1. ANALYSIS OF THE FINANCIAL/PHYSICAL PERFORMANCE

I. REVENUE:

- Total revenue increased from Rs.147,138.1 million in 2011-12 to Rs.160,721.1 million (an increase of Rs.13,583.0 million) during 2012-13.
- Operating Revenue was Rs.160,278.4 million as against previous year’s revenue of Rs.146,753.0 million (an increase of Rs.13,525.4 million)
- Passenger Revenue increased from Rs.114,236.9 million last year to Rs.124,944.4 million (an increase of Rs.10,707.5 million) which was mainly due to increase in yield per PKM from 3.74 to 4.33 and increase in Passenger Load Factor from 67.9 to 72.4.

II EXPENDITURE:

- The total expenditure incurred during the year was Rs.237,039.5 million as compared to the previous year’s figure of Rs. 234,594.8 million (an increase of Rs.2,444.7 million)
- Operating expenses increased from Rs.43,191 million to Rs.48,873.4 million (an increase of Rs.5,618.8 million)
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 of 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.
- Implementation of the recommendations made by IATA Group of Fuel Efficiency Gap Analysis (FEGA).
- Increase in passenger, cargo, excess baggage revenue through aggressive sales & marketing strategy including a separate Cell for attracting Government traffic.
- Implementation of Quickwin 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.
- Operationalisation of the two subsidiary companies formed for Ground Handling and MRO activities effective February 2013.

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

The Government infused equity capital of Rs 60,000 million during 2012-13 thus bringing the total paid up capital to Rs.93,450 million. During the year 2013-14 the Government was expected to bring equity capital of Rs 85,740 million including the arrears of the earlier years. However, the Government could infuse only Rs 65,740 million due to certain budgetary constraints. During the year 2012-13, the Company could achieve significant improvements in its operating performance as compared to the corresponding period last year. Its Ontime Punctuality (OTP) improved on domestic sectors to 80.2% and on international sectors to 70.8% resulting in a network OTP of 77.1%. Similarly, its domestic load factors improved to 74% despite many challenges faced from the Low Cost Carriers and international load factors improved to 72.1% taking the network load factor to 72.7%. There was also an increase in the yield per kilometer throughout the network with domestic yield improving to Rs.5.92 and international to Rs.3.49. The utilization of the Airbus fleet continued to improve to 10.5 hours a day and that of the Boeing 777 fleet to 14 hours a day. However, the 787 aircraft averaged around 12 hours a day. The delivery of the first 787 aircraft was taken on 5 September 2012 from Boeing in Chaleston, USA and immediately thereafter inducted into service. During the year 2012-13 six Dreamliners (787) were delivered to AI by M/s Boeing Company which were deployed in its network. These 787 were used both for domestic and international operations from Delhi. The domestic routes which were covered were Kolkata, Chennai and Bangalore and the international routes covered were Paris, London and Frankfurt. The Company however had to ground the fleet from mid January 2013 due to problems associated with the battery compartment of the 787 which was rectified by Boeing and the aircraft was reinducted into service from middle of May 2013. The 787 will continue to be the mainstay of the Company's wide body operations as the Company plans to take delivery of 21 more aircraft up to the period March 2016.

The Ground Handling business and the Maintenance, Repairs and Overhaul business of AI was hived off into two separate Companies following the Cabinet approval in September 2012 and these subsidiaries were later operationalized from February 2013. The Unions moved the High Court in Mumbai restraining the Company from the operationalization of these Companies which was dismissed. Subsequently, a Special
Leave Petition was also filed by the Unions in Supreme Court of India which was decided in Management's favour. The Management however gave an assurance that the service benefits of those employees will be protected in respect of their terminal benefits and other wage arrears which they were supposed to receive from AI.

2.3 Product Development

a) Premier Clubs

The Flying Returns Programme has four levels of membership viz. Base, The Silver Edge Club, The Golden Edge Club and the Maharajah Club. Currently the club memberships are open members globally:

The Maharajah Club (TMC)

The Maharajah Club is the highest Tier in the Flying Returns Programme. Membership of this club is on the basis of earning 75,000 miles in a span of twelve months. Members may also be invited to join the club on the basis of their status. Membership of the club entitles members to enhanced privileges which are:

30% bonus mileage points, additional baggage allowance, priority check-in, priority confirmation from the waitlist and lounge access at select airports.

