ltd. Since the Govt of India is the sole shareholder of Air India Ltd also, the Govt of India is not considered as a Minority Shareholder and hence the minority interest is not segregated and disclosed separately.

**2. The Subsidiaries and Joint Venture Companies considered in the preparation of the Consolidated Financial Statement are as follows:-**

<b>Name of the Company</b>	<b>Proportion (%) of Share Holding as on 31.3.2017</b>	<b>Proportion (%) of Share Holding as on 31.3.2016</b>
<b>Subsidiaries Incorporated in India</b>		
Airline Allied Services Limited (AASL)	100%	100%
Air India Air Transport Services Limited (AIATSL)	100%	100%
Air India Express Limited (AIEL) (Formerly known as Air India Charters Ltd i.e. AICL)	100%	100%
Air India Engineering Services Limited (AIESL)	100%	100%



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

<b>Name of the Company</b>	<b>Proportion (%) of Share Holding as on 31.3.2017</b>	<b>Proportion (%) of Share Holding as on 31.3.2016</b>
Hotel Corporation of India Limited (HCI)	<b>80.38%</b>	64.86%
<b>Joint Ventures Incorporated in India</b>		
Air India SATS Airport Services Private Limited (AI- SATS)	<b>50%</b>	50%

### 3. Disinvestment of Air India Ltd

In view of the NITI Aayog recommendations on the disinvestment of AI and followed by the recommendations of the Core Group of Secretaries on disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) gave an 'In-Principle' approval for considering the strategic disinvestment of AI and five of its Subsidiaries in its meeting held on 28<sup>th</sup> June 2017 i.e. after 31.3.2017. CCEA also constituted an Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment from time to time and decide on the following:

- a) Treatment of unsustainable debt of Air India
- b) Hiving off of certain assets to a Shell Company
- c) Demerger and strategic disinvestment of three profit making Subsidiaries
- d) Quantum of Disinvestment
- e) Choosing of Bidders

#### A. ACCOUNTING CONVENTION

##### i) Basis of Preparation

These Consolidated Financial Statements of the Holding Company and its Subsidiary Companies and Joint Venture Company have been prepared on going concern concept on accrual basis, (except as stated elsewhere), under historical cost convention, and are in compliance with generally accepted accounting principles and the Accounting Standards notified under the Section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules 2014.

##### ii) Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in India requires management of each of the companies in the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which results are known/materializes.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

iii) **Operating Cycle**

The Group being in service sector, there is no specific operating cycle; However, 12 months period ending on 31<sup>st</sup> March of each year has been adopted as “the Operating Cycle” in-terms of the provisions of Schedule III to the Companies Act 2013.

**B. SIGNIFICANT ACCOUNTING POLICIES**

**1. FIXED ASSETS**

**(a) Tangible Assets (Property Plant and Equipment)**

- i) a) Fixed Assets (including major components) are stated at cost including incidental costs incurred pertaining to their acquisition and bringing them to the location for use and interest on loans borrowed where applicable, in terms of Accounting Policy No 11(b) where applicable, upto the date of putting the concerned asset to use.
- b) Aircraft Rotables/Repairables are considered as components and shown as fixed assets.
- ii) Expenditure on major modernization/modification/conversion of aircraft engines resulting in increased efficiency/economic life, is capitalized according to AS 10.
- iii) Assets under leases, in respect of which substantially all the risks and rewards of ownership are transferred to the Company, are considered as Finance Leases and are capitalized.
- iv) Physical Verification of Assets

Physical Verification of Assets by each of the companies in the Group is done on a rotational basis, at the end of such period (not exceeding two years) as considered appropriate by the management of each of the companies in the Group. The discrepancies observed in the course of the verification are adjusted in the year in which report is submitted.

- v) “Assets held for Sale”

In respect of assets held with an intention to sale, the net book value of the assets, including SLB transactions, is transferred from block of the fixed assets to “Assets held for Sale”, when the sale becomes highly probable and are classified as Current Assets. No depreciation is provided if the price at which the Asset is likely to be sold exceeds its cost.

**(b) Intangible Assets**

Intangible Assets are stated at cost including incidental costs.

**2. DEPRECIATION / AMORTIZATION**

- a) Depreciation is provided on all assets of the companies in the Group on straight-line method over the useful life of assets which for the purpose has been taken as prescribed



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

in the Schedule II of the Companies Act 2013 (except as otherwise stated), from the date the prescribed asset is put to use, keeping a residual value of 5% of the original cost , which is reviewed by the management at each year end,

- b) The Fleet of aircrafts (procured from 2006-07 onwards) are depreciated upto 95% of the block value over 25 years (instead of the life of 20 years prescribed in Schedule II).
- c) The life of the following assets, for which no life has been prescribed by Schedule II have been determined by technically qualified persons as approved by the Board of Directors of the companies concerned, keeping a residual value of 5% of the original cost.

l) Rotables:

- Aircraft Rotables relating to Airbus family are depreciated over the residual average useful life of the aircraft fleet relating to respective family and of the respective engineering base, from relevant year of purchase.
- Aircraft Rotables relating to Boeing are depreciated over the residual average useful life of the related aircraft fleet from the relevant year of purchase.
- ii) Depreciation on additions to “Other Fixed Assets” is provided for the full year in the year of acquisition and no depreciation is provided in the year of disposal.
- iii) Aircraft Repairables are amortized over a period of 10 years (in case of post migration i.e.Boeing Repairable acquired after 28<sup>th</sup>May 2012 and Airbus Repairable acquired after 25<sup>th</sup> Nov 2012) and 5 years (in case of pre-migration) from the date of its purchase unless scrapped earlier.
- iv) However, in the case of following subsidiaries, depreciation has been provided for on straight line method on the basis of useful life estimated by the management / technically qualified persons. The details of subsidiaries and such assets are as under :

S.No	Type of Asset	Life Adopted by Company	Life Prescribed by Schedule II
A.	AI-SATS		
	(i) Buildings	10-15 yrs	60yrs
	(ii) Computers (including Software)	3-6 yrs	6 yrs
	(iii) Furniture & Fittings	3-7 yrs	10 yrs
	(iv) Plant & Machinery	3-7 yrs	15 yrs
	(v) Vehicles	5-7 yrs	8yrs
B.	AASL		
	(i) Ground Support Equipment	Depreciation on Ground Support Equipment specific to leased CRJ & ATR aircraft is provided based on the completed aircraft lease months over the total aircraft lease months from the date of use with realizable value at end of lease taken as NIL.	



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

- d) Machinery Spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalized and depreciated over the useful life of the principal item of the relevant assets.
- e) Major modifications/refurbishment, modernization/conversion carried to leased assets are shown under improvement to leasehold assets and amortized over the balance period of lease.
- f) Leasehold Land other than perpetual lease is amortized over the period of lease.
- g) Intangible assets which have a useful economic life are amortized over the estimated useful life; Software of 'Passenger Services System' over 10 years and in other cases of Software over 5 years.
- h) No depreciation needs to be provided on "Assets held for Sale" as stated by Accounting Standard No 10.

**3. INVESTMENTS**

- a) Long-term investments are stated at cost less permanent diminution in value, if any. Diminution in value is considered to be permanent only when the possibility of restoring the value of the Investment to its original face value becomes a distant possibility.
- b) Current investments are valued at lower of cost and fair value.

**4. INVENTORIES**

- i) Inventories are valued at weighted average cost and market value is not considered as the Group does not have inventories meant for sale. However, Aircraft Turbine Fuel (ATF) in aircraft as at the year-end are valued at closing prevailing rate, since the average rates would not be appropriate.
- ii) Expendables/consumables are charged off at the time of initial issue except those meant for repairs of repairable items which are expensed when the work order is closed on the completion of the repair work.
- iii) Obsolescence provision for aircraft stores and spare parts:
  - a) Provision is made for the non-moving inventory exceeding a period of five years (net of realizable value of 5%) except for (b) & (c) below and netted off from the value of inventory.
  - b) Inventory of Aircraft Fleet which has been phased out, is shown at estimated realizable value unless the same can be used in other Aircrafts.
  - c) Obsolescence provision in respect of inventories exclusively relating to aircraft on dry/wet lease, is made on the basis of the completed lease period compared to the total lease period as at the year-end.
- iv) Full obsolescence provision for non-aircraft stores and spares is made for non-moving inventory exceeding a period of five years.
- v) Spares retrieved from the cannibalization of the scrapped aircraft are taken into stock at zero value.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

## 5. MANUFACTURERS' CREDIT

Manufacturers; credit entitlements are accounted for on accrual basis and credited to 'Incidental Revenue' by contra debit to 'Advances'; when the credit entitlement are used, the 'advances' are adjusted against the liability created for either acquiring an asset or incurring an expenditure.

## 6. REVENUE RECOGNITION

- a) Passenger, Cargo and Mail Revenue are recognized when transportation service is provided. At the end of each financial year, based on available historical statistical data, a certain estimated percentage of the value of tickets/airway bills which remained unutilized by the persons concerned, is recognized as Revenue.
- b) Freighter and Charter Revenue are accounted for on accrual basis as per the freighter/charter hours except on claims from parties which are accounted for on settlement basis.
- c) Ground Handling, Security Handling and other related services are recognized when the services are provided and billed. Un-billed services in respect of the above services at the end of each financial year, based on available data, are estimated and are recognized as Revenue.
- d) Loss or gain on reissue/refund/ involuntary transfer of passengers to other carriers is deducted or included as the case may be in the revenue.
- e) Blocked Space arrangements/Code share revenue/expenditure is recognized on an actual basis, based on uplift data received from the code share partners. Wherever details from code share partners are not available, revenue/expenditure is booked to the extent of documents/information received, and adjustments when required, are carried out at the time of availability of such information for adjustment.
- f) Income from Interest is recognized on a time proportion basis.
- g) Dividend is recognized as income if the right to receive is established before the close of the year.
- h) The claims receivable from Insurance Company are accounted for on the basis of acceptance by the Insurance Company.
- i) Warranty claims /credit notes received from vendors are recognized on acceptance of such claim/receipt of credit note.
- j) Other Operating Revenue is recognized when goods are delivered or services are rendered.
- k) Haj Operations Amount receivable from the Government of India and Central Haj Committee towards actual expenses incurred by the Company for carrying Haj Ballottee pilgrims is accounted for as Charter Revenue.
- l) Gain or loss arising out of sale/scrap of Fixed Assets (including aircraft) over the net depreciated value is taken to Statement of Profit & Loss as Non-Operating Revenue or Expenses.



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

- m) Other Items:
  - i) Scrap sales, reimbursement from employees availing medical, educational and other leave without pay, claims of interest from suppliers, other staff claims and lost baggage claims are recognized on cash basis.
  - ii) Liability for amounts payable towards IATA dues, liabilities for expenses and manufacturers' credits are recognized to the extent of claims/ invoices received.
- n) Rental Income is recognized as per the underlying lease contracts as and when accrued on time proportionate basis.

**7. GRANTS**

- a) Viability Gap Funding (VGF) is accounted for on the basis of difference between revenue and cost of operations on accrual basis and the same is treated as Operating Income.
- b) Grants are recognized in accordance with the terms of the respective Grants on accrual basis considering the status of compliance of conditions prescribed and ascertainment that the Grant will be received.

**8. PROVISION FOR DOUBTFUL DEBTS**

Debts/Advances are provided for, if they are either more than three years old or specifically identified, as doubtful, even within three years. However, in respect of debts pertaining to Govt., whether State or Central Departments or Public Sector undertakings which are known to be recoverable with certainty are not provided for, in spite of their age exceeding three years.

**9. FOREIGN CURRENCY TRANSACTIONS**

- (i) Foreign Currency transactions are of Integral Foreign Operations and hence are recorded at established monthly rates (based on published IATA rates).
- (ii) Interline settlement with Airlines for transportation is carried out at the exchange rate published by IATA for respective month.
- (iii) Foreign Currency Monetary Items:

The Group has opted for accounting the exchange differences arising on reporting of long-term foreign currency monetary items in line with Accounting Standards notified under the Section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules 2014 pertaining to AS-11 notified by the Govt. of India on 31<sup>st</sup> March 2009 (as amended on 29<sup>th</sup> December 2011) and further as amended from time to time.

- a) Accordingly, the effect of exchange differences arising on settlement or reporting of long term monetary items at the rates different from those at which they were initially recorded during the period, or reported in previous financial statements, is accounted as addition or deduction to the cost of the assets so far as it relates to acquisition of depreciable capital assets and is



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

depreciated over the balance useful life of the concerned asset and in other cases such difference is accumulated by transfer to “Foreign Currency Monetary Items Translation Difference Account” to be amortized over the balance period of such long term Assets or Liability.

- b) Foreign currency monetary items other than those identified as long term at the year-end are converted at the year-end exchange rate circulated by Foreign Exchange Dealers Association of India (FEDAI), and the gains/losses arising out of fluctuations in exchange rates are recognized in the Statement of Profit and Loss.
- (iv) Exchange variation is not considered at the year-end in respect of Debts and Loans & Advances for which doubtful provision exists since they are not expected to be realized.

**10. EMPLOYEE BENEFITS**

The Retirement Benefits to the employees comprise of Defined Contribution Plans and Defined Benefit Plans.

- a) Defined Contribution Plans consist of contributions to Employees Provident Fund and Employees State Insurance Scheme. The Company has created separate Trusts to administer Provident Fund contributions to which contributions are made. ESI dues are deposited with government authorities.
- b) The Defined Benefit Plans, which are not funded, consist of Gratuity, Leave Encashment including Sick Leave and Post Retirement Medical Benefits and other benefits. The liability for these benefits except for (c) below is actuarially determined under the Projected Unit Credit Method at the year-end as per Indian Laws.
- c) Liability for Gratuity, Leave Encashment, Pension and other retirement Benefits for staff directly recruited at foreign stations is provided in compliance with local laws prevailing in the respective countries based on available information as at the year end.
- d) Voluntary Retirement Scheme, wherever applicable is accounted for in the year of announcement of scheme by the company and acceptance of the same by the employees.

**11. BORROWING COST**

- a) Borrowing cost that are directly attributable to acquisition, construction of qualifying assets including capital work-in-progress are capitalized upto the date of commencement of commercial use of the assets.
- b) Interest incurred on borrowed funds that are used for acquisition of qualifying assets exceeding the value of Rs.10.0 million is capitalized at the weighted average borrowing rate on loans outstanding at the time of acquisition.
- c) Borrowing Cost other than those stated in Para (a) is treated as period cost.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

## 12. IMPAIRMENT OF ASSETS

The Company assesses at each Balance Sheet date whether there is any indication that an asset has been impaired. If any such indication exists, the provision for impairment is made in accordance with AS-28.

## 13. OPERATING LEASE

- a) Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased assets are classified as Operating Lease and Lease rental payable for the year is charged to Statement of Profit and Loss. In respect of leases which have been extended by paying a termination/release sum, by which the company acquires, a residual right in the aircraft, such amount is amortized over the remaining useful life of the aircraft determined by flying hours.
- b) Contributions made to lessors on account of Maintenance Reserve for which, maintenance is expected to arise during the lease period is treated as Expense.

## 14. COMMODITY HEDGING TRANSACTIONS

Premium relating to commodity hedging contracts are accounted for on the date of entering into contract. However, gains / losses in respect of settled contracts are recognized in the Statement of Profit and Loss in the year of realization.

## 15. TAXES ON INCOME

Provision for current tax is made in accordance with the provisions of Income Tax Act, 1961.

Deferred tax is recognised on timing differences between book and taxable profit using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The Deferred tax assets are recognised and carried forward to the extent that there is a virtual certainty based on operational and financial restructuring, revenue generation and cost reduction programme of the group companies that the assets will be realised in the future.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The MAT credit available is recognized as an asset only to the extent that there is reasonable certainty that normal income tax would be paid during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which MAT credit is recognized as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The "MAT credit entitlement" asset is reviewed at each reporting date and adjusted to the extent the company does not have reasonable certainty that it will pay normal tax during the specified period.

## 16. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

- a) Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

- b) Contingent liabilities exceeding Rs.0.1 million in each case are disclosed in respect of possible obligations that may arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.
- c) Contingent Assets are neither recognized nor disclosed in the financial statements as per Accounting Standard 29.

## **17. FREQUENT FLYER PROGRAMME**

The Company operates Frequent Flyer Programme that provides travel awards to its members based on accumulated mileage points. The estimated tax amenities and legal liability, if any, for free travel under this programme are provided for as expense on the basis of data for unexpired miles available for redemption and charged to Statement of Profit and Loss.

## **18. OTHER LIABILITIES**

Liabilities which are more than three years old are written back under the head "Provision no Longer Required Written Back" unless such liabilities are specifically known to be payable in the future.

## **19. PREPAID EXPENSES/LIABILITY FOR EXPENSES**

Pre-paid expenses / Liabilities for expenses are recognized as under:-

- a) Foreign Stations – Rs. 50,000/- and above in each case.
- b) Domestic Stations – Rs 10,000/- and above in each case.

## **20. PRIOR PERIOD ITEMS:**

The Income and Expenditure which arise in the current period as a result of errors and omissions in preparation of financial statements of one or more prior period are considered as Prior Period Items and are shown separately in the financial statements.

## **21. EARNINGS PER SHARE**

Basic earnings per share is computed by dividing the Net Profit/(Loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "2" : SHARE CAPITAL**

(Rupees in Million)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>A. AUTHORISED</b>		
30,000.0 Million Equity Shares of Rs.10 each (Previous Year : 25,000.0 Million Equity Shares of Rs.10 each)	<b>300,000.00</b>	250,000.0
	<b>300,000.0</b>	250,000.0
<b>B. ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES</b>		
26,753.0 Million Equity Shares of Rs. 10 each (Previous Year : 21,496.0 Million Equity Shares of Rs.10 each)	<b>267,530.0</b>	214,960.0
	<b>267,530.0</b>	214,960.0

**B.i) Reconciliation of number of shares :**

Particulars	(Number of Shares in Million)		(Share Value Rupees in Million)	
	2016-17	2015-16	2016-17	2015-16
Equity Shares at the beginning of the year	<b>21,496.0</b>	171,780.0	<b>214,960.0</b>	171,780.0
Add : Equity Shares Allotted during the year	<b>5,257.0</b>	4,318.0	<b>52,570.0</b>	43,180.0
Equity Shares at the end of the year	<b>26,753.0</b>	21,496.0	<b>267,530.0</b>	214,960.0

**ii) Term/rights attached to equity shares**

The company has single class of shares i.e. Equity Shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets of the company, after all the creditors have been paid. The distribution will be in proportion to the number of equity shares held by the shareholders.

**iii) Share Holding Pattern :**

The Company is a Government Company with 100% share held by President of India and his nominees, through administrative control of Ministry of Civil Aviation.

**C) Share Application Money:**

Share application money amounting to Rs.1,372.1 Million (Previous Year Rs.29,290.0 Million) represents money paid by the Government of India towards capital infusion during 2016-17 but allotment of shares not yet made.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "3" : RESERVES AND SURPLUS**

(Rupees in Million)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>1. CAPITAL RESERVE</b>		
Opening Balance	7,042.6	6,870.5
Add : Additions during the year*	825.3	494.1
Less : Transfer to the Statement of Profit and Loss to offset from Depreciation (Refer Note 20)	329.7	322.0
<b>Closing Balance</b>	<b>7,538.2</b>	<b>7,042.6</b>
<b>2. GENERAL RESERVE</b>		
Opening Balance	(1,404.3)	(1,404.3)
<b>Closing Balance</b>	<b>(1,404.3)</b>	<b>(1,404.3)</b>
<b>3. OTHER RESERVES</b>		
<b>a) Foreign Currency Monetary Item Translation Difference Account (FCMITDA)</b>		
Opening Balance	(3,706.6)	(3,465.0)
Exchange gain/(loss) during the year	652.1	(527.4)
Amortisation during the year	705.4	285.8
<b>Closing Balance</b>	<b>(2,349.1)</b>	<b>(3,706.6)</b>
<b>4. Surplus / (Deficit) in the Statement of Profit &amp; Loss</b>		
Opening Balance	(458,430.4)	(415,380.6)
<b>Add</b> : GOI share in Equity infused during the year**	<b>50.0</b>	120.0
(Loss) for the year	(62,885.2)	(43,106.5)
Adjustment in Depreciation as per Schedule II	-	3.3
<b>Less : Appropriations</b>		
Final dividend on equity shares	-	60.6
Tax on dividend	0.1	6.0
<b>Net deficit in the Statement of Profit &amp; Loss</b>	<b>(521,265.7)</b>	<b>(458,430.4)</b>
<b>TOTAL (1+2+3+4)</b>	<b>(517,480.9)</b>	<b>(456,498.7)</b>

\* Represents MRO Allowance received from GE towards construction of Test Cell Facility at Nagpur.

\*\* Represents Minority Interest of a Subsidiary Co.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "4" : LONG TERM BORROWINGS****(Rupees in Million)**

Particulars	Non-Current		Current	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>I Bonds / Debentures</b>	<b>136,950.0</b>	136,950.0	-	-
<b>II Term Loans</b>				
a) from Banks (Secured)	116,431.5	121,341.6	5,195.1	5,036.6
b) from Banks (Unsecured)	25,067.4	24,130.7	1,652.1	5,693.0
c) from Other Parties (Unsecured)	218.7	233.9	10.2	10.5
	-			
<b>III Long Term Maturities of Finance Lease Obligations</b>	<b>65,226.5</b>	87,823.4	<b>20,362.5</b>	20,144.4
<b>TOTAL</b>	<b>343,894.1</b>	370,479.6	<b>27,219.9</b>	30,884.5

**4(I) Debentures**

136,950 Redeemable, Unsecured Non-convertible Debentures of face value of Rs.1 Million each (Previous Year : 136,950 Debentures), are guaranteed by Government of India. Maturity Profile and Rate of interest are as set out below :

<b>(Rupees in Million)</b>		
<b>Month of Redemption</b>	<b>Amount to be Redeemed</b>	<b>Rate of Interest</b>
Dec-2031	4,714.0	9.08%
Nov-2031	10,086.0	9.08%
Sep-2031	15,000.0	10.05%
Dec-2030	4,714.0	9.08%
Nov-2030	10,086.0	9.08%
Dec-2029	4,714.0	9.08%
Nov-2029	10,086.0	9.08%
Dec-2028	4,714.0	9.08%
Nov-2028	10,086.0	9.08%
Dec-2027	4,714.0	9.08%
Nov-2027	10,086.0	9.08%
Sep-2026	40,000.0	9.84%
Mar-2020	7,000.0	9.13%
Mar-2020	950.0	9.38%
<b>Total</b>	<b>136,950.0</b>	

- b) Debenture Redemption Reserve as required under Section 71(4) of the Companies Act, 2013 has not been created in the absence of earned profits by the Company.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**4(IIa) Details of Secured Term Loans from Banks are as under :**

<b>(Rupees in Million)</b>			
<b>SR NO</b>	<b>Restructuring Lender</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
1	Allahabad Bank	2,793.9	2,841.7
2	Andhra Bank	3,361.7	3,434.8
3	Bank of Baroda	12,551.8	12,768.1
4	Bank of India	16,337.9	16,795.8
5	Canara Bank	8,071.8	8,340.3
6	Central Bank of India	8,939.6	9,082.8
7	Corporation Bank	7,258.2	7,384.2
8	Dena Bank	1,315.2	1,313.7
9	The Federal Bank Limited	1,974.7	2,040.2
10	IDBI Bank Limited	4,183.8	4,256.3
11	Indian Bank	4,177.0	4,247.5
12	Indian Overseas Bank	6,824.1	6,974.2
13	Oriental Bank of Commerce	8,528.8	8,680.3
14	Punjab National Bank	11,772.4	11,971.9
15	Punjab & Sind Bank	2,653.1	2,696.3
16	State Bank of India	6,360.7	6,461.8
17	Syndicate Bank	6,145.6	6,231.6
18	UCO Bank	5,587.3	5,675.1
19	United Bank of India	2,516.9	2,559.8
	<b>TOTAL</b>	<b>121,354.5</b>	<b>123,756.4</b>

For all Secured Term Loans from Banks, interest rate is linked to respective Bank's Prime Lending Rate / Base Rate / Libor plus Margin. These loans are repayable in Quarterly Instalments starting from 31st December 2013 and ending in 30th September 2026. Disclosure as regards amount of repayment instalment and rate of interest are not made due to complexity of repayment schedules and confidentiality clause with the banks as regards interest rate.

All Term Loans from above Banks are secured by hypothecation of 29 aircrafts and 12 immovable properties at market value and all Current Assets (Previous Year 29 aircraft, 12 immovable properties and all Current Assets). However equitable mortgage for 7 immovable properties with banks are yet to be created.

Secured Term Loan from Banks also includes Rs. 176.4 Million taken from ICICI Bank Ltd carries interest at 8.85% (including spread of 0.65%). It is repayable in 18 equal quarterly installment post moratorium of six months from the respective draw down. Final repayment shall not exceed beyond March 31, 2023. It is secured by first pari-passu charge on ground support equipment and cool port equipments of AI-SATS both present and future. Term loan from state bank of India amounting to Rs. 95.7 million carries interest at 10.95% (including spread of 1.65%). It is repayable in 36 equal instalment starting from April 2018 to march 2021. It was secured by first pari-passu charge on all the movable fixed assets of AI-SATS including plant and machinery created and/or to be created out of the term loan and 1st pari-passu residual hypothecation charge on entire current assets of AI-SATS including receivables, along with other banks. However, the entire term loan was pre-paid on 6th July, 2017. Further term loan from Bank of Baroda carries interest at 12.25% (including spread of 2.25%). It is repayable in equal instalments upto February 2018. However the entire amount was repaid in 27th February, 2017. It was secured by fixed assets constructed/purchased out of the term loan and pari-passu charges on movable equipments, furnitures and fittings of AI-SATS existing as well as future.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**4(IIb)** Total Unsecured Term Loan from Banks of Rs.26,719.5 Million (Previous Year Rs 29,823.7 Million) has been guaranteed by the Government of India. **(Rupees in Million)**

Equal Number of Loan Instalments	Amount of Loan as at 'March 31, 2017	Rate of Interest	Starting Month of Repayment	Month of Maturity
Bullet	4,478.3	Libor + 1.45/2.5	Sept. 2016	Sep-2021
17	897.0	Libor + 2.13455	Apr-15	Apr-2021
17	987.2	Libor + 2.15	Mar-15	Mar-2021
16	1,103.7	Libor + 1.55	Mar-16	Mar-2021
16	1,221.0	Libor + 1.55	Mar-16	Mar-2021
7	17,859.7	Libor + 1.80	Jun-16	Mar-2020
1	172.6	Libor + 4.01%	Jan-16	Jul-2017
<b>TOTAL</b>	<b>26,719.5</b>			

**4(IIc)** Unsecured Term Loan from Others of Rs.228.9 Million (Previous Year Rs.244.3 Million) are guaranteed by the Government of India. **(Rupees in Million)**

Equal Number of Loan Instalments	Amount of Loan as at 'March 31, 2017	Rate of Interest	Starting Month of Repayment	Month of Maturity
46	157.9	Interest Free	Oct-1990	Oct-2039
40	71.0	Interest Free	Oct-1987	Mar-2037
<b>TOTAL</b>	<b>228.9</b>			

**4(III)** Long Term Maturities of Finance Lease Obligations of Rs.85,589.0 Million (Previous Year Rs.107,967.8 Million) are guaranteed by the Government of India to the extent of Rs.71,694.6 Million (Previous Year Rs.90,032.0 Million). **(Rupees in Million)**

Number of Equated Loan Instalments	Amount of Loan as at March 31, 2017	Rate of Interest	Starting Month of Repayment	Month of Maturity
42	12,349.0	Libor + 0.24	Aug-2011	Jul-2022
66	23,313.0	Libor + 0.93	Mar-2010	Sep-2021
16	16,200.3	Libor + 0.75	Feb-2008	Feb-2021
25	4,556.0	Libor - 0.05+0.55	Jan-2009	May-2020
33	6,951.1	2.46% to 2.89% Fixed	Oct-2007	Dec-2019
11	11,087.1	Libor + 0.75	Mar-2007	Dec-2019
7			VT-AXH/AXJ/ AXP-FEB 2008	Nov-18
8	4,839.8	Fixed for each Loan	VT-AXQ - FEB 2008	Feb-19
7		ranging between	VT-AXI/AXN-DEC 2007	Dec-18
9		2.46% to 2.73%	VT-AXR-DEC 2007	Jun-19
8			VT-AXM-JAN 2008	Jan-19
10			VT-AXT-JAN 2008	Jul-19
11			VT-AXU-JAN 2008	Oct-19
16	3,145.8	Libor -0.05/0.75	VT-AYA-JUN 2009	Mar-21
15			VT-AXZ -MAR 2009	Dec-20
13			VT-AXW/AXX-FEB 2009	May-20
18	3,147.0	Libor + 0.93	VT-AYB/AYC -APR 2010	Jul-21
19			VT-AYD-APR 2010	Oct-21
<b>TOTAL</b>	<b>85,589.0</b>			

\*Current maturities of long term borrowings have been grouped under the head Other Current Liabilities (Refer Note No.5)



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "5" : LIABILITIES**

(Rupees in Millions)

Particulars	Other Long Term Liabilities		Other Current Liabilities	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Trade Payable</b>	-	-	<b>104,263.6</b>	89,134.1
<b>(A)</b>	<b>-</b>	<b>-</b>	<b>104,263.6</b>	<b>89,134.1</b>
<b>Other Liabilities</b>				
a) Current maturities of long-term debts*	-	-	<b>6,857.4</b>	10,740.1
b) Current maturities of finance lease obligations	-	-	<b>20,362.5</b>	20,144.4
c) Interest accrued but not due on borrowings	-	-	<b>6,562.2</b>	7,423.8
d) Interest accrued and due on borrowings**	-	-	<b>407.1</b>	349.9
e) Forward Sales (Net) [Passenger / Cargo]	-	-	<b>24,406.9</b>	26,350.7
f) Advance from customers (Net)	-	-	<b>868.2</b>	791.6
g) Others Liabilities (Net)	<b>1,013.0</b>	1,074.9	<b>45,754.9</b>	28,990.0
h) Advance Against Share Capital	-	-	-	50.0
<b>(B)</b>	<b>1,013.0</b>	1,074.9	<b>105,219.2</b>	94,840.5
<b>TOTAL (A + B)</b>	<b>1,013.0</b>	1,074.9	<b>209,482.8</b>	183,974.6

\* Details of Current maturities of long term debts / Finance Lease Obligation have been grouped under the Long Term Borrowing. (Refer Note No.4).

\*\* **Interest accrued and due includes :**

Rs.243.4 Million being interest on Secured Loans repayable on demand from Banks (Previous Year : Rs. 253.0 Million), paid subsequently (Refer Note 7).

Rs.159.7 Million being interest on Unsecured Loans repayable on demand from Banks (Previous Year : Rs. 96.9 Million), paid subsequently (Refer Note 7).

**NOTE "6" : PROVISIONS**

(Rupees in Millions)

Particulars	Long Term Provisions		Short Term Provisions	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Provision for Employee Benefits</b>				
a) Gratuity	<b>9,208.2</b>	9,143.5	<b>1,550.0</b>	1,621.1
b) Leave Encashment	<b>5,737.4</b>	5,797.2	<b>1,042.7</b>	1,150.8
c) Post Employment Medical and Other Benefits	<b>2,999.0</b>	2,640.1	<b>505.7</b>	363.3
<b>(A)</b>	<b>17,944.6</b>	17,580.8	<b>3,098.4</b>	3,135.2
<b>Other Provisions</b>				
a) Frequent Flyer Programme	-	-	<b>212.6</b>	269.6
b) Dividend Distribution Tax	-	-	-	6.0
<b>(B)</b>	<b>-</b>	<b>-</b>	<b>212.6</b>	275.6
<b>TOTAL (A + B)</b>	<b>17,944.6</b>	17,580.8	<b>3,311.0</b>	3,410.8



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "7" : SHORT TERM BORROWINGS****(Rupees in Million)**

Particulars	As at March 31, 2017	As at March 31, 2016
<b>I Loans repayable on demand :</b>		
a) From Banks (Secured) 1 / 2 / 3 / #	77,613.8	120,327.5
b) From Banks (Unsecured) #	62,709.8	36,288.6
<b>TOTAL</b>	<b>140,323.6</b>	<b>156,616.1</b>

1. Secured loans repayable on demand from Banks are to the tune of Rs.63,123.4 Million (Previous Year Rs.64,827.2 Million). Details of Secured Loans from Banks are as under :

**(Rupees in Million)**

Sr.No.	List of Lender	As at 31.03.2017	As at 31.03.2016
1	Allahabad Bank	3,850.0	3,850.0
2	Andhra Bank	1,010.0	1,002.9
3	Bank of Baroda	3,975.2	4,009.9
4	Bank of India	4,825.9	5,596.2
5	Canara Bank	5,395.6	4,810.4
6	Central Bank of India	2,716.5	2,716.5
7	Corporation Bank	2,182.1	2,185.7
8	Dena Bank	3,512.0	3,641.2
9	HDFC Bank Ltd.	-	166.8
10	The Federal Bank Limited	649.0	662.6
11	IDBI Bank Limited	1,256.8	1,262.6
12	Indian Bank	1,280.0	1,280.0
13	Indian Overseas Bank	2,082.5	2,041.2
14	Oriental Bank of Commerce	2,597.7	2,597.7
15	Punjab National Bank	3,770.2	3,813.8
16	Punjab & Sind Bank	784.9	789.9
17	Standard Chartered Bank	16,873.4	18,390.6
18	State Bank of India	2,032.1	2,443.7
19	Syndicate Bank	1,867.7	1,867.7
20	UCO Bank	1,697.8	1,697.8
21	United Bank of India	764.0	-
	<b>TOTAL (1)</b>	<b>63,123.4</b>	<b>64,827.2</b>

The loans to the tune of Rs.63,124.4 Million are secured by Hypothecation of 34 aircraft, 12 immovable properties at market value and all Current Assets (Previous Year : 34 aircraft, 12 immovable properties and all Current Assets). However equitable mortgage for 7 immovable properties with banks are yet to be created.