The membership base as on 30 September 2013 was 1,737.

Golden Edge Club (GEC)

The Golden Edge Club is the second highest Tier in the Flying Returns Programme. Membership of this club is on the basis of earning 50,000 miles in a span of twelve months. Members may also be invited to join the club on the basis of their status. Membership of the club entitles members to enhanced privileges which are:

25% bonus mileage points, additional baggage allowance, priority check-in, priority confirmation from the waitlist and lounge access at select airports.

The membership base as on 30 September 2013 was 4,688.

Silver Edge Club (SEC)

The Silver Edge Club is the third highest Tier in the Flying Returns Programme. Membership of this club is on the basis of earning 25,000 miles in a span of twelve months. Members may also be invited to join the club on the basis of their status. Membership of the club entitles members to enhanced privileges which are:

10% bonus mileage points, additional baggage allowance and priority check-in.

The membership base as on 30 September 2013 was 15,952.

b) Flying Returns Programme

Flying Returns Programme is designed to recognise and reward frequent flyers of Air India. The benefits and privileges of Flying Returns 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 mileage points and wide array of special offers.
- Apart from earning and redeeming on Air India, members can also earn and redeem on our airline partners - Lufthansa German Airlines and Singapore Airlines.
• Members can accrue miles 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 American Express, HDFC Bank, ITC Welcome Group, Emirates Bank Group, SBI, Kotak Bank and Citibank.

The membership base as on 30 September 2013 was 12,51,295 as under:

<table>
<thead>
<tr>
<th>Region</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>India (including Premium Clubs)</td>
<td>7,88,316</td>
</tr>
<tr>
<td>Overseas (including Premium Clubs)</td>
<td>4,62,979</td>
</tr>
<tr>
<td>Total</td>
<td>12,51,295</td>
</tr>
</tbody>
</table>

The highlights of Flying Returns Programme are as follows:

• Membership extended worldwide
• Update profile details online
• Claim missing miles online
• Redeem miles online at www.flyingreturns.co.in
• No redemption threshold limit for redemption tickets
• Purchase miles at Re.1 per mile on shortfall of redemption

2.4 Marketing Initiatives:

Companion Free Scheme

Domestic

Passengers traveling on full Economy/Executive/First Class fares could take accompanying spouse/child/parent free of cost in the same class and flight, while traveling on domestic sectors by paying Passenger Service Fee/User Development Fee on free tickets.
International (IATA Fares)

The offer was valid for travel between the following countries:

India - USA/Canada/UK/Europe (valid in both directions)

Travel originating ex India to Tokyo/Osaka/Shanghai/Hong Kong/ Singapore/Bangkok/Middle East

Special Companion Free Scheme

The Special Companion Free Scheme was launched whereby passengers buying a ticket on the highest market fares in First/Executive Class between India and all international destinations, without any incentive, would be entitled to a companion ticket at 50% of the same fare. All applicable taxes/surcharges would be payable by the companion. This scheme was not valid in First Class on the non-stop New York flights.

Preferred Agent Programme (PAP)

PAP Scheme was renewed and launched for the year 2012-13 based on the feedback and industry practices, to achieve higher growth and increased productivity on Air India. During the year, PAP Scheme was extended only to international sales, unlike in the previous years.

Corporate House Scheme

Under Corporate House Scheme special offers are made to Corporate Houses having significant travel budgets. There are two types of Corporate Deals—Regular Corporate House Deal and the Customized Corporate House Deal. Target or growth based incentives are offered separately for international sales and domestic sales. The incentives are based on front end or cut and pay as well as back end.

In addition to the above, Frozen Fares and Private Fares are also offered to Corporates under Domestic Customized Deals. There are other associated soft benefits offered to Corporate Houses in the form of Upgrades and Excess Baggage Tickets.

In connection with the above, Government of India’s policy extending various benefits on Government sales had also been re-visited.
Seamen Fares
Seamen fares were introduced for ticketing throughout the network.

Special Incentives
Special incentives were offered to the travel agents for promoting West Bound sectors aggressively.

Performance Linked Bonus (PLB)
PLB Scheme for the year 2012-13 was offered only on International Sales separately for Economy Class and Business and First Class, resulting in an increase of 14% on International BSP sales of India Region as compared to the previous year, although there was a complete industrial unrest of 61 days during 2012-13.