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Secured loan repayable on demand from Bank is to the tune of Rs.13,780.6 Million (Previous Year Rs.54,826.0 Million). Details of Secured Loans from Banks are as under :

<b>(Rupees in Million)</b>			
<b>Sr.No.</b>	<b>Name of the Lender</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
1	Bank of India	-	13,118.5
2	Deutsche Bank/Standard Chartered Bank	-	41,707.5
3	First Gulf Bank	<b>13,780.6</b>	-
<b>TOTAL (2)</b>		<b>13,780.6</b>	54,826.0
<b>TOTAL (1 + 2)</b>		<b>76,904.0</b>	119,653.2

The loans to the tune of Rs.13,780.6 Million (Previous Year Rs.54,826.0 Million) are secured by Hypothecation of 2 aircraft at market value (Previous Year : 9 aircraft).

3. Secured loan repayable on demand from Bank is to the tune of Rs.709.8 Million (Previous Year Rs.674.3 Million). Details of Secured Loans from Banks are as under :

<b>(Rupees in Million)</b>			
<b>Sr.No.</b>	<b>Name of the Lender</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
1	Bank of Baroda/State Bank of India*	<b>124.2</b>	368.4
2	ICICI Bank**	<b>12.6</b>	-
3	State Bank of India/IDFC Bank***	<b>250.0</b>	45.0
4	Buyer's Credit Facility****	<b>323.0</b>	260.9
<b>TOTAL (3)</b>		<b>709.8</b>	674.3
<b>TOTAL (1 + 2+3)</b>		<b>77,613.8</b>	120,327.5

\* Cash credit facility amounting to Rs.124.2 million from Bank of Baroda carried interest rate of 11.55% (including spread of 2.25%) and from State Bank of India carries interest rate of 11.70% (including spread of 2.40%). It is secured by first pari-passu hypothecation charges on entire current assets of AI-SATS including receivables and first pari-passu residual hypothecation charge on movable fixed assets of AI-SATS.

\*\* Overdraft facility from ICICI Bank Ltd. carried interest rate of 9.0%(including spread of 0.85%). It is secured against first hypothecation charge on entire inventory, receivable and other current assets both present and future of AI- SATS on pari passu basis.

\*\*\* Working capital demand loan of Rs. 250.0 million from state Bank of India carries interest rate between 9.65% to 9.85% repayable within 15 days to 180 days from drawdown. Working capital demand loan from IDFC Bank Ltd. carried interest rate between 8.40% to 9.80% repayable within 7 days to 90 days from the date of drawdown. It is secured by pari-passu hypothecation charge on entire current assets of AI-SATS including receivables and first pari-passu residual hypothecation on movable fixed assets of AI-SATS.

\*\*\*\* Buyers credit facility amounting to Rs. 323.0 million carries interest at the rate of LIBOR +spread . It is repayable in 180 days/365 days from the date of drawdown. It is secured by first pari-passu charge on all the movable fixed assets of AI-SATS and /or to be created out of term loan , existing as well as in future and first pari-passu residual hypothecation charge on entire current assets of AI-SATS including receivables.

# Disclosure as regards Bank wise rate of interest and period of default is not made due to complexity of data & confidentiality clause with the banks. (Also refer Note 4 & 5).



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "8" : FIXED ASSETS**

(Rupees in Million)

Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		As at April 01, 2016	Additions -	Deductions / Adjustments	As at March 31, 2017	As at April 01, 2016	For the year	Deductions/ Adjustments	Total Upto March 31, 2017	As at March 31, 2017	As at March 31, 2016
<b>TANGIBLE ASSETS</b>											
<b>(A) AIRCRAFT FLEET &amp; ROTABLES</b>											
1	<b>Airframes</b>										
(a)	Owned & Self Operated	224,504.5	10,859.4	778.5	234,585.4	77,281.9	8,730.7	250.2	85,762.4	148,823.0	147,222.6
2	<b>Aero Engines &amp; Power Plants</b>										
(a)	Owned - Fixed Cost	86,551.0	8,791.2	1,142.3	94,199.9	27,442.2	3,883.3	368.5	30,957.0	63,242.9	59,108.8
(b)	Owned - Vairable Cost (Component)	6,061.3	398.2	15.8	6,443.7	3,212.2	1,478.3	-	4,690.5	1,753.2	2,849.1
©	Owned - Repair Cost	2,275.3	1,584.5	-	3,859.8	326.2	826.0	-	1,152.2	2,707.6	1,949.1
3	Simulators & Link Trainers	2,871.3	633.6	-	3,504.9	951.6	152.9	-	1,104.5	2,400.4	1,919.7
4	Airframe Rotables	9,739.0	2,467.4	-	12,206.4	3,271.3	513.1	-	3,784.4	8,422.0	6,467.7
5	Aero-Engine Rotables	1,589.6	-	-	1,589.6	707.3	69.6	-	776.9	812.7	882.3
6	Simulator Rotables	0.1	-	-	0.1	0.1	-	-	0.1	-	-
7	Aircraft Repairables	10,833.0	2,023.0	621.7	12,234.3	3,388.1	1,480.5	356.1	4,512.5	7,721.8	7,444.9
	<b>SUB TOTAL "A"</b>	<b>344,425.1</b>	<b>26,757.3</b>	<b>2,558.3</b>	<b>368,624.1</b>	<b>116,580.9</b>	<b>17,134.4</b>	<b>974.8</b>	<b>132,740.5</b>	<b>235,883.6</b>	<b>227,844.2</b>
<b>(B) LAND, BUILDINGS &amp; VEHICLES</b>											
1.	Land-Freehold	7,011.6	-	-	7,011.6	-	-	-	-	7,011.6	7,011.6
2.	Land-Leasehold	63,480.4	29.6	1.5	63,508.5	1.0	75.6	1.0	75.6	63,432.9	63,479.4
3.	Buildings	21,077.7	1,982.8	3.1	23,057.4	7,334.1	782.2	1.0	8,115.3	14,942.1	13,743.6
4.	Lease Hold Improvement	31.8	0.4	2.2	30.0	23.4	2.9	(0.1)	26.4	3.6	8.4
	<b>SUB TOTAL "B"</b>	<b>91,601.5</b>	<b>2,012.8</b>	<b>6.8</b>	<b>93,607.5</b>	<b>7,358.5</b>	<b>860.7</b>	<b>1.9</b>	<b>8,217.3</b>	<b>85,390.2</b>	<b>84,243.0</b>
<b>(C) OTHER- FIXED ASSETS</b>											
1	Workshop Equipment, Instruments, Machinery and Plants	5,727.6	2,147.4	4.2	7,870.8	1,758.1	918.2	(2.8)	2,679.1	5,191.7	3,969.5
2	Ground Support & Ramp Equipment	5,123.5	547.3	121.8	5,549.0	3,193.7	505.2	100.3	3,598.6	1,950.4	1,929.8
3	Furniture & Fixtures	370.4	113.1	2.5	481.0	257.5	43.2	2.5	298.2	182.8	112.9
4	Vehicles	360.1	56.5	16.8	399.8	302.1	12.2	16.4	297.9	101.9	58.0
5	Office Appliances & Equipment	846.5	48.5	15.8	879.2	716.9	47.9	14.8	750.0	129.2	129.6
6	Computer System	1,674.2	100.4	12.9	1,761.7	1,503.1	59.9	12.2	1,550.8	210.9	171.1
7	Electrical Fittings & Installations	709.4	73.4	0.1	782.7	262.5	64.7	0.1	327.1	455.6	446.9
8.	Object d' Art	0.8	-	(0.6)	1.4	0.8	-	(0.6)	1.4	-	-
	<b>SUB TOTAL "C"</b>	<b>14,812.5</b>	<b>3,086.6</b>	<b>173.5</b>	<b>17,725.6</b>	<b>7,994.7</b>	<b>1,651.3</b>	<b>142.9</b>	<b>9,503.1</b>	<b>8,222.5</b>	<b>6,817.8</b>
	<b>TOTAL FOR TANGIBLE ASSETS</b>	<b>450,839.1</b>	<b>31,856.7</b>	<b>2,738.6</b>	<b>479,957.2</b>	<b>131,934.1</b>	<b>19,646.4</b>	<b>1,119.6</b>	<b>150,460.9</b>	<b>329,496.3</b>	<b>318,905.0</b>
<b>INTANGIBLE ASSETS</b>											
(A)	Computer Software	2,967.2	29.5	-	2,996.7	2,119.1	497.6	-	2,616.7	380.0	848.1
(B)	Others	3,352.8	-	-	3,352.8	255.8	127.9	-	383.7	2,969.1	3,097.0
	<b>TOTAL FOR INTANGIBLE ASSETS</b>	<b>6,320.0</b>	<b>29.5</b>	<b>-</b>	<b>6,349.5</b>	<b>2,374.9</b>	<b>625.5</b>	<b>-</b>	<b>3,000.4</b>	<b>3,349.1</b>	<b>3,945.1</b>
	<b>TOTAL ASSETS</b>	<b>457,159.1</b>	<b>31,886.2</b>	<b>2,738.6</b>	<b>486,306.7</b>	<b>134,309.0</b>	<b>20,271.9</b>	<b>1,119.6</b>	<b>153,461.3</b>	<b>332,845.4</b>	<b>-</b>
	Previous Year	489,512.8	41,013.5	73,367.2	457,159.1	115,761.3	22,195.5	3,647.8	134,309.0		322,850.1
	Capital Work in Progress									2,326.4	6,813.9
	Intangible assets under development									13.5	13.5
	<b>GRAND TOTAL</b>	<b>457,159.1</b>	<b>31,886.2</b>	<b>2,738.6</b>	<b>486,306.7</b>	<b>134,309.0</b>	<b>20,271.9</b>	<b>1,119.6</b>	<b>153,461.3</b>	<b>335,185.3</b>	<b>329,677.5</b>

- The Company has during the year capitalized translation difference of Rs.1,460.1 Million (Previous Year : Rs.9,166.2 Million) arising on settlement and reporting of long term monetary items. Additions to "Aircraft Fleet, Rotables & Repairables" includes Exchange Rate Fluctuations (Net of Debit & Credit) on underlying loans in foreign currency : Rs. (2,124.3) Million (Previous Year: Rs. 9,167.3 Million).
- "Aircraft Fleet, Rotables & Repairables" includes 58 Aircraft (Three B777-200LR, Twelve B777-300 ER, Ten A-319, Twelve A-321 and Twenty one B737-800) (Previous Year : 54 Aircraft - {Three B777-200LR, Twelve B777-300ER, Ten A-319, Twelve A-321 and Seventeen B737-800}) & 5 GE Spare Engines (Previous Year 5 GE Spare Engines) and Registration of these 54 Aircraft & 5 Spare Engines continues to be in the name of SPV Company for which beneficial ownership is with Group Companies (Refer Note 44A).
- Borrowing costs capitalized during the year are Rs.82.5Million (Previous Year : Rs.603.1 Million).
- Deductions under the block of "Aircraft Fleet, Rotables & Repairables" includes NIL scrapped during the year (Previous Year : 1 GE Engine). Gross Block NIL Million (Previous Year : Rs.1.278.8 Million), Provision for Depreciation Rs.NIL Million (Previous Year : Rs.455.5 Million).



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

- 5** Building on lease hold Land includes cost of residential flats :-
- i) 4 flats in Sher-e-Punjab Society, Andheri, Mumbai: The company is in the physical possession of the said flats and copy of Agreement to Sell is in place. During the year the company has paid Property Tax Agreement to Rs.1.88 lakhs for which the receipt issued by Brihanmumbai Mahanagar Palika is not the name of the company. As such, the company is in the process of obtaining the requisite documents to ensure that the title deeds are in its name.
  - ii) 2 flats in Everest Apartments Cooperative Housing Society, Andheri, Mumbai: The Company has received 10 equity shares (previous year- 10 equity shares) at a cost of Rs. 500 (Previous Year-Rs. 500).
- B) Mutation in respect of the property of housing colony at Srinagar is not required since records of rights have been obtained in favour of the Company from the concerned Niab Tehsildar. Some part of the land has been encroached by a school for which the Company has filed a suit in the Court.
- 6** Depreciation includes credit of Rs.46.3 Million (Previous Year : Credit of Rs. 947.8 Million) for Prior Period and debit of Rs.329.7 Million (Previous Year : Debit of Rs.322.0 Million) to Capital Reserve.
- 7** One old A320 Classic Aircraft VT-ESC (Gross Block : Rs.263.4 Million. Reserve for Depreciation : Rs.250.2 Million) impaired during the year and transferred to assets held for disposal on Net Block of Rs.13.2 Million (5% of Gross Block).
- 8** On receipt of compensation, the leasehold land at Goa was rendered back to EDC.
- 9** "Intangible Asset - Others" includes Membership Fees for joining Star Alliance.
- 10** Special tools included in Workshop Equipment, Instrument Machinery & Plants and Other Fixed Assets are being Depreciated at year wise total Block Amount.
- 11** "Land and Buildings" includes 30 properties of book value amount to Rs.2,442.1 Million identified for monetisation and 2 properties of book value amounting to Rs.56,065.8 Million, which have been handed over to MOUD for development and sale in 2017-18.
- 12** Depreciation on Simulator during the year amounting to Rs. 20.9 Million (Previous Year: 20.9 Million) has been adjusted from Capital Reserve created from Capitalization of Simulator.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "9" : NON-CURRENT INVESTMENTS**

**(Rupees in Million)**

<b>Particulars</b>		<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
<b>TRADE INVESTMENTS</b>			
<b>UNQUOTED INSTRUMENTS (AT COST)</b>			
1)	271,933 Equity Shares (Previous Year : 271,915 Equity Shares) of EUR 5.00 each fully paid up in SITA (Societe Internationale de Telecommunications Aeronautiques). (18 Shares allotted during the year)	<b>13.9</b>	13.9
2)	618,460 Depository Certificates of SITA Information Network Computing N.V (Previous Year : 618,460)	<b>28.8</b>	28.8
3)	1,280 class B Shares (Previous Year : 1,653 Shares) of BHT 100 each fully paid up in Aeronautical Radio of Thailand Ltd. (373 Shares redeemed during the year)	<b>0.2</b>	0.3
4)	2,617,098 Equity Shares of MAR 10 each fully paid up in Air Mauritius Ltd.	<b>9.5</b>	9.5
5)	2,301,244 Equity Shares of MAR 10 each fully paid up in Air Mauritius Holding Ltd.	<b>16.7</b>	16.7
6)	6% Debenture Bonds of Banco De Roma face value EUR 15.49 guaranteed by the Government of Italy (Deposited with Civil Aviation Department, Italy). * (Rs. 3,057.69).	<b>*0.0</b>	*0.0
7)	12,500,000 Equity Shares of Rs. 10 each fully paid up in Cochin International Airport Limited. (2,500,000 Equity Shares of Rs. 10) issued and subscribed at a premium of Rs 40 per share	<b>225.0</b>	225.0
8)	50 Equity Shares of EUR 152.45 each fully paid up in Association Sportive Du Golf Isabella.	<b>0.4</b>	0.4
<b>TOTAL OF UNQUOTED INVESTMENTS</b>		<b>294.5</b>	294.6
<b>B</b>	<b>QUOTED (AT COST-TRADE)</b>		
	375,407 Shares of EUR 0.48 each fully paid up in France Telecom (Market Value Rs.378.9 Million, Equivalent to EUR 5.5 Million). (Previous Year: Rs. 435.7 Million, Equivalent to EUR 5.8 Million)	<b>7.6</b>	7.6
<b>TOTAL</b>		<b>302.1</b>	302.2

<b>Aggregate amount of unquoted investments</b>	<b>294.5</b>	294.6
<b>Aggregate amount of quoted investments:</b>	<b>7.6</b>	7.6
(Market value : Rs.378.9 Million Equivalent to EUR 5.5 Million)		
(Previous Year: Rs. 435.7 Million) (Equivalent to EUR 5.8 Million)		



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "10" : LOANS AND ADVANCES**

**(Rupees in Million)**

Particulars	Long Term Loans & Advances		Short Term Loans & Advances	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Capital Advances</b>				
Unsecured Considered Good	16,060.9	3,660.0	-	-
Doubtful	7.6	7.6	-	-
	16,068.5	3,667.6	-	-
Less : Provision for Doubtful Advances	7.6	7.6	-	-
<b>(A)</b>	16,060.9	3,660.0	-	-
<b>Security Deposits</b>				
Unsecured Considered Good	6,094.0	5,701.8	442.4	491.4
Doubtful	43.4	43.4	-	-
	6,137.4	5,745.2	442.4	491.4
Less : Provision for Doubtful Advances	43.4	43.4	-	-
<b>(B)</b>	6,094.0	5,701.8	442.4	491.4
<b>Advances recoverable in Cash or in Kind</b>				
Unsecured Considered Good	2,211.9	11,823.6	11,669.1	7,502.4
Doubtful	595.6	572.1	-	-
	2,807.5	12,395.7	11,669.1	7,502.4
Less : Provision for Doubtful Advances	595.6	572.1	-	-
<b>(C)</b>	2,211.9	11,823.6	11,669.1	7,502.4
<b>Loans and Advances to Employees</b>				
Secured Considered Good	0.2	0.2	-	0.0
Unsecured Considered Good	95.3	38.1	523.8	407.2
Doubtful	23.1	22.3	-	-
	118.6	60.6	523.8	407.2
Less : Provision for Doubtful Advances	23.1	22.3	-	-
<b>(D)</b>	95.5	38.3	523.8	407.2
<b>Other Loans and Advances</b>				
<b>Unsecured Considered Good</b>				
Advance Payment of Income Tax and TDS (net of provision for taxation)	2,475.2	2,122.1	577.6	434.8
Prepaid Expenses	-	25.7	1,266.5	1,508.5
Balances with Statutory/Government Authorities	1,948.7	2,814.4	24.7	22.5
<b>(E)</b>	4,423.9	4,962.2	1,868.8	1,965.8
<b>TOTAL (A + B + C + D + E)</b>	<b>28,886.2</b>	<b>26,185.9</b>	<b>14,504.1</b>	<b>10,366.8</b>



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "11" : TRADE RECEIVABLES**

(Rupees in Million)

Particulars	Non-current Receivables		Current Receivables	
	As at	As at	As at	As at
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Secured, Considered Good*	-	-	0.1	50.1
Unsecured, Considered Good	58.5	44.3	9,193.7	8,822.1
Doubtful	9,332.8	7,045.2	125.9	94.6
	9,391.3	7,089.5	9,319.7	8,966.8
Less : Provision for Doubtful Receivables	9,332.8	7,045.2	125.9	94.6
(A)	58.5	44.3	9,193.8	8,872.2
<b>Other Receivables</b>				
Secured, Considered Good*	-	-	1,400.2	1,136.1
Unsecured, Considered Good	3.1	3.1	11,871.9	12,526.3
Doubtful	-	20.6	50.6	50.6
	3.1	23.7	13,322.7	13,713.0
Less : Provision for Doubtful Receivables	-	20.6	50.6	50.6
(B)	3.1	3.1	13,272.1	13,662.4
<b>Total (A + B)</b>	<b>61.6</b>	<b>47.4</b>	<b>22,465.9</b>	<b>22,534.6</b>

\* Trade Receivables amounting to Rs. 86.7 Million (Previous Year Rs. 630.4 Million ) are backed by Bank Guarantees.

**NOTE "12" : OTHER ASSETS**

(Rupees in Million)

Particulars	Other Non-current Assets		Other Current Assets	
	As at	As at	As at	As at
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
1. Deposits - Others (having maturity of more than 12 months)	97.7	43.8	-	-
Less : Provision for Doubtful Deposits	0.1	0.1	-	-
	97.6	43.7	-	-
2. <u>Interest Accrued on</u>	-	-	-	-
i) Fixed Deposits	0.9	0.9	75.8	72.2
ii) Loan to Employees	4.2	3.3	8.7	13.5
iii) Others	5.1	4.2	84.5	85.7
3. Surplus Assets/Assets held for Sale	88.5	105.7	89.8	62,777.7
Less : Provision for Diminution in Value of Asset	88.5	105.7	-	-
	-	-	89.8	62,777.7
4. Other Non-Trade Receivables				
Unsecured, Considered Good	-	-	11,942.4	12,530.3
Doubtful	2,495.4	2,569.0	-	-
	2,495.4	2,569.0	11,942.4	12,530.3
Less : Provision for Doubtful Receivables	2,495.4	2,569.0	-	-
	-	-	11,942.4	12,530.3
<b>TOTAL</b>	<b>102.7</b>	<b>47.9</b>	<b>12,116.7</b>	<b>75,393.7</b>



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "13" : INVENTORIES (As taken, valued & certified by the Management)****(Rupees in Million)**

<b>Particulars</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Stores and Spare Parts	20,342.1	20,194.9
Loose Tools	396.7	806.5
	<b>20,738.8</b>	21,001.4
Less : Provision for Obsolescence / Inventory Reconciliation	<b>6,612.4</b>	4,973.6
	<b>14,126.4</b>	16,027.8
Goods-in-Transit	971.2	903.9
<b>TOTAL</b>	<b>15,097.6</b>	16,931.7

**NOTE : "14" : CASH AND BANK BALANCES****(Rupees in Million)**

<b>Particulars</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
<b><u>Cash and Cash Equivalents</u></b>		
1. <b>Balances with Banks :</b>		
a) On Current Accounts	3,030.7	4,803.5
b) Deposit Accounts (Maturity less than 12 months)	1,951.3	2,112.9
2. Cheques, Drafts on Hand	10.6	122.8
3. Cash on Hand (as certified by the Management)	25.8	29.6
4. Remittances in Transit	58.0	66.1
<b>(A)</b>	<b>5,076.4</b>	7,134.9
<b>Other Bank Balances</b>		
1. Margin money deposits	4,979.3	3,692.8
<b>(B)</b>	<b>4,979.3</b>	3,692.8
<b>TOTAL (A + B)</b>	<b>10,055.7</b>	10,827.7



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "15" : REVENUE FROM OPERATION****(Rupees in Million)**

Particulars	2016-17	2015-16
<b>i) Scheduled Traffic Services</b>		
1 Passenger	195,098.8	187,036.1
2 Excess Baggage	1,664.8	1,643.2
3 Mail	679.8	901.0
4 Cargo	10,700.1	10,792.9
<b>(A)</b>	<b>208,143.5</b>	<b>200,373.2</b>
<b>ii) Non-Scheduled Traffic Services</b>		
1 Charter	11,942.7	10,776.9
2 Block Seat Arrangement	448.9	419.7
3 Subsidy for Operation from Government	687.1	730.4
<b>(B)</b>	<b>13,078.7</b>	<b>11,927.0</b>
<b>iii) Other Operating Revenue</b>		
1 Handling and Servicing	8,412.9	6,557.9
2 Hotels and Flight Kitchen	(70.0)	109.4
3 Manufacturers Credit	3,364.1	2,728.2
4 Incidental	23,507.2	13,888.5
<b>(C)</b>	<b>35,214.2</b>	<b>23,284.0</b>
<b>TOTAL (A+B+C)</b>	<b>256,436.4</b>	<b>235,584.2</b>

**NOTE "16" : OTHER REVENUE****(Rupees in Million)**

Particulars	2016-17	2015-16
1 Interest Income on :		
Bank Deposits	393.4	372.6
Others	125.2	35.1
2 Dividend from Long Term Investments (Trade)	44.9	97.6
3 Rent Receipts	827.1	641.1
4 Profit/(Loss) on Sale of Fixed Assets (Net)	(392.3)	705.6
5 Other Income	281.8	165.0
<b>TOTAL</b>	<b>1,280.1</b>	<b>2,017.0</b>



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "17" : OTHER OPERATING EXPENSES**

(Rupees in Million)

Particulars	2016-17	2015-16
1 Insurance	1,348.4	1,705.8
2 Material Consumed - Aircraft	7,305.9	5,792.4
3 Outside Repairs - Aircraft	14,346.3	14,229.5
4 Navigation, Landing, Housing and Parking	18,963.5	17,460.3
5 Hire of Aircraft	21,599.3	12,916.4
6 Handling Charges	10,545.3	9,654.9
7 Passenger Amenities	9,154.3	8,413.6
8 Booking Agency Commission (Net)	5,543.3	4,183.5
9 Communication Charges		
i) Reservation System	9,246.0	8,686.6
ii) Others	2,091.2	1,903.6
10 Cost of Material Consumed	178.1	175.6
<b>TOTAL</b>	<b>100,321.6</b>	<b>85,122.2</b>

**NOTE "18" : EMPLOYEE BENEFIT EXPENSES**

(Rupees in Million)

Particulars	2016-17	2015-16
1 Salaries, Wages and Bonus	27,555.7	26,369.3
2 Crew Allowances	10,342.6	8,424.9
3 Contribution to Provident and Other Funds	1,589.0	1,421.0
4 Staff Welfare Expenses	2,706.4	2,152.9
5 Provision for Gratuity	1,406.8	1,772.4
6 Provision for Leave Encashment	911.8	1,360.1
7 Provision for Retirement Benefit	500.0	350.0
<b>TOTAL</b>	<b>45,012.3</b>	<b>41,850.6</b>

**NOTE "19" : FINANCE COST**

(Rupees in Million)

Particulars	2016-17	2015-16
1 <u>Interest on</u> :		
a) Debentures	12,875.1	12,906.8
b) Aircraft Loans	24,086.3	431.8
c) Other Loans	1,559.2	25,909.0
	<b>38,520.6</b>	<b>39,247.6</b>
2 Other Borrowing Costs	2,946.5	5,279.3
3 Interest on Delayed Payment	3,159.7	2,652.5
<b>TOTAL</b>	<b>44,626.8</b>	<b>47,179.4</b>

a) Exchange rate difference in the nature of interest cost on foreign currency borrowing has not been reclassified due to complexity of transactions.



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "20" : DEPRECIATION AND AMORTIZATION EXPENSE****(Rupees in Million)**

<b>Particulars</b>	<b>2016-17</b>	<b>2015-16</b>
1 Depreciation of Tangible Assets	19,530.8	21,571.3
2 Amortization of Intangible Assets	624.4	606.6
3 Impairment of Assets	75.6	-
<b>(A)</b>	<b>20,230.8</b>	<b>22,177.9</b>
Less : Recoupment from Capital Reserve (Refer Note 3.1)	329.7	322.0
<b>(B)</b>	<b>329.7</b>	<b>322.0</b>
<b>TOTAL (A- B)</b>	<b>19,901.1</b>	<b>21,855.9</b>

**NOTE "21" : OTHER EXPENSES****(Rupees in Million)**

<b>Particulars</b>	<b>2016-17</b>	<b>2015-16</b>
1 Travelling Expenses		
i) Crew	2,569.9	2,100.3
ii) Others	1,294.0	942.7
2 Rent	1,320.6	1,280.7
3 Rates and Taxes	342.2	212.8
4 Repairs to :		
i) Buildings	547.6	265.1
ii) Others	1,655.1	1,423.7
5 Hire of Transport	858.3	799.2
6 Electricity & Heating Charges	1,308.5	1,080.4
7 Water Charges	20.5	18.8
8 Directors' Fees	0.1	0.4
9 Publicity and Sales Promotion	1,040.1	934.7
10 Printing and Stationery	149.9	143.8
11 Legal Charges	156.8	189.2
12 Payments to the Auditors' (Refer Note No.49)	16.3	15.3
13 Provision for Bad & Doubtful Receivables and Advances	1,982.3	1,289.8
14 Write -Off/Write back of Obsolete Inventory	1,561.3	(943.0)
15 Expenses on Block Seat Arrangements	191.7	351.9
16 Exchange Variation (Net)	948.6	3,890.4
17 Miscellaneous Expenses	2,299.9	3,276.0
18 Provision for Redelivery & other charges	318.5	224.3
19 Expense towards Corporate Social Responsibility activities	14.1	-
20 Bank Charges	1,777.9	961.7
<b>TOTAL</b>	<b>20,374.2</b>	<b>18,458.2</b>



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "22" : PRIOR PERIOD ADJUSTMENTS (Net)**

(Rupees in Million)

Particulars	2016-17	2016-17
<b>Revenue Heads</b>		
1) Passenger Revenue	75.8	(1.4)
2) Cargo Revenue	82.7	0.9
3) Mail	-	17.5
4) Handling, Servicing and Incidental Revenue	(140.9)	6.9
5) Others	14.8	303.6
<b>(A)</b>	<b>32.4</b>	<b>327.5</b>
<b>Expenditure Heads</b>		
1) Handling Charges	(94.8)	58.1
2) Depreciation	46.3	(947.8)
3) Stores and Equipments	192.1	(376.7)
4) Passenger Amenities	26.5	79.5
5) Publicity	59.2	7.1
6) Delayed Payment Charges to Fuel Companies	-	1.5
7) Insurance	8.6	11.8
8) Salaries/Staff Welfare Expenses	9.3	1,051.4
9) Landing, Parking and Navigation	(4,235.3)	11.1
10) Commission	42.1	0.4
11) Communication Charges - Others	(28.0)	30.5
12) Rent, Rates and Taxes	123.7	(29.8)
13) Exchange variation	(65.6)	(5.1)
14) Legal and professional Charges	128.5	10.0
15) Hire of Aircraft	14.6	-
16) Interest	(38.2)	67.3
17) Crew Hotel Expenses	(0.7)	1.0
18) Fuel (Ops.) - Aircraft	(173.9)	24.1
19) Expenses on Computer Reservation	7.5	6.0
20) Others (Net)	201.0	(77.9)
<b>(B)</b>	<b>(3,777.1)</b>	<b>(77.5)</b>
<b>TOTAL (B - A)</b>	<b>(3,809.5)</b>	<b>(405.0)</b>



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**NOTE "23" : EXCEPTIONAL ITEMS****(Rupees in Million)**

<b>Particulars</b>		<b>2016-17</b>	<b>2015-16</b>
1	Provision for balance 25% payable to Employees as per JDC (Refer Note 26)	(12,981.6)	-
<b>TOTAL</b>		<b>(12,981.6)</b>	<b>(0.0)</b>

**NOTE "24" : EXTRA ORDINARY ITEMS (NET)****(Rupees in Million)**

<b>Particulars</b>		<b>2016-17</b>	<b>2015-16</b>
1	Settlement of Cargo Anti Trust Case	-	(857.7)
2	Duty Credit Entitlement under SFIS (Refer Note 33)	(8,472.3)	0.0
<b>TOTAL</b>		<b>(8,472.3)</b>	<b>(857.7)</b>

**25. CONTINGENT LIABILITIES NOT PROVIDED FOR:**

- A. Claims against the Group not acknowledged as debts (excluding interest and penalty in certain cases) and being contested to the extent amounts are ascertainable and quantifiable:

**(Rupees in Million)**

<b>Sr.No</b>	<b>Description</b>	<b>2016-17</b>	<b>2015-16</b>
(i)	Claims on account of denied boarding, loss of passenger baggage, mishandled baggage, delayed flight, cancellation of flights, damaged consignments and late receipt of cargo etc.	<b>359.3</b>	341.9
(ii)	Income Tax Demand Notices received by the Company which are under Appeal	<b>3,852.3</b>	4,593.8
(iii)	Customs Duty and Service Tax demanded by the Tax Authorities	<b>8,253.9</b>	8,119.7
(iv)	Property Taxes/House Tax demanded by the Municipal Authorities	<b>225.5</b>	374.3
(v)	Claims of Licence Fees, X-Ray, TNLC, Landing Charges, Parking Charges, Levies etc. (*)	<b>6,140.7</b>	5,298.0



Sr.No	Description	2016-17	2015-16
(vi)	Other Claims on account of:-		
	a) Staff/Civil/Arbitration/Labour Cases pending in Courts (**)	1,810.0	1,392.0
	b) Claim for Vasant Vihar Colony	-	3,736.0
(vii)	Government Guarantee Fee (***)		
	a) Difference between Applicable Rate & the rate of 0.5% at which Guarantee Fee has been provided	3,594.4	1,526.7
	b) Additional Guarantee Fee	11,155.1	8,014.9
(viii)	Estimated Claims of Employees in terms of Justice Dharamadhikari Report recommendations	NIL (Refer Note No.26 Below)	Amount Unascertainable
(ix)	Others	1,144.9	832.6
<b>Total</b>		<b>36,536.1</b>	<b>34,229.9</b>

**Note :** The above included Rs.59.9 million (PY : Rs.52.2 million) relating to AI share in JV AI-SATS

#### **EXPLANATORY STATEMENT IN RESPECT OF CONTINGENT LIABILITIES**

##### **a) Claims of Airport Operators includes (\*):**

- i) AAI has raised a demand of Rs.760.0 million towards interest on delayed payments for the year 2012-13 but the same has not been accepted by AI in terms of the MOU and subsequent correspondence with AAI in this regard. However, the same has been disclosed as contingent liability.
- ii) Further, in the case of Other Airport Operators claims of Rs.4929.2 million on AI for interest on delayed payments has also not been accepted and pending determination of actual liability, the amounts demanded by the parties have been shown as Contingent Liability.