Agency Commission
The standard agency commission payable to travel agents in India was reduced from 3% (on basic + YQ) to 1% (on basic + YQ) with effect from 16 July 2012, resulting in an annual saving of approximately Rs.1,200 million.

Capping Policy
The New Capping Policy empowers the region to have better control over the ticketing entitlement of an agent and helps Air India to achieve maximum revenues from these agents.

Short Term Promotions
Various short term promotional initiatives were undertaken to enhance revenues:

- Desh Videsh Offer
- High Yield Business Class and Full Economy Class Cut & Pay Incentives
- Directly incentivizing the passengers
- NgPay 50th Customer Offer
- Joint Promotion between Air India and Amadeus
- One in 10 FOC offers for flights with less than 50% seat factor

E-Commerce
- In order to promote online bookings and thus reducing distribution costs, upto 10% discount on the basic fare has been offered on all sales through Air India Website up to March 2012. Additionally, Frequent Flyers earned 500 additional mileage points on every online booking made by them for self travel.
• Due to increase in fraudulent bookings made online, resulting in dispute in payments, a fraud prevention tool was integrated with E-Billing Solutions (EBS) in June 2010.
• Cutover to the new merged IBE on 26 February 2011 and launching of the website in Hindi.
• Online rebooking and cancellation module introduced for bookings made for domestic travel through the Air India website effective 26 February 2011.
• Integration with the Octopus website for making hotel reservations online. Other ancillary services like weather and city information, passport/visa information, currency convertor and health requirements can also be accessed through the corresponding Octopus links provided on the website.
• Integration with “Car Trawler” for car reservations online.
• Online redemption of FFP miles introduced on 26 February 2011.
• Mobile check-in facility started effective 7 April 2011.
• Ad word campaign with google analytics to generate information and statistics on area wise web sales.

3. HIGHLIGHTS

Awards & Recognition

Amity HR Excellence Award in November 2013 for Global Business Development – for significant contribution in the field of HR development in the corporate sector.

Indian women’s cricket team captain, Ms. Jhulan Goswami and former hockey captain Mr. Zafar Iqbal were among the sports persons chosen for the prestigious Padma Shri Awards announced on the eve of Republic Day 2012.

Air India figured in the top 50 service brands in India in November 2012 edition of “Most Trusted Brands” survey by the Economic Times Brand Equity. Air India was the only airline to have made its mark in the list. Air India has been honoured with this Award for the seventh time.

Air India received the “Best Performing Airline” Award in October 2012, presented by Travelport, Singapore. The award was based on various performance parameters and on the basis of an internal survey.

The Global Commerce Excellence Award 2012 was presented to Air India in appreciation towards continuing business in Sri Lanka despite challenges.

Air India’s Mrs. Harpreet A. De. Singh, Head of Corporate Quality, Safety & Environment Management System has been awarded with the Global Awards for excellence in Quality Management and Leadership for “Outstanding Contribution to Quality Movement” by the Jury and Council of Board Members of the World Quality Congress in the “World Quality Congress and Awards 2012” summit which was held on 22 & 23 November 2012.

Air India was presented the Gold Award in the Reader’s Digest Trusted Brand 2013 survey, India, in the airlines’ category for a record eighth consecutive year.

4. REVENUE GENERATION THROUGH OTHER SERVICES

4.1 Engineering Department

Engineering and Engine Overhaul have earned Rs.400 million during the year by means of third party work.

4.2 Security Department

The Security Department has been generating substantial revenue by providing services to about 59 Customer Airlines at Indian Stations. During the year an amount of approximately Rs.872.3 million
has been earned by Security Department in merged entity, by providing security services to Customer Airlines.

4.3 Cargo Revenue

During the year, the cargo revenue was Rs.8,549.0 million as against Rs.7,549.7 million during 2011-12.