**b) M/s GATI (\*\*):** An agreement for freighter charter operations (undertaken by AASL) between Air India Ltd and M/s GATI was terminated by GATI in March 2009, consequent to which AI invoked the Bank Guarantee of Rs. 300 million deposited by GATI. The Arbitral Tribunal has given its award against which an appeal has been filed by Air India Limited before the Hon'ble Delhi High Court which has also upheld the decision of Arbitral Tribunal. To file an appeal in Delhi High court (Double Bench) against the subject order, AIL has deposited Rs. 220 million with Hon'ble High Court as deposit money on 17.11.2015. No provision has been made for Debtors of Rs. 294.0 million though the same is more than 3 years, since an appeal has been filed and the matter is sub-judice. The management is hopeful for a favorable judgment and guarantee invoked amount is lying with AASL. However, Rs 267.5 million has been shown as Contingent Liability by Air India Ltd on this account.

**c) Govt Guarantee Fee (\*\*\*):** Air India has provided for Guarantee Fee @ 0.5% on all aircraft loans and working capital loans guaranteed by the Govt. AI has taken up the issue for waiver of Guarantee Fees over and above 0.5% in respect of Working Capital and External Commercial Borrowings (ECB) loans with the Ministry of Civil Aviation/Finance. Accordingly, the Guarantee Fee over and above 0.5% amounting to Rs.3594.4 Million, (PY: Rs.1,526.7 Million) for which waiver has been



requested has been disclosed as Contingent Liability. Further, the additional liability on account of the delayed payments of Guarantee Fee amounting to Rs.11,155.1 million (PY: Rs.8,014.9 million) for AI & AIEL has also been shown as Contingent Liability. AI has taken up the issue of reduction/waiver of Guarantee Fee and the waiver of Penal Charges with the Ministry of Civil Aviation which is still under process.

- d) **AIATSL** :Contingent Liability, if any, in respect of pending legal cases/litigation/disputes of AIATSL has not been disclosed.

**B. Corporate Guarantees, Letters of Comfort given by AI on behalf of its Subsidiary Cos**

(Rupees in Million)

Particulars	2016-17	2015-16
i) Air India Express Ltd.	7397.8	4195.6
ii) Airline Allied Services Ltd.	2805.3	2462.2

**26. PROVISION FOR REVISED BASIC PAY ON THE BASIS OF JUSTICE DHARAMADHIKARI COMMITTEE REPORT**

Based on Justice Dharamadhikari Committee (JDC) recommendations, the Revised Basic Pay (RBP) had been implemented for most of the categories of the employees from different dates. However, upto last year the JDC recommendations were not implemented for categories comprising of the Pilots of the Wide Body aircraft (Non-Executive) and Cabin Crew (Non Managerial) due to ongoing litigations which are still pending in the Supreme Court. However, provision amounting to Rs 12981.6 million for all employees (including for the above said categories also) has been made during the year as Exceptional Item on the basis of certification made by an independent firm of Chartered Accountants.

In the opinion of the company this provision will substantially cover all liabilities originating out the implementation of JDC recommendations except impact on provision for Gratuity and Leave Encashment for above said two categories of employees.

**27. CAPITAL COMMITMENTS :**

- (i) Estimated amount of contracts remaining to be executed on Capital Account are given hereunder:

(Rupees in Million)

Sl.No.	Particulars	2016-17	2015-16
i)	Air craft Projects	55809.2	111401.3
ii)	Others	2028.8	2293.2
	<b>Total</b>	<b>57838.0</b>	113694.5

**Note:**The above included Rs6.9 million (PY: Rs160.9 million) relating to AI share in JV AI-SATS



- (ii) **Long Term Commitments:** Agreements/MoU have been entered into by AI to take delivery of 27 A-320 NEO aircraft on operating lease for a period of 12 years with scheduled deliveries beginning from Feb'17. Two (2) aircraft out of 27 had been received till 31st March 2017. However, up till the end of October 2017, only a total of 10 aircraft have been delivered. The balance 17 aircraft are scheduled to be received upto Feb.2019. An amount of USD25.9 million has been given as security deposit up till 31.03.2017. The lease rental payable against each aircraft to be delivered is approx. USD 0.37 to 0.39 Million per month.

## 28. DISINVESTMENT OF AIR INDIA LTD.

In view of the NITI Aayog recommendations on the disinvestment of AI and followed by the recommendations of the Core Group of Secretaries on disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) has given an 'In-Principle' approval for considering the strategic disinvestment of AI, five of its Subsidiaries and a Joint Venture in its meeting held on 28<sup>th</sup> June 2017. CCEA also approved the constitution of an Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment. As of date, Transaction Advisor, Legal Advisor and Asset Valuer have been appointed to carry forward the process of Disinvestment.

## 29. FIXED ASSETS

- a) Land (Freehold/Leasehold) and Buildings of the Holding Co Air India Ltd include Gross Block Rs.62,540.8 million and Net Block Rs 62,540.8 million measuring 273,930 sqmtrs for which title deeds are not in the possession of the company.

Further, in terms of decision taken, as per the records of the discussions held in the Ministry of Finance on 1<sup>st</sup> June 2017 for the development of assets of AI located at Vasant Vihar Housing Colony (Rs 51295.1 million) and Baba Kharag Singh Marg Land (Rs 4770.7 million), the physical possession of these unregistered properties has been handed over to the Ministry of Urban Development (MoUD). The MoUD has been entrusted with the overall responsibility of development and sale of these two properties by the Govt. The sale proceeds from these two properties shall be utilized in liquidating Air India debts. These properties have been offered as security against working capital loans taken from various banks. Till the entire process of sale/transfer and final settlement of these properties in line with Disinvestment of the company is completed they continue to be shown as a part of the Fixed Assets of the company.

- b) HCI has got 4 Flats in Sher-e-Punjab Society, Andheri, Mumbai for which conveyance deed is yet to be executed.
- c) The company had 508 flats constructed in Nerul on a portion of land measuring 28,626 sqmtrs and it has been decided to sell these flats to the employees of the company and organizations under the control of Ministry of Civil Aviation. In terms of the orders of Hon'ble High Court at Bombay (the Court), the company issued allotment letters to 332 allottees out of 508 flats constructed and physical possession of 280 flats has also been handed over. However, title to the underlying land can only be conveyed by a tripartite conveyance deed between Societies, Air India and CIDCO which is not yet done. Therefore, in the opinion of management pending conveyance of title of land in favor of the registered societies, Air India continues to hold the title to the underlying land and accordingly, these properties have been carried under Fixed Assets. The advance against sale proceeds amounting to Rs 407.7 million received from the concerned members in respect of the above flats is being carried forward under the head "Other Non-Current Liabilities". Liability if any, on account of taxes on transfer of the flats sold is also not ascertainable at this stage. The cost of land and the cost of construction is being carried as Fixed Assets and depreciation has also been charged till the legal formalities connected with these transactions are completed. Necessary accounting entries to



portray the correct picture (including reversal of depreciation amounting to Rs 82.4 million) (Previous Year Rs 76.8 million) will be made in the books of accounts on completion of these formalities.

- d) Long Term Loans & Advances include a sum of Rs.24.6 Million (Previous Year: Rs.24.6 million) being the advance paid by the company to CIDCO for the purchase of another plot of Leasehold Land at Nerul (apart from (c) above) for the purpose of construction of staff quarters. However, the possession of the plot allotted by CIDCO in this regard has not been handed over to the company and no agreement/lease deed has been executed so far.

**e) Renovation of HCI Hotels**

- i) The Company had entered into an MOU with Airports Authority of India (AAI) during 2013-14 for renovation of Centaur Delhi, Chefair Delhi and Centaur Srinagar for which the Company had paid an advance of Rs 100. million in June 2013 to AAI and which was considered as Capital Advance. During 2014-15 fixed assets aggregating to Rs.77.1 million were capitalized on the basis of xerox copies of invoices received from AAI. In the absence of installation reports, the company relied on the declaration made by AAI and has adopted the date stated by AAI as the date of installation and accordingly depreciation has been computed. During the year, the Company has capitalised Rs 3.2million on the basis of statement provided by AAI in the absence of any supporting documents for the same. The balance amount of Rs. 19.7 million with AAI reflects as capital advance which will be used for further renovation of Centaur Delhi.
- ii) Further, the Company received a sum of Rs 120 million, against issue of equity shares, from the Government of India during 2014-15 for renovation of Centaur Delhi, Chefair Delhi and Centaur Srinagar. Out of the above, the Company advanced a sum of Rs. 10 crores to AAI, which was considered as capital advance, against another MOU entered into for renovation of 80 guest rooms at Centaur Delhi. The said renovation works have been since completed in 2017-18. The balance Rs. 20million is being utilized for procurement of equipments for Chefair Delhi. Upto 2016-17, equipments aggregating to Rs 10.9 million were received and capitalised. The balance amount will be utilised as and when the equipments are procured.
- iii) The Company is in the process of obtaining a confirmation for balance of capital advances as stated in i) and ii) above aggregating to Rs 119.7 million due from AAI as on 31st March 2017.
- iv) The Company received a further sum of Rs 50.0million during 2015-16 against issue of equity shares from the Government of India for renovation of hotels. In April 2017, the Company has appointed a Consultant to undertake the upgradation and refurbishing of 75 guest rooms and other allied works for Centaur Srinagar.
- f) Subsequent to the sale of Centaur Hotel Juhu Beach in 2002 by HCI, State Govt. of Maharashtra claimed an amount of Rs 44.8 Million from M/s V. Hotels and from the Company for premium payable on the transfer of 1810 sq.mtr of land attached to the hotel property which was on lease from the State Govt. and is to be kept open to sky - to be used only as garden. The same was disputed by the Company before the Revenue Minister, Government of Maharashtra. The Order of the State Government dated 1.6.2014 has directed M/s V. Hotels to make payment of the said premium which has been challenged by them in the Bombay High Court.
- g) The matters relating to cost of construction of Centaur Lake View Hotel Srinagar and the cost sharing arrangement between the hotel and Sher e Kashmir Convention Centre (SKICC) between the Company and Government of Jammu & Kashmir (J&K) had been agreed by both the parties in a joint meeting held on 15 October 2004 and all the matters of divergent views were settled.



- i) Cost Sharing Arrangement: Amount receivable from J & K government in respect of cost sharing arrangements with SKICC is Rs 98.2 million.
- ii) The amount payable to J & K government on account of joint construction is Rs 39.7million, lease premium Rs 2.7 million and lease rent Rs. 2.6 million aggregating to Rs. 45.0 million and amount receivable on account of joint construction is Rs 41.8 million.
- iii) These balances are subject to reconciliation and confirmation. Adjustment, if any will be accounted in the year in which finality is reached.

### 30. Change in the expected life of the aircraft and subsequent effect on Depreciation:

During the year the Company has re-assessed the life of aircraft from 20 years to 25 years for aircrafts purchased from 2006-07 onwards This will also result in Aircraft Depreciation Policy becoming comparable with other airlines, using similar Aircraft in their fleet. This change in useful life of aircraft has been made effective from 2016-17 and accordingly resulted in a reduced charge of Depreciation in the Statement of Profit & Loss by Rs 3461.1 million for the year and such reduction would continue till the aircraft are fully depreciated.

31. Assets classified as assets held for sale have been classified as OtherCurrent/Non-CurrentAssets at lower of net book value or net realizable value.

### 32. PHYSICAL VERIFICATION & RECONCILIATION

- a) Fixed Assets: Physical Verification and Reconciliation of major assets viz. Airframes, Aero-engines, APUs and Simulators was carried out at the year end and reconciliation of the same has also been completed. Further, in the case of land and building reconciliation of number of properties as per fixed assets register vis-à-vis records of holding departments was done. These assets of the Group together constitute around 96% of the Gross Block of Assets. No major discrepancies were found in the same.

However, physical verification and reconciliation of assets other than above constituting around 4% of the Gross Block, including assets migrated in Fixed Assets Register at block level as one item for which line item identification is yet to be done, are to be covered in the biennial physical verification exercise of 2016-18 which is in progress.

- b) Inventory: Physical Verification of inventory for the biennial period 2016-18 is in progress and impact of discrepancies observed during the last verification process in AI for 2014-16 has been dealt with in the FY 2016-17. However, impact of the same in RAMCO is yet to be given.

### 33. LOANS & ADVANCE - SFIS SCRIPS

- a) As DGFT has refused to extend the validity of SFIS Scrips, an amount of Rs 8472.3 million has been written off during the year as Extraordinary Expense Item since in the previous years such SFIS Scrips were accounted for as Extraordinary Revenue.
- b) Further, during the year AIATSL has recognized an amount of Rs96.9 million (PY: Rs 131.5 million in the books of accounts towards entitlement under the SFIS Scheme 2016-17.

### 34. GRANTS RECEIVABLE BY AASL

- (i) The grant receivable from North East Council (NEC) for ATR aircraft North East operations was accounted for as incomes taking into account the operations of ATR for the year ending 31<sup>st</sup>



December 2012 amounting Rs. 495.4 Million. NEC contested the claim of Grant support for the year 2012, however, the committee set up under Planning Commission to resolve the issue, has recommended for Rs. 609.1 Million based on actual deficit that MoCA may provide budgetary support to meet the Viability Gap Funding(VGF) for the year 2012. However, the company as a prudent measure has continued to account for Rs. 495.4 Million as originally accounted since the same is also disputed.

- (ii) The North-East Council has signed a MOU for VGF for operating flights in North East Sector effective August 2014 which is still continuing.
- (iii) The Union Territory of Lakshadweep (UTL) has continued to sanction VGF for Agatti operations for the year 2016-17.
- (iv) The Union Territory of Daman & Diu has continued to sanction VGF for Diu operations for the year 2016-17.
- (v) Further, AASL has also operated the following operations during the year 2016-17 on the following sectors under VGF Arrangements with respective Govt bodies:

No	VGF Signed With	Sectors Operated	Period
	Govt of Punjab	Delhi-Bathinda-Delhi	Effective 11.12.2016

### 35. SALE & LEASE BACK (SLB) OF B-787-800 DREAMLINER AIRCRAFT

In terms of approved Turnaround Plan of Air India, the induction of 27 B-787-800 Dreamliner aircraft is to be done only under the Sales and Lease Back (SLB) basis and the same was discussed and approved by the Board in their 45th Meeting held on 14th May, 2012. Out of 27 aircrafts, Company has received 23 aircrafts till March, 2017. SLB of 12 aircrafts has already been completed in the earlier years whereby SLB of 9 aircrafts has been carried out in the FY 2016-17.

In view of the fact that SLB of aircraft is being done by AI in the ordinary course of business, as mentioned in the Main Objects Clause of the Company, the profit on sale of these SLB aircraft amounting to Rs 10116.9 million has been recognized as revenue as 'Other Operating Income'.

In respect of 2 aircraft, which has been received by Air India in the later part of the year 2016-17, the Board of Directors had approved the SLB transaction of these 2 aircrafts backed by Government of India Guarantee. However, subsequent to the GoI decision on the Disinvestment of AI, it has also been decided that the Govt will provide Guarantee for the acquisition of these aircraft, only by financing through Bridge Loans and hence not treated as SLB transaction, leaving the Strategic Investor to take the final decision on the SLB of these aircraft. Accordingly, it has been decided that these two aircraft alongwith the future acquisitions will be capitalized in the books of accounts and not sold under SLB. Hence, these aircraft have been included in the fixed assets and have been depreciated as per the accounting policy of the company.

### 36. EFFECT OF CHANGES IN EXCHANGE RATES (AS-11)

- a) The Company as per the consistent practice, has been treating the bridge loans (short term borrowings) availed for acquisition of Aircrafts, during the intermediary period before arrangement of long term finance / sale thereof, as borrowings and as such these are treated as long term monetary items for the purpose of capitalization under the amended AS-11.



- b) Transactions relating to Foreign Inventory Procurements and closing balances of certain foreign currency monetary items have not been translated at the date of transaction/in accordance with the provisions of AS-11 due to complexity of transactions. The impact of translation of the same is not ascertained; however the same is not likely to be material.

### 37. CONFIRMATIONS/RECONCILIATIONS

- a) The reconciliation and matching of certain unmatched receivables and payables, including certain balances migrated to SAP at block level and staff related various GL Account Heads is under process. Impact, if any, of consequential adjustment arising out of reconciliation will be dealt with in the year of completion of reconciliation.
- b) The Group has sought the confirmation of balances for most of the receivables and payables including Oil Marketing Companies. However, only some of the parties have responded. Wherever the balances confirmed by the parties are not in agreement, the reconciliation of difference is under process.
- c) The Service Tax including Input credit to be availed, Tax Deducted at source (TDS), Refunds in respect of Income Tax, are still pending to be reconciled with the Returns filed/ statutory records maintained.
- d) Pending reconciliation the difference between Holding Company and its Subsidiary Companies Inter-Company transactions amounting to Rs 138.3 million (P.Y: Rs 525.5 million) has been provided for in the Profit & Loss Account.
- e) During 2002-03, HCI accounted for Rs 29.8million as receivable from M/s Sahara Hospitality Ltd on account of Net Current Assets transferred to the respective buyers of Centaur Hotel Mumbai Airport. The buyers M/s Sahara Hospitality Ltd. disputed the same. Based on the Arbitration award the amount receivable from M/s Sahara Hospitality Ltd. is Rs 18.8 million plus legal costs Rs4.0 million. The accounts have been suitably adjusted to the extent of award amount of Rs 18.8 million in the earlier year. Against the said Award, the buyers preferred an appeal in the High Court of Bombay. In July 2015 HCI has received order from High Court which is in favour of the buyer, which has been challenged by HCI before the Division Bench of the Hon'ble High Court of Bombay. In the opinion of the Management, the amount receivable from M/s Sahara Hospitality Ltd Rs 18.8 million are considered good for recovery and the shortfall, if any, will be adjusted in the year in which finality is reached based on the award of the High Court of Bombay.

### 38. SHORTAGES/IRREGULARITIES

An irregularity in the form of excess payments to Caterers was observed at London Station during the year. The contract period was from Sept'13 to Aug'16. Since records relating to the periods from Oct'15 to Feb'17 were available, the company has quantified and recovered GBP 580,662.31 (Rs 46.9 million) for the said periods only. Further, during the year, in the case of certain domestic stations, irregularities in revenue/expenditure of nominal amounts were observed for which enquiry/investigation and recovery action is under progress.

### 39. INTERNAL CONTROL

The Group is in the process of strengthening the internal audit process so as to ensure the coverage of all the areas as envisaged in the Minimum Audit Programme and ensure effective internal controls at stations, regional offices, user departments and Central Accounts Office. To comply with the same, Independent Chartered Accountants firms have been appointed by the company. System for uniform,



timely and proper accounting entries of transactions in SAP as well as other software, including interface with each other, is under process of being strengthened.

#### 40. INVENTORIES

- a) The difference of year-ended inventory balances between SAP and RAMCO amounting to Rs. 89.0 million (PY: Rs. 74.8 million) is under reconciliation. The inventory balance in the Financial Statements is as per SAP, which is more by Rs 89.0 million than the RAMCO balance.
- b) In respect of AASL, a consolidated Provision for Obsolescence amounting to Rs.327.4 Million (PY: Rs 360.7 Million) towards aircraft spares, rotables and special tools in respect of ATR and CRJ aircraft has been made as on 31.3.2017. During the year there was a write back of Rs.33.3 Million (PY:Rs 15.1 million) in this provision. However, there are no non-moving spares.

#### 41. STATUS OF RECONCILIATION WITH

##### (I) Airport Operators

- (i) The reconciliation of AI with various Airport Operators such as AAI, MIAL, DIAL, CIAL and GHAIL has been carried out during the year and the status of the same as on 31<sup>st</sup> March 2017 is given hereunder:

(Rupees in Million)

S.No.	Name of Airport Operator	Balance Payable as per Air India Ltd. as on 31.3.17	Balance Receivable as per Airport Operator as on 31.3.17	Difference as on 31.3.17
1.	Airport Authority of India (AAI)	18235.0	22190.0	(3955.0)
2	Mumbai International Airport Ltd (MIAL)	1441.3	3050.3	(1609.0)
3	Delhi International Airport Ltd (DIAL)	5312.4	5451.9	(139.5)
4	Cochin International Airport Ltd (CIAL)	166.9	187.9	(21.0)
5	Greater Hyderabad International Airport Ltd (GHIAL)	280.7	408.2	(127.5)

- (ii) The major reasons for the difference are due to payments/credits given by AI upto 31.3.2017 for which accounting effect by the Airport Operators has been given subsequently or yet to be given. Further, some other reasons for the difference are difference in rates applied for landing & parking charges, ground handling royalty, space rentals, etc. Moreover, interest claims on delayed payments and other disputed items have been separately disclosed as Contingent Liability as stated in Note No 25.



- (iii) Due to the ongoing expansion and reconstruction of Airport Area by MIAL, relocation of land leased to Air India is in process, with surrender of a part of the existing premises. A comprehensive review of total leased premises ultimately held including compensation, if any, can be taken only after expansion work is completed/certified and handing/taking over is in place. Accordingly, accounting impact will be taken in the books on the completion of this entire process of surrender/relocation of premises by MIAL.
- (iv) AIATSL:
- Royalties recovered from clients and payable to Airport Authority of India, Delhi International Airport Limited and Mumbai International Airport Limited are under reconciliation.
  - An amount of Rs. 926.89 Lakhs is reflected as receivable from CIAL on account of Levy. The account is under reconciliation.
  - Financial impacts, if any, arising out of reconciliation will be dealt in the year of completion of reconciliation.
- (v) HCI: The company has provided for Lease Rentals @ Rs 163/- per sqmtrs and Turnover Levy @ 2% of annual turnover in the books of accounts. Accordingly, HCI has not made any provision towards the Lease Rental/Turnover Levy differentials as well as Interest upto 31<sup>st</sup> March 2017 as given below:

(Amount in Million)

No	Airport Operators	Lease Rental/ Turnover Levy Differential	Interest
a)	Airports Authority of India Ltd	202.8	185.4
b)	Mumbai International Airports Ltd	11.7	63.1
c)	Delhi International Airports Ltd	60.9	186.8

- (vi) In the case of HCI, Airports Authority of India (AAI) had executed lease deed with the Company for Delhi property admeasuring 45000 sq. mts. on 21.3.2002 for a period of 30 years effective 1.4.2002 to 31.3.2032. AAI served a 12 month notice dated 8.11.2016 on Centaur Delhi and Chefair Delhi for early determination of lease effective November 2017 as the land was required by them for air site development work namely apron, night parking stand etc. The matter was taken up by the Company with AAI on 23.11.2016 and with Ministry on 27.12.2016 seeking intervention for extension upto 2019. AAI vide their letter dated 1.5.2017 stated that the notice period stands extended upto 31.3.2019 instead of 7.11.2017.

**(II) Oil Companies**

The status of reconciliation of AI with various Fuel Suppliers is given below:

(Rupees in Million)

No	Name of Fuel Company	Balance as per Fuel Supplier as on 31.3.17	Balance as per AI as on 31.3.17	Difference as on 31.3.17
1	HPCL	8151.6	8109.4	42.2
2	BPCL	7811.0	7809.8	1.2
3	Shell MRPL (Domestic)	429.3	429.3	Nil
4	IOCL	22049.3	22082.6	(33.3)
5	Reliance Petroleum	8.7	2.3	6.4

The reconciliation with all the above Oil Companies has been completed. However, the major reasons for the difference are pending adjustment entries by the respective Oil Companies.

**42. SEGMENT REPORTING:**

- a) The Group is engaged in airline related business, which is its single primary business segment. The details of geographical area wise revenue earned (derived by allocating revenue to the area in which the sales were made) are given hereunder:

(Rupees in Million)

	Particulars	2016-17	2015-16
a)	USA/Canada	20,801.2	18,159.9
b)	UK/Europe	15,916.5	14,572.0
c)	Asia (excluding India) Africa & Australia	44,611.4	45,496.9
d)	India	175,107.3	157,355.4
	<b>Total</b>	<b>256,436.4</b>	235,584.2

- b) Major revenue-earning asset of the Group is the aircraft fleet, which is flexibly deployed across its worldwide route network. There is no suitable basis for allocation of expenditure, assets and liabilities to geographical segments. Consequently area-wise assets and liabilities have not been disclosed.

**43. RELATED PARTY TRANSACTIONS:**

“Related Party Disclosures” as required by Accounting Standard (AS-18) are given below:

**A. Key Management Personnel & Relatives : (as on 31<sup>st</sup> March 2017)****(I) List of Board of Directors of Air Limited (AIL) – During 2016-17 and upto December 2017**

Name	Position on Board	Designation
1 Shri Pradeep Singh Kharola	CMD	Chairman & Managing Director (Appointed as CMD effective 12.12.2017)
2 Shri Rajiv Bansal	CMD	Chairman & Managing Director (Appointed as CMD effective 24 .08.2017 and Ceased to be CMD on 12.12.2017)
3 Shri Ashwani Lohani	CMD	Chairman & Managing Director (Ceased to be CMD on 23 .08. 2017)
4 Shri Pankaj Srivastava	Functional Director	Director-Commercial
5 Shri Vinod Hejmadi	Functional Director	Director- Finance
6 Shri Arvind Kathpalia	Functional Director	Director Operations (Appointed on the Board w.e.f 27th June 2017)
7 Shri Satyendra Kumar Mishra	Government Nominee	Joint. Secretary, Ministry of Civil Aviation (Appointed on the Board w.e.f. 02.02.2017)
8 (Dr) Shri Ravinder Kumar Tyagi	Independent Director	Appointed on the Board w.e.f 31.05.2017
9 Shri Syed Zafar Islam	Independent Director	Appointed on the Board w.e.f 31.05.2017
10 Ms.Gargi Kaul	Government Nominee	Jt. Secretary & Financial Advisor, Ministry of Civil Aviation
11 Shri Nikhil Kumar Jain	Functional Director	Director-Personnel (Ceased to be on the Board w.e.f.03.02.2017)
12 Shri Balwinder Singh Bhullar	Government Nominee	Joint. Secretary Ministry of Civil Aviation (Ceased to be on the Board w.e.f. 02.02.2017)
13 Dr Ravindra Dholakia	Independent Director	Independent Director (Ceased to be on the Board w.e.f. 28.05.2016)
14 Shri Prem Vrat	Independent Director	Independent Director (Ceased to be on the Board w.e.f. 28.05.2016)
15 Shri Gurucharan Das	Independent Director	Independent Director (Ceased to be on the Board w.e.f. 28.05.2016)



Name	Position on Board	Designation
16 Air Marshal (Retd) K.K.Nowahar	Independent Director	Independent Director (Ceased to be on the Board w.e.f. 28.05.2016)
17 Smt Renuka Ramanathan	Independent Director	Independent Director (Ceased to be on the Board w.e.f. 28.05.2016)

**(ii) List of Board of Directors of Air India Express Limited (AIEL) formerly known as Air India Charters Ltd. (AICL) During 2016-17 and upto December 2017**

Sr.No	Name	Designation
1	Shri Pradeep Singh Kharola	Part-time Chairman (Appointed w.e.f. 12.12.2017)
2	Shri Rajiv Bansal	Part-time Chairman (Appointed w.e.f. 24.08.2017 and ceased w.e.f. 12.12.2017)
3	Shri Ashwani Lohani	Part-time Chairman (Ceased w.e.f. 23.08.2017)
4	Shri Vinod Hejmadi	Nominee Director of Air India
5	Smt (Dr.) Shefali Juneja	Government Nominee Director (Ceased to be on the Board w.e.f. 12.05.2017)
6	Smt. Puja Jindal	Government Nominee Director (Ceased to be on the Board w.e.f. 08.04.2016)
7	Shri Angashumali Rastogi	Government Nominee Director (Appointed on the Board w.e.f. 12.05.2017)
8	Shri K V Unnikrishnan	Government Nominee Director (Appointed on the Board w.e.f. 12.05.2017)

**(iii) List of Board of Directors of Airlines Allied Services Ltd. (AASL) During 2016-17 and upto December 2017**

Sr.No	Name	Designation
1	Shri Pradeep Singh Kharola	Part-time Chairman (Appointed w.e.f. 12.12.2017)
2	Shri Rajiv Bansal	Part-time Chairman (Appointed w.e.f. 24.08.2017 and ceased w.e.f. 12.12.2017)
3	Shri Ashwani Lohani	Part-time Chairman (Ceased w.e.f. 23.08.2017)
4	Shri Vinod Hejmadi	Nominee Director of Air India
5	Shri Pankaj Srivastava	Nominee Director of Air India



Sr.No.	Name	Designation
6	Smt Meenakshi Dua	Nominee Director of Air India (Ceased w.e.f. 29.09.2017)
7	Shri S Suberoi	Nominee Director of Air India (Appointed on the Board w.e.f 29.09.2017)
8	Capt. Arvind Kathpalia	Nominee Director of Air India (Ceased w.e.f. 03.03.2017)
9	Capt. AK Govil	Nominee Director of Air India (Appointed on the Board w.e.f 03.03.2017)
10	Smt. (Dr.) Shefali Juneja	Government Nominee Director (Ceased to be on the Board w.e.f. 12.05.2017)
11	Smt. Puja Jindal	Government Nominee Director (Ceased to be on the Board w.e.f. 08.04.2016)
12.	Shri Angashumali Rastogi	Government Nominee Director (Appointed on the Board w.e.f. 12.05.2017)
13.	Shri KV Unnikrishnan	Government Nominee Director (Appointed on the Board w.e.f. 12.05.2017)

**(iv) List of Board of Directors of Air India Air Transport Services Ltd.(AIATSL)  
During 2016-17 and upto December 2017**

Sr.No	Name	Designation
1	Shri Pradeep Singh Kharola	Part-time Chairman (Appointed w.e.f. 12.12.2017)
2	Shri Rajiv Bansal	Part-time Chairman (Appointed w.e.f. 24.08.2017 and ceased w.e.f. 12.12.2017)
3	Shri Ashwani Lohani	Part-time Chairman (Ceased w.e.f. 23.08.2017)
4	Shri Vinod Hejmadi	Nominee Director of Air India
5	Ms. Gargi Kaul	Government Nominee Director
6	Shri Satyendra Kumar Mishra	Government Nominee Director (Appointed on the Board w.e.f. 02.02.2017)
7	Shri Balwinder Singh Bhullar	Government Nominee (Ceased to be on the Board w.e.f. 02.02.2017)



**(v) List of Board of Directors of Air India Engineering Services Limited (AIESL)  
During 2016-17 and upto December 2017**

Sr.No	Name	Designation
1	Shri Pradeep Singh Kharola	Part-time Chairman (Appointed w.e.f. 12.12.2017)
2	Shri Rajiv Bansal	Part-time Chairman (Appointed w.e.f. 24.08.2017 and ceased w.e.f. 12.12.2017)
3	Shri Ashwani Lohani	Part-time Chairman (Ceased w.e.f. 23.08.2017)
4	Shri Vinod Hejmadi	Nominee Director of Air India
5	Smt. Gargi Kaul	Government Nominee Director
6	Shri Satyendra Kumar Mishra	Government Nominee Director (Appointed on the Board w.e.f. 02.02.2017)
7	Shri Balwinder Singh Bhullar	Government Nominee (Ceased to be on the Board w.e.f. 02.02.2017)

**(vi) List of Board of Directors of Hotel Corporation of India Limited (HCI)  
During 2016-17 and upto December 2017**

Sr.No.	Name	Designation
1	Shri Pradeep Singh Kharola	Part-time Chairman (Appointed w.e.f. 12.12.2017)
2	Shri Rajiv Bansal	Part-time Chairman (Appointed w.e.f. 24.08.2017 and ceased w.e.f. 12.12.2017)
3	Shri Ashwani Lohani	Part-time Chairman (Ceased w.e.f. 23.08.2017)
4	Shri Vinod Hejmadi	Nominee Director of Air India
5	Shri Pankaj Kumar	Part-time Managing Director
6	Ms Gargi Kaul	Government Nominee Director
7	Shri Satyendra Kumar Mishra	Government Nominee Director (Appointed on the Board w.e.f. 02.02.2017)
8	Shri Balwinder Singh Bhullar	Government Nominee (Ceased to be on the Board w.e.f. 02.02.2017)

**(vii) List of Board of Directors of AI-SATS**

Sr.No.	Name	Designation
1	Mr Willy Do Tuck Chong	Director and Chief Executive Officer (Upto 24 <sup>th</sup> October 2015)
2	Mr Chew Teck Chye –	Director and Chief Executive Officer (w.e.f. 24 <sup>th</sup> October 2015)

**B. Transactions with Key Managerial Personnel:**

i) There are no transactions with key managerial personnel other than Remuneration and Perquisites to Chairman & Managing Director and Functional Directors. During the FY 2016-17 an amount of Rs 0.04 million was paid as Sitting Fees to two Independent Directors by Air India Ltd.