5. FLEET SIZE, AIRCRAFT UTILISATION, NETWORK, JOINT VENTURES ETC.

5.1 Fleet Size

As of 31 March 2013, Air India had the following aircraft in its fleet:

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Owned</th>
<th>Leased</th>
<th>Sale &amp; Lease Back</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B777-200LR</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>B777-300ER</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>B747-400</td>
<td>3</td>
<td>-</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>B787-8</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>A320</td>
<td>12</td>
<td>5</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>A319</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>A321</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>A330-200</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>80</td>
<td>7</td>
<td>8</td>
<td>95</td>
</tr>
</tbody>
</table>

As of 30 September 2013, the fleet consisted of:

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Owned</th>
<th>Leased</th>
<th>Sale &amp; Lease Back</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B777-200LR</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>B777-300ER</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>B747-400</td>
<td>3</td>
<td>-</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>B787-8</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>A320</td>
<td>12</td>
<td>5</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>A319</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>A321</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>A330-200</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>82</td>
<td>7</td>
<td>8</td>
<td>97</td>
</tr>
</tbody>
</table>

5.2 Fleet Utilisation & Despatch Reliability

Utilisation in terms of average daily utilisation per aircraft in block hours and the technical despatch reliability after considering technical delays of 15 minutes and above are given hereunder for the year 2012-13:

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Block hrs flown/day/ aircraft</th>
<th>Tech Despatch Reliability (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B747-400</td>
<td>8.90</td>
<td>99.52</td>
</tr>
<tr>
<td>A320</td>
<td>8.80</td>
<td>98.87</td>
</tr>
<tr>
<td>A319</td>
<td>10.10</td>
<td>99.44</td>
</tr>
<tr>
<td>A321</td>
<td>10.80</td>
<td>99.56</td>
</tr>
<tr>
<td>A330</td>
<td>6.80</td>
<td>99.57</td>
</tr>
<tr>
<td>B777-200LR</td>
<td>14.50</td>
<td>99.52</td>
</tr>
<tr>
<td>B777-300ER</td>
<td>14.20</td>
<td>99.52</td>
</tr>
<tr>
<td>B787-8</td>
<td>7.30</td>
<td>98.71</td>
</tr>
</tbody>
</table>

5.3 Aircraft Availability

On an average, 87% of the fleet was available for service during the year under report.
5.4 Equipment Serviceability

Equipment serviceability during the year under report was 87.76%.

5.5 Baggage Delivery

On time baggage delivery for the year 2012-13 was 96.35% and 94.40% at Mumbai and Delhi respectively.

5.6 Network

The pattern of operations during 2012-13 for international operation was as under:

<table>
<thead>
<tr>
<th>Routes</th>
<th>Summer 2013</th>
<th>Winter 2013</th>
<th>Summer 2012</th>
<th>Winter 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>India/New York</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>India/New York/Washington</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>India/London (T)</td>
<td>21</td>
<td>21</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>India/London/Toronto</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>India/Birmingham</td>
<td>4 (eff. 1 August 2013)</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>India/Toronto</td>
<td>-</td>
<td>-</td>
<td>7 (withdrawn eff. 16 May 2012)</td>
<td>-</td>
</tr>
<tr>
<td>India/Frankfurt/Chicago</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>India/Chicago</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>India/Frankfurt</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>India/Frankfurt/Newark</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>India/Newark</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>India/Paris</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>India/Nairobi</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>India/Gulf</td>
<td>155</td>
<td>141</td>
<td>162</td>
<td>162</td>
</tr>
<tr>
<td>India/Australia</td>
<td>7 (eff. 29 August 2013)</td>
<td>7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>India/Tokyo (T)</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>India/Shanghai</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>India/Hong Kong/Osaka</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>India/Hong Kong/Seoul</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>India/Hong Kong</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>India/Kuala Lumpur</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>India/Singapore (T)</td>
<td>28</td>
<td>21</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>India/Bangkok</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>India/Yagon</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>India/Kathmandu</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>India/Colombo</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>India/Male</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>India/Dhaka</td>
<td>14</td>
<td>14</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>India/Kabul</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

5.7 Extra Section Flights

During the year Air India operated 7 VVIP flights on behalf of the Government of India.
5.8 Joint Ventures and Code Share Arrangements

As on 31 March 2013, Air India had code share arrangements with the following foreign carriers:

<table>
<thead>
<tr>
<th>To</th>
<th>Operating Airline</th>
<th>Marketing Airline</th>
<th>Type of Code Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>London - New York</td>
<td>Kuwait Airways</td>
<td>Air India</td>
<td>Block Space</td>
</tr>
<tr>
<td>Frankfurt - India</td>
<td>Lufthansa</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Munich- India</td>
<td>Lufthansa</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Frankfurt-Berlin/Munich/Dusseldorf/Stuttgart/Amsterdam/Copenhagen/Oslo/Stockholm v.v.*</td>
<td>Lufthansa</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Frankfurt-Chicago/Los Angeles/Washington/Denver/Detroit v.v.*</td>
<td>Lufthansa</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Delhi-Frankfurt v.v.</td>
<td>Air India</td>
<td>Lufthansa</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Mauritius-Bangalore/Chennai/Mauritius</td>
<td>Air Mauritius</td>
<td>Air India</td>
<td>Block Space</td>
</tr>
<tr>
<td>Mauritius-India v.v.</td>
<td>Air Mauritius</td>
<td>Air India</td>
<td>Block Space</td>
</tr>
<tr>
<td>Vienna -Delhi v.v.</td>
<td>Austrian Airlines</td>
<td>Air India</td>
<td>Block Space</td>
</tr>
<tr>
<td>Mumbai-Bangalore, Chennai, Delhi, Hyderabad, Trivandrum v.v.*</td>
<td>Air India</td>
<td>South African Airways</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Mumbai- Johannesburg v.v.</td>
<td>South African Airways</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Johannesburg-Durban, Capetown v.v.*</td>
<td>South African Airways</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Moscow- Delhi v.v.</td>
<td>Aeroflot</td>
<td>Air India</td>
<td>Block Space</td>
</tr>
<tr>
<td>Colombo- India v.v.</td>
<td>Sri Lankan Airlines</td>
<td>Air India</td>
<td>Block Space</td>
</tr>
<tr>
<td>India- Zurich v.v.</td>
<td>Swiss Air</td>
<td>Air India</td>
<td>Block Space</td>
</tr>
<tr>
<td>Singapore - Kolkata, Bangkok, Kuala Lumpur, San Francisco, Los Angeles v.v.</td>
<td>Singapore Airlines</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Addis Ababa- India v.v.</td>
<td>Ethiopian Airlines</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Addis Ababa -Dar-es-Salaam v.v.*</td>
<td>Ethiopian Airlines</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Addis Ababa-Nairobi v.v.*</td>
<td>Ethiopian Airlines</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Mumbai-Bangaluru/Kolkata/Delhi/Hyderabad/Ahmedabad/Chennai v.v.*</td>
<td>Air India</td>
<td>Turkish Airlines</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Delhi-Bangaluru/Kolkata/Hyderabad/Ahmedabad/Chennai/Amritsar v.v.*</td>
<td>Air India</td>
<td>Turkish Airlines</td>
<td>Free Flow</td>
</tr>
<tr>
<td>India-Istanbul v.v.</td>
<td>Turkish Airlines</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Istanbul-Ankara/Kzmir/Antalya/Adana/Dalaman v.v.*</td>
<td>Turkish Airlines</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Mumbai-Delhi v.v.*</td>
<td>Air India</td>
<td>Egypt Air</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Mumbai-Cairo v.v.</td>
<td>Egypt Air</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Cairo-Alexandria v.v.*</td>
<td>Egypt Air</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Delhi-Seoul v.v.</td>
<td>Air India</td>
<td>Asiana Airlines</td>
<td>Free Flow</td>
</tr>
<tr>
<td>Seoul-Delhi v.v.</td>
<td>Asiana Airlines</td>
<td>Air India</td>
<td>Free Flow</td>
</tr>
</tbody>
</table>

* For carriage of through 3rd/4th freedom traffic only and subject to connectivity.

6. FINANCING INITIATIVES

**Aircraft Financing**

Air India financed five of the B787 aircraft through Bridge Loans obtained from the Standard Chartered Bank and Boeing Capital Corporation. Since the collateral value of the B787 was not determined, some of the financial institutions asked for alternate security of aircraft instead of the B787. The take out financing of these aircraft will be through a Sale and Lease Back arrangement whereby the Company would sell these aircraft to a selected bidder and in turn lease these aircraft under an operating lease for 12 years. Till date the Sale and Lease back
arrangements have already been completed on 7 of the 13 delivered B787 aircraft as of 31 March 2014 and the bridge loans from various financial institutions have been repaid.

The Company has also sold 5 of its 8 B777-200LR aircraft to Etihad Airways since the 200 LR aircraft is being slowly removed from the fleet due to the high cost of operations of this aircraft. The delivery of these aircraft have been planned to take place in 2013-14 and 2014-15. Till 31 March 2014, the Company has already delivered 3 of these aircraft to Etihad.

7. AIR SAFETY

- A dedicated website 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.
- On-line submission of operational incident, bird hit, EGPWS, TA/RA and hazard identification reports has expedited analysis of incidents and addressing safety related issues.
- Various spot checks (Surprise Field Inspections) have been introduced. Such checks identify any deficiencies which are subsequently addressed by the parent department, thus maintaining required standards.
- Cockpit and Cabin Surveillance checks are routinely carried out to monitor safe operation of flights.
- The Flight Operations Quality Assurance (FOQA) programme has been ramped up to include direct email interaction with flight crew, thus elevating safety awareness.
- Cockpit Voice Recorder (CVR) monitoring on a regular basis with crew interaction through email to ensure adherence of SOP in flight.
- Counselling of personnel is regularly conducted for safety enhancement and recommendations are sent to various departments requiring time bound ATRs (Action Taken Reports).
- Flight Duty Time Limitations (FDTL) for pilots and cabin crew are monitored with violations addressed appropriately.
- Regular PIB (Permanent Investigation Board) meetings are conducted in order to investigate incidents. Special PIBs are conducted to investigate serious incidents.
- International and Domestic Safety Audits are carried out on a periodic basis.
- An Internal Audit is conducted for safety evaluation of the airline and findings are actioned in a time bound manner. The associated report is filed with the DGCA.
- Airport Surveys/Risk Assessments are carried out before commencement of flight operations to a new airport.
- Incident data is routinely uploaded to the DGCA Website and FSD Monthly Activity Report submitted to DGCA.
- Safety Action Group (SAG) meetings are conducted on monthly basis.
- Quarterly Exceedance Trend Analysis are generated which analyse exceedance of operational parameters. These reports are sent to Operations/Training Departments for necessary remedial measures.
- Base audits at Mumbai and Delhi are conducted once a year. At other stations audits are conducted once in two years.
- Compliance checks of DGCA CAR, MEL requirements, Safety Enhancement Training (SET)/Safety Enhancement Recommendations (SER)/Corrective Training (CT) and Flight Duty Time Limitations (FDTL) are carried out on a periodic basis.
- Latest DGCA CAR Rev.2, dated 18 June 2012 on pre-flight medical checks for crew members has been implemented.
- Safety Management System (SMS) is implemented and integrated throughout the Organisation to address the safety issues in conformance with ICAO, DGCA and Corporate SMS requirements.
- Safety Review Meetings with DGCA being held on monthly basis to brief DGCA on safety related issues.

8. GROUND HANDLING

As on 31 March 2013, Air India provided Ground Handling services at 43 domestic airports and 13 international airports. Apart from this, AISATS, a Joint Venture Company of Air India is providing ground handling services at 5 international airports viz. Bangaluru, Hyderabad, Mangaluru, Delhi and Thiruvananthapuram. During the period 2012-13 flights handled were as follows:
Ground Handling Revenue for the flights handled during the year 2012-13 was Rs. 4,966.66 million.

Additional/New Ground Handling contracts negotiated during the year 2012-13 were with M/s ASIG, M/s ISS Security Services, M/s Air Arabia PJSC, M/s Kuwait Airways Corporation, Qatar Airways, Srilankan Airlines, Island Aviation, Uzbekistan Airways, United Airways, M/s Bangkok Airways Co. Ltd., Silk Air, Etihad Airways, M/s LCC Nord Wind, Thai Airways, Cathay Pacific.

**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. The JV Company was formed on 20 April 2010. Prior to the formation of the Company, since the airports at Hyderabad and Bangaluru were made operational on 23 March 2008 and 24 May 2008, respectively, AISATS operated under an Association of Persons (AOP).

During the year, total bills raised by AI SATS towards handling charges and other services provided to Air India amounted to Rs.2,238.4 million and total bills raised by Air India on AI SATS amounted to Rs.1,552.0 million. Pursuant to settlement of dues during the year relating to transactions pertaining to earlier years, an amount of Rs.147.8 million was credited in the books as payable to AI SATS. As per the books of the Company, the net balance payable to AI SATS as on 31 March 2013 was Rs.527.7 million which was after adjusting the total advance of Rs.1,150.0 million. The accounts with AI SATS were under reconciliation and the balance confirmation as on 31 March 2013 was yet to be received.

AISATS has made a Profit after Tax of Rs.340.4 million during the year ended 31 March 2013.

### 9. MAINTENANCE, REPAIR AND OVERHAUL OF ENGINES & COMPONENTS

#### 9.1 Major checks