**ii) Key Managerial Remuneration**

The details of the Managerial Remuneration of the Holding Company i.e. Air India Ltd is as under:

**(Rs in Million)**

SI.No.	Particulars	2016-17	2015-16
(a)	<b>Chairman and Managing Director</b>		
	Salaries and Allowances (Including value of perquisites Rs. 0.03 million (PY:Rs. 0.02 million))	<b>2.9</b>	2.1
(b)	<b>Functional Directors</b>		
i)	Salaries and Allowances (Including value of perquisites Rs. 0.08 million (PY:Rs. 0.14 million))	<b>7.9</b>	9.6
ii)	Contribution to Provident Fund	<b>0.6</b>	0.6

**Note:**

- i) As regards retirement benefits, other than Provident Fund, since they have been done on a global basis no allocation could be made.
- ii) Transactions such as providing Airline related services in the normal course of airline business are not included above.

C. No loans or credit transactions were outstanding with Directors or Officers of the Group or their relatives at the end of the year which is required to be disclosed in accounts under the Companies Act, 2013.

D. In the opinion of the Group, the agreements with various Airlines, private parties termed as “Joint Operations/Code-share Agreements” do not fall within the definition of Joint Venture as mentioned in Accounting Standard (AS-18) and (AS-27), hence are not included in above disclosures.

E. In respect of Jointly controlled entities i.e. AI-SATS, the share of AI (after elimination) out of the Assets, Liabilities, Income and Expenditure of the JV is as follows:



(Rs in Millions)

No	Particulars	As at 31st March 2017	As at 31st March 2016
<b>I</b>	<b>Assets</b>		
	Non Current Investments	-	-
	Non Current Assets	1,836.3	1,476.3
	Current investments	-	-
	Current Assets	1,342.4	1,211.3
<b>II</b>	<b>Liabilities</b>		
	Long Term borrowing	142.0	92.0
	Non Current Liabilities & Provisions	94.4	56.2
	Short Term Borrowings	709.8	674.3
	Current Liabilities and provision	489.1	455.5
<b>III</b>	<b>Income</b>	3,089.3	2,851.5
<b>IV</b>	<b>Expenses</b>	2,837.0	2,542.0
<b>V</b>	<b>Contingent Liabilities</b>	201.1	147.7

**44. LEASES:**

**A. Finance Leases**

- a) Aircraft Fleet and Equipment acquired under finance leases are treated as if they had been purchased outright. The cost of these assets taken on lease is Rs.2,29,514.8.0 Million, (Previous Year: Rs. 2,29,941.4 million). The future lease obligation is Rs. 85,589.0 Million as at March 31, 2017, (Previous Year: Rs.1,07,967.8 million). The Finance Leases are guaranteed by the Govt of India.
- b) Liability on account of future minimum lease rentals is as under:

(Rs in Millions)

Particulars	As at 31.3.2017	As at 31.3.2016
<b>a) Outstanding balance of Minimum Lease Payments including interest thereon</b>		
i) Not later than one year and	22,009.3	22,016.1
ii) Later than one year and not later than five years	66,007.0	84,281.1
iii) Later than five years	464.4	5,800.0
<b>Total</b>	<b>88,480.7</b>	<b>112,097.2</b>



Particulars	As at 31.3.2017	As at 31.3.2016
<b>b) Present Value of (a) above</b>		
i) Not later than one year	20,749.4	20,524.7
ii) Later than one year and not later than five years	64,376.5	81,673.9
iii) Later than five years	463.1	5,769.2
<b>Total</b>	<b>85,589.0</b>	107,967.8
<b>c) Finance Charges</b>	<b>2,891.7</b>	4,129.4

**B. Operating Lease**

- a) (i) The Group has taken 49 Aircraft (21 B-787, 7 A-320 and 3 A-319, 6 A-737, 2 ATR-42-320, 8 ATR-72-600 & 2 CRJ-700) (Previous Year: 31 leased aircraft, (11 B-787, 5 A-320 and 3 A-319, 1 A-737, 3 ATR-42-320, 5 ATR-72-600 & 3 CRJ-700) aircraft on non-cancelable operating lease. Liability on account of future minimum lease rentals in respect of leases acquired after April 01, 2001. is as under:

**(Rs in Millions)**

No	Particulars	As at 31.3.2017	As at 31.3.2016
i)	Not later than one year	15,411.8	13,484.6
ii)	Later than one year and not later than five years	61,710.3	51,374.7
iii)	Later than five years	52,186.6	54,770.5
	<b>Total</b>	<b>129,308.7</b>	119,629.8

- (ii) However, in case of premature termination, the Lessee is required to pay compensation to the Lessors of the aircraft as per the terms of the agreement. However, such compensation may differ from Lessor to Lessor.
- (iii) Lease rent expenses, in respect of aircraft taken on operating lease recognized in Profit & Loss Account for the year under the head 'Hire of Aircraft' is Rs. 21,599.3 Million, (Previous Year:Rs. 12,916.4Million).
- b) The Group has taken various residential/commercial premises under cancellable operating lease/rental basis, the amount of which is unascertainable.
- c) The Group has also taken Vehicles and Office Equipment on operating lease with option to purchase but title may or may not eventually be transferred. These assets are scattered at various stations and cumulatively not significant. Complete details of future obligation in this respect could not be compiled; amount thereof is not material.



- d) The proportionate expenditure for redelivery cost for leased ATR and CRJ aircraft in the case of AASL has been worked out for Rs.436.1 million (Rs.355.1 million) up to 31.03.2017 on the basis of aircraft months in terms of the agreements executed with the parties and provision made for the same in the accounts.
- e) One aircraft ATR-42, MSN-406 (VT-ABO) of AASL taken on lease from M/s Abric was involved in an incident on 22.12.2015 at Kolkata. Since the aircraft was damaged extensively, the settlement agreement was signed with the lessor with the payable amount of USD 3.36 million in lieu of the damage and release of aircraft. The claim under Hull Insurance was lodged with the insurers of the company and an amount of USD 1.47 million was accepted by Insurers after a deductible of USD 100,000. Provision for the compensation payable to the lessor and provision for insurance claim receivable from the insurer were made last year, both of which have been paid/received in the year 2016-17. Since the aircraft was damaged due to the negligence of Jet Airways, the claim was lodged with the Jet Airways for consequential damages/losses suffered by AASL. An amount of USD 1.80 million equivalent to Rs 120.5 million at the exchange rate of Rs 67 per USD was been lodged and is pending for acceptance/final settlement. No Income has been recorded in the books of accounts for above claim from Jet Airways as per the policy of the company that such claims from the vendors/insurers and parties are recognized upon the acceptance of such claims/receipts.
- f) AIEL in its fleet has 6 Leased B 737-800 Aircraft covering the lease term of 8 years. As per the terms of the lease agreements, the aircrafts have to be redelivered to the lessor at the end of the lease period as per the redelivery conditions stipulated. Such redelivery conditions would entail costs for technical inspection, maintenance checks, repainting costs and cost of ferrying the aircraft to the locations stipulated in the agreement. The company therefore provides for such redelivery expenses, as contractually agreed, on estimate basis, in proportion to the expired lease period. During FY 2016-17, AIEL has provided for an amount of Rs 6.4 million on this account.

#### 45. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:

- a) Liability for wage arrears includes Rs.2106.4 million (Net), (Previous Year: Rs. 2,622.0 Million (Net), arrived on ad-hoc basis towards wage settlement up to period 31<sup>st</sup> December 2006 pending finalization of actual liability.
- b) In view of Department of Public Enterprises (DPE) guidelines applicable to PSUs no wage revision can be granted to the employees of loss-making PSUs. AI has been making losses since 1st January 2007 hence no provision has been made towards wage revision/settlement.
- c) However during the year, HCI has announced an interim relief of Rs 3,000/- per month per employee for the unionized category and Rs 5,000/- per month per employee for officers effective 1.1.2017 and the same has been provided for upto 31st March 2017.

#### 46. EMPLOYEE BENEFITS

##### (A) General description of Defined Benefit Plan

- a) **Gratuity:** Gratuity is payable to all eligible employees of the Group on superannuation, death, or permanent disablement, in terms of the provisions of the Payment of Gratuity Act.



- b) **Privilege Leave Encashment:** Privilege Leave Encashment is payable to all eligible employees at the time of retirement upto a maximum of 300 days.
- c) **Sick Leave Encashment:** Sick Leave encashment is payable to all eligible employees at the time of retirement upto a maximum of 120 days subject to the condition that the employee should have at least 60 days of Sick Leave to his credit. It was also decided to freeze the encashment of sick leave standing to the credit of all existing employees as on 01.07.2012. Accordingly, provision for sick leave has also been computed at these frozen sick leave numbers.

## (B) Defined Contribution Plan

**Employees Provident Fund:** AI has Employees Provident Fund Trusts under the Provident Fund Act 1925, which governs the Provident Fund Plans for eligible employees. The Holding Company as well as the employees contributes 10% of the PF Pay to the Fund out of which Provident Fund is paid to the employees.

## (C) Defined Benefit Plans – Gratuity & Post-Retirement Medical Benefits (Unfunded)

Necessary salient information in relation to AS-15 – Retirement Benefits for the entities in the group is not available in its entirety; hence, the same is not presented in the Consolidated Financial Statements.

## (D) Others

- a) In the absence of statistics for Post Retirement Medical Benefits (after amendment of the scheme i.e. for enhanced Contribution for Medical Benefits) AI has decided to make an adhoc provision of Rs.500.0 million (PY: Rs.350.0 Million) till:
  - i) adequate statistics are collected;
  - ii) the actuarial valuation is done in due course, and
- b) HCI has introduced New Medical Benefit Scheme (Retired Employee Reimbursement Scheme) for those employees who superannuate as on 1st March, 2014 and thereafter. The said Scheme is voluntary and contributory. Eligible employees are required to make a onetime non refundable contribution as per the said Scheme. Accordingly, the company has received an aggregate contribution of Rs. 6.4 Million (Previous Year Rs5.1 Million) from 249 (Previous Year: 208) retired employees upto 31st March, 2017 which is accounted as a Current Liability. Further, Post Retirement Medical Benefits are accounted for by HCI as and when the claim arises.
- c) Further, AASL and AIATSL have also not carried out any actuarial valuation for Post Retirement Medical Benefits. However, AIATSL has provided for an ad-hoc amount of Rs 70.0 million towards the provision for expenses on Medical Benefits.



**47. DEFERRED TAX ASSETS**

The statement of Deferred Tax Assets of the Group is given below:

(Rs in Million)

S. No.	Particulars	Recognized in Accounts as on 31.3.16	DTA/DTL Recognized in 2016-17	Total DTA as on 31.3.17
<b>(A)</b>	<b>Deferred Tax Liability</b>			
	(i) Related to Fixed Assets	50751.9	19856.7	70608.6
	(ii) Related to FCMI Account	1145.3	(419.4)	725.9
	<b>Sub-Total (A)</b>	<b>51897.2</b>	<b>19437.3</b>	<b>71334.5</b>
<b>(B)</b>	<b>Deferred Tax Assets</b>			
	(i) Unabsorbed Depreciation, Business Losses & Other Disallowances under IT Act.	80469.9	19477.0	99946.9
	<b>Sub-Total (B)</b>	<b>80469.9</b>	<b>19477.0</b>	<b>99946.9</b>
	<b>Deferred Tax Asset/(Liability) Net</b>	<b>28572.7</b>	<b>39.7</b>	<b>28612.4</b>

**48. EARNINGS PER SHARE**

(Rupees in Million)

Particulars	As at 31.3.2017	As at 31.3.2016
Profit/(Loss) After Tax & Extra-Ordinary Items	<b>(54,412.9)</b>	(42,248.8)
<u>Less: Extra-Ordinary Items</u>	<b>8,472.3</b>	857.7
Profit/(Loss) After Tax & Before Extra-Ordinary Items	<b>(62,885.2)</b>	(43,106.5)
Weighted Average No. of Equity Shares	<b>21,640,027,397</b>	17,213,490,411
<b>EPS Basic &amp; Diluted</b>		
a) Before Extra-Ordinary Items (Rs per Share)	<b>(2.51)</b>	(2.45)
b) After Extra-Ordinary Items (Rs per Share)	<b>(2.91)</b>	(2.50)

**49. REMUNERATION TO AUDITORS**

The details of the audit fees and expenses of the Auditors:-

(Rupees in Million)

Particulars	2016-17	2015-16
Audit Fees -For the Year	14.3	12.3
Audit Fees -For Earlier Year	-	1.5
Out of Pocket Expenses (*)	2.0	1.5
<b>Total</b>	<b>16.3</b>	<b>15.3</b>

\*Accounted on Payment Basis

**50. Going Concern**

On account of the support of GOI as well as the implementation of TAP/FRP various measures have been taken by AI and its Group Cos towards improving its operating and financial position. It is expected that the financial condition of AI Group Cos would continue to improve in the future. During FY 2016-17, GOI has infused Equity to the tune of Rs.24,652.1million. Thus, total Equity Infusion under FRP as on 31st March 2017 aggregated to Rs.2,47,452.1 million.

AI and its Group Cos have shown an all round improvement in the operational/financial performance such as improvement in the seat factor, pax carriages, aircraft utilization etc. Barring unforeseen circumstances. AI and its Group Cos expects to return to Cash Positive status earlier than contemplated under the TAP. The Accounts of AI and its Group Cos are therefore being prepared on the 'Going Concern' basis.

Further, the Govt has given an in-principle approval for the Disinvestment of Air India Ltd and its Subsidiary Cos. Transaction Advisor, Legal Advisor and Assets Valuer for the same have been appointed who will be guiding the Govt through the process of Disinvestment. Accordingly, AI as well as its Subsidiary Cos shall be disinvested as Going Concern entities.

**51. The Accounting Policies of the Holding Company and the Subsidiary Companies are identical in all respects except for the matters given below:**a) Fixed Assets and Depreciation:

- (i) Aircraft Life: As against the Holding Co's policy of adopting the life of aircraft as 25 years from FY 2016-17 onwards, AIEL has provided depreciation on aircraft by adopting a life of 20 years for each aircraft. However, the impact of this is not material.
- (ii) Assets of Small Value not exceeding Rs 5000: Such assets are being fully provided and charged off by AIATSL instead of providing depreciation as laid down in Schedule II of the Companies Act. Since, the value of such items are negligible, the impact of such difference in treatment is not material.
- (iii) Treatment of Aircraft Repairables: As against the Group's policy of capitalizing Aircraft Repairables and amortizing the same, AASL is treating the same as inventory. However, the impact of such change in method on the CFS cannot be ascertained.



- (iv) Depreciation: As against the actual installation date, of Fixed Assets acquired prior to 1<sup>st</sup> April 2014, HCI has assumed 1<sup>st</sup> April of each financial year as the date of installation for all Fixed Assets during the relevant financial years.
  - (v) Physical Verification of Assets: As against the Group's Policy of physical verification of assets at the end of a period not exceeding two years, HCI follows a policy of physical verification of assets at the end of every five years. However, the impact of this is not ascertainable.
- b) Inventory Valuation:
- (i) Determination of Cost: HCI is carrying out Inventory valuation at Cost (FIFO) as against the Group practice of weighted average cost. The overall net inventory of HCI is only Rs 22.5million as against the Group Net Inventory of Rs. 15,097.6Million and hence the impact of this difference in valuation of Inventory is not material.
  - (ii) Net Realizable Value: In case of AI-SATS, inventory is valued at lower of cost or net realizable value as against the Group policy of valuing inventory at cost.
- c) Employee Benefits: In case of HCI and AIATSL, Post Retirement Medical Benefits Scheme is accounted for as and when the claim arises as against the Group's Policy of determining the same based on actuarial valuation. The impact of the same on the CFS is not ascertainable.

In view of the above, since the impact is not material, no effect has been given in the consolidated financial statements.

**52. The following Notes of the Subsidiary Cos (respective Note No in the Subsidiary Co's Notes to Accounts given in brackets) although not material but Qualification/Emphasis of the Matter on the same has been drawn upon by the Component Auditors are reproduced below:**

**(A) AIATSL**

- (i) Revenue shared by HAL AI JWG has been recognized during the year amounting to INR 91.65 Lakhs (Previous Year INR 148.93 Lakhs). (Note No: 31)
- (ii) Tax Audit for the Financial Year 2015-16 (Assessment Year: 2016-17) has not been conducted. (Note No: 33)
- (iii) Income-tax for the Financial Year 2015-16 (Assessment Year 2016-17) has been inadvertently short provided to the tune of INR 3,450.00Lakhs. However the effect of the same will be carried out at the time of assessment.(Note No: 34)
- (iv) The company has an outstanding amount of Service Tax liability as on 31/03/2017 as per books of accounts amounting to INR – 2,125.75 Lakhs (Previous Year: INR 322.59 Lakhs), is under reconciliation. The company has an outstanding amount of TDS liability as on 31.03.2016 amounting to INR 237.96 Lakhs (Previous Year: INR 232.17 Lakhs). TDS liability is recognized as and when bills are accounted for or paid. (Note No: 40c)
- (v) Internal Audit for the FY 2016-17 is in progress and necessary accounting action, if any, will be taken once the Final Audit report is presented. (Note No: 42)
- (vi) The Company charges Service Tax on Levies as directed by the Airport Authorities (AAI, DIAL, MIAL etc). The same is accounted along-with the levies. (Note No: 43)



- (vii) During the year, there is net re-charges by 3rd party airlines through IATA to the tune of INR 1,007.26 Lakhs. The re-charges during the FY 2014-15 and FY 2015-16 are INR 12.61 Lakhs and INR 1,205.35 Lakhs respectively. These accounts are under reconciliation. The impact, if any, of consequential adjustment arising out of reconciliation on Financial Statements will be dealt with in the year of completion of reconciliation. (Note No: 44)

**(B) HCI**

- (i) Other Advances receivable Rs.108.3 lakhs (Previous year Rs 114.55 lakhs) includes:
- (a) Rs. 50.43 lakhs due from M/s Caribjet. The Company has taken legal steps for recovery of said sums (Note No 46 (b)).
  - (b) Rs. 38.42 lakhs due from AAI for the period from 1986-87 to 2005-06 and Rs. 9.54 lakhs due from MIAL for the period from 2006-07 to 2009-10.(Note No 26)

The Company is of the view that the above sums are good for recovery and hence no provision is required in respect thereof. (Note No 26)

- (ii) The company has presented Trade Receivables based on 'billing dates' as opposed to 'due date of payment' and hence, to the extent the requirement of Schedule III has not been complied with. (Note No 12 to Financial Statements)
- (iii) In earlier years, Catering and Handling Revenue was accounted on provisional basis at Chefair Delhi for the period April 2011 to November 2012 aggregating to Rs. 484.27 Lakhs (excluding applicable taxes).The final billing has now been determined at Rs 811.93 lakhs (excluding applicable taxes). Accordingly, the incremental revenue of Rs 327.66 lakhs has been accounted for as Prior Period Income in the current year.(Note No 29).
- (iv) The company is in the process of:
- a) Streamlining the inventory reporting system in terms of generation of reports towards movement of item-wise store records and configuring of the stores ledger. Efforts are also being made to ensure that, at the year end consumption as per the stores records is fully reconciled with the financial records and adjustments are duly accounted for. Hence the Group is unable to identify discrepancies, if any, between the book stock and physical stock.
  - b) Instituting a maker checker process in order that a system of checks and balances is in place to prevent revenue leakage through Purchase and misuse and to ensure proper control over the Procurement and Consumption Cycles.
  - c) Strengthening the internal audit process so as to ensure adequate coverage of all the areas and ensure effective internal controls at all units of the Group.
  - d) Reviewing the frequency of verification of cash, cheques, drafts etc., in hand through internal audit/officers other than cashiers.
  - e) Laying down Standard Operating Procedures with regard to timely accounting of all transactions to ensure that proper books of accounts are maintained.

(The above Paras represents Note No's 51 & 52 of HCI)



- (v) Chefair Delhi acquired one Hi - lift TATA Chassis at a cost of Rs10,14,395/- during the financial year 2007-08. Based on operational considerations it was transferred to Chefair Mumbai on 21st March, 2009 for customization to meet local requirements. This process has been inordinately delayed and the Company is in the process of getting the balance work done from the contractor and hence it continues to reflect as Capital Work –in –Progress as on 31st March, 2017. Further, the Company has made capital advances for customization to a contractor from time to time aggregating to Rs 12,83,799/- as on 31st March 2017. (Note No 31).
- (vi) During the financial year 2012-13, the Luxury Tax authority froze seven bank accounts on 15th February 2013 due to non-payment of Luxury Tax in relation to Centaur Delhi and these accounts continued to be frozen as on 31st March 2017. The authorities continued to appropriate all the deposits aggregating to Rs. 52.7 million (PY:Rs 44.4 million) upto 31st March, 2017 (Including Rs. 8.3 million) (PY: Rs12.5 million) for the year) in these bank accounts towards dues on account of Luxury Tax. According to the books, the liability of Centaur Delhi after appropriation, as stated above, as on 31st March 2017 is Rs 21.3 million (PY:Rs.30.5 million). (Note No 42).
- (vii) During the year, the Company has issued 5,00,000 equity shares of Rs 100/- each to Government of India. Due to delay in obtaining certain administrative approvals, there was a delay in allotment of shares resulting in non compliance with sub section 6 of section 42 of the Companies Act 2013. However, the Group has not provided for interest amounting to Rs 2.2million for the said delay.(Note No 54).

## **(C) AIEL**

### **(i) Inventory & Rotables (Note No 30):**

- a) Procurement of Stores, Spares etc. for Aircraft is controlled and monitored by Air India Limited (Holding Company).
- b) During the migration process in 2012-13, no physical verification of the inventory was conducted and the migration was done based on sign off reports related to legacy systems/manual records or data compiled at different locations. The documented bases for quantities and values migrated to RAMCO system were not readily available mainly in case of inventory of unserviceable items. The physical verification of migrated inventory has since been completed and the discrepancies noticed are under verification and necessary accounting adjustments are to be done for after due process. The balances in SAP with RAMCO data base is under reconciliation. The financial impact of the same is not ascertainable at this stage. The data migration audit of the process is also to be conducted and discrepancies if any would be adjusted in due course.
- c) During the Financial Year 2015-16, the Company has changed accounting policy in respect of Repairable Spares in line with that of the parent company (Air India Ltd.). A Repairable has been defined as an item whose operating cycle is more than 12 months and can be continuously repaired until scrapped. In case of opening balance as on 1st April 2015 of such repairable spares, the remaining useful life has been estimated at 5 Years and in case of purchases of the repairable assets from 1st April 2015 onwards the useful life has been estimated as 10 years. A total amount of Rs 54.08 million has been provided for as depreciation on Repairable Spares as of 31st March 2017. Similarly, an amount of Rs.173.15 million was charged to consumption/scrap page etc has been written back.



- d) The data relating to the last five years' movement of inventory is not available in RAMCO systems. Based on the data available in the legacy system, items have been identified as non-moving and provision towards the same has been carried to the extent of Rs.2.10 Million (Previous Year Rs.21.63 Million) during the year.
- e) As confirmed by Material Management Department of Air India Ltd., physical verification of inventories since F.Y. 2014-15 has not been conducted and necessary accounting treatment of the discrepancies, if any, will remain undetected.
- f) The holding company has engaged outside consultants to advise on streamlining the entire system of inventory accounting to benchmark the industry best practices and system of ordering and controls. RAMCO software is also being upgraded suitably. The management is taking required steps to ensure that the discrepancies noticed during migration/ post migration with regard to physical verification and valuation of inventory balances being carried in the books of accounts and necessary accounting treatment shall be carried out at the time of reconciliation. The precise financial impact of the same on the financial statements is not ascertainable at this stage.
- g) Inventories at the yearend include balances under in-house repairing jobs being carried as "Work order Suspense Internal / External" which contains materials issued and repair charges valued at Rs. 677.53 million issued in respect of closed/ completed/ pre-closed/ cancelled/ initiated/ in-progress Work Orders having completion date till the year end, lying unadjusted. These items are to be accounted for as consumption of material/ Repairs, as per the accounting process followed in the RAMCO system. Further to aforesaid, the work order suspense account, include expendable items of Rs. 529.55 Million which are to be charged off to consumption on issuance. As against the above, a provision of Rs 264.78 million has been made in the books for the FY 2016-17 as per the existing practice and accounting for the remaining items shall be done as and when these work-orders are closed in the RAMCO system.
- h) Liability for Goods/Expenses for all materials received have been provided as per the values in GRANS & Store-in-Transit statement as on 31.3.2017 as per RAMCO generated data. The system of delay in preparation of GRANS and accounting of GRANS outside RAMCO database and consequential effect thereon on recognition of liability is under review at appropriate level. As the entries in SAP are being posted at summary level, vendor-wise reconciliation of balances of advances and payable outstanding at the year-end is pending. Accounting of exchange difference relating to transactions settled during the year and translation of liabilities denominated in foreign currency at the yearend has also been done to the extent of available data. There are various vendor related accounts, which are being reconciled. The accounting of FDI (Freight Duty and Incidentals) is also being streamlined by capturing such cost in RAMCO. The precise financial impact of the above is being ascertained and shall be accounted for in due course.
- i) The interface between SAP and RAMCO is yet to be stabilized and hence stores accounting data as received from RAMCO is being entered through summary level entries in SAP. Closing balance of inventory as per the books of accounts is being reconciled with RAMCO database and necessary adjustment shall be carried out after such reconciliation. The delay in the interface is mainly due to the exact nature of accounting to be finalized in view of the RAMCO system being ideally suited for MRO applications.
- j) The value of Rotables migrated to SAP is available on consolidated block basis. Post migration to RAMCO/ SAP, the item-wise details of Rotables are being worked out as per data generated from RAMCO. The item-wise details of Rotables as generated from RAMCO software are



being compared with financial records. Necessary reconciliation of data as per Finance records with RAMCO generated data shall be carried out in due course and necessary accounting adjustment in that respect will be carried out thereafter.

- (ii) As per the consistently followed practices, the ageing of debtors is arrived based on due date of the invoice. In certain cases, there are unmatched / identified credits which are not netted against the debit outstanding and reconciliation of balances in the debtors account is in progress. The impact of the above on the age of debts as due as computed in accordance with the accounting policy of the Company could not be ascertained. Accordingly, provision for bad and doubtful debts as per Company policy could not be ascertained and provided for in the books of accounts. (Note No 36).
53. a) In the case of HCI and AIATSL, As per Companies Act 2013, Sec 149(4), the Company has not appointed Independent Director. Consequently, the Audit Committee has no Independent Director. There is no Remuneration Committee under Sec 177(2) and Sec 178 respectively.
- b) During the Financial Year 2016-17, in the case of AIATSL there is an instance of board meeting conducted after a gap of 120 days.
- c) A Corporate Social Responsibility (CSR) committee has been formed by AIATSL during 2016-17. An amount of Rs. 140.71 lakhs have been provided for CSR activities for the Financial Year 2016-17.

#### 54. SPECIFIED BANK NOTES (SBN) INFORMATION

##### a) Air India Ltd

(Rs in Million)

Particulars	Specified Bank Notes (SBN)	Other Denomination Notes	Total
<b>Closing Cash in hand as on 08.11.2016</b>	<b>8.3</b>	<b>4.3</b>	<b>12.6</b>
(+) Add: Withdrawal from Bank accounts	-	36.2	36.2
(+) Receipts from Permitted Transactions	344.4	117.1	461.5
(+) Receipts from Non-permitted Transactions	-	-	-
(-) Payment for Permitted Transactions	-	15.9	15.9
(-) Payment for Non-permitted Transactions	-	-	-
(-) Amount deposited in banks	352.6	137.9	490.5
<b>Closing cash in hand as on 30.12.2016</b>	<b>0.1</b>	<b>3.8</b>	<b>3.9</b>



b) **ALL SUBSIDIARY COS& JV (EXCEPT AIEL)**

(Rs in Million)

Particulars	Specified Bank Notes (SBN)	Other Denomination Notes	Total
<b>Closing Cash in hand as on 08.11.2016</b>	<b>1.3</b>	<b>0.6</b>	<b>1.9</b>
(+) Add: Withdrawal from Bank accounts	-	-	-
(+) Receipts from Permitted Transactions	0.6	7.7	8.3
(+) Receipts from Withdrawn from Banks	-	1.8	1.8
(-) Payment for Permitted Transactions	0.02	5.7	5.7
(-) Payment for Non-permitted Transactions	-	-	-
(-) Amount deposited in banks	1.9	3.7	5.6
<b>Closing cash in hand as on 30.12.2016</b>	<b>(0.0)</b>	<b>0.7</b>	<b>0.7</b>

55. Additional Information as required under Schedule III of the Companies Act 2013 of enterprises consolidated as Subsidiary/Associates/Joint Ventures.

**Statement of Net Assets and Profit and Loss attributable to Owners and Minority 2016-17**

Name of the Entity	Net Assets i.e. Total Assets minus Total liabilities		Share in Profit or (Loss)* Amount Rs. in Millions	
	As % of Consolidated Net Assets	Amount Rs. in Millions	As % of Consolidated Profit or loss)	Amount Rs. in Millions
A. <b><u>Air India Limited</u></b>	(86.49)	(199,145.10)	(92.33)	(57,651.70)
B. <b><u>Subsidiaries</u></b>				
a) AASL	(5.84)	(13,436.00)	(4.53)	(2,827.22)
b) AIATSL	1.58	3,636.89	0.54	334.32
c) AIEL	(4.34)	(9,994.14)	4.75	2,967.45
d) AIESL	(4.95)	(11,397.85)	(8.09)	(5,051.60)
e) HCI	(0.72)	(1,665.26)	(0.87)	(542.71)
C. <b><u>Joint Venture</u></b>				
a) AISATS	0.76	1,743.81	0.53	330.31
Current Year Total		<b>(230,257.65)</b>		<b>(62,441.15)</b>
Previous Year Total		<b>(195,071.58)</b>		<b>(41,614.80)</b>



(\*) The difference between the data mentioned in the above table and the Consolidated Loss given in the CFS Reserves & Surplus amounting to Rs 1905.3 million is on account of certain Inter-Co items which could not be paired against the related Holding/Subsidiary Co.

56. Previous Years' figures have been re-grouped/re-arranged wherever considered necessary.

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Signatures to the Schedules forming part of the Balance Sheet and Statement of Profit and Loss and to the above notes.

For and on Behalf of

**Thakur, Vaidyanath Aiyar & Co.**  
Chartered Accountants  
FRN : 000038N

Sd/-  
**(V. Rajaraman)**  
Partner  
**M.No. 002705**

For and on Behalf of

**Sarda and Pareek**  
Chartered Accountants  
FRN : 109262W

Sd/-  
**(Sitaram Pareek)**  
Partner  
**M.No. 016617**

For and on Behalf of

**Varma and Varma**  
Chartered Accountants  
FRN : 004532S

Sd/-  
**(P.R. Prasanna Varma)**  
Partner  
**M.No. 025854**

For and on behalf of the Board

Sd/-  
**(Pradeep Singh Kharola)**  
Chairman & Managing Director

Sd/-  
**(V.S. Hejmadi)**  
Director-Finance

Sd/-  
**(Kalpana Rao)**  
Company Secretary

Place : New Delhi  
Date : 29 December 2017



**Statement of Salient Features of the Financial Statement of Subsidiaries,  
Jvs and Associates (Form AOC-I)**

**PART A : Subsidiaries**

**(Rupees in Million)**

<b>S. No.</b>	<b>Name of Subsidiary</b>	<b>AASL</b>	<b>AIATSL</b>	<b>AIEL</b>	<b>AIESL</b>	<b>HCI</b>
1	Reporting Currency	INR	INR	INR	INR	INR
2	Exchange Rate	-	-	-	-	-
3	Closing as on 31.03.2017	-	-	-	-	-
4	Average Rate 2016-17	-	-	-	-	-
5	Share Capital	4,022.5	1,384.2	7,800.0	1,666.7	1,376.0
6	Reserve & Surplus	(17,458.5)	2,252.6	(17,794.1)	(13,064.5)	(3,041.3)
7	Liabilities	16,485.8	3,279.4	47,989.3	17,455.3	2,954.6
8	Total Liabilities	3,049.8	6,916.3	37,995.2	6,057.5	1,289.3
9	Total Assets	3,049.8	6,916.3	37,995.2	6,057.5	1,289.3
10	Investments	-	-	-	-	-
11	Turnover	3,758.1	5,967.9	33,555.3	7,404.8	499.9
12	Profit Before Taxation	(2,827.2)	616.7	2,967.5	(5,051.6)	(542.7)
13	Provision for Taxation	-	282.3	-	-	-
14	Profit After Taxation	(2,827.2)	334.3	2,967.5	(5,051.6)	(542.7)
15	Proposed Dividend	-	-	-	-	-
16	Percentage of shareholding	100%	100%	100%	100%	80.38%



**PART B : Statement of Salient Features of the Financial Statement of Jointly Controlled Entities and Associates (Form AOC-I)**

(Rupees in Million)

<b>S No.</b>	<b>Name of Associates and Joint Ventures</b>	<b>AI SATS</b>
1	Reporting Currency	INR
2	Latest Audited Balance Sheet Date	31-03-2017
3	Share of Associate/Joint ventures held by the company on the year end	
	i. No.	40,424,975
	ii. Amount of Investment in Associates/Joint Venture	436.2
	iii. Extent of Holding %	50%
4	Description of how there is significant influence	Joint Control
5	Reason why the associate/joint venture in not consolidated	Consolidated
6	Networth attributable to Shareholding as per latest audited Balance Sheet	3,487.6
7	Profit/(Loss) for the year	660.6
	i. Considered in Consolidation	330.3
	ii. Not Considered in Consolidation	-

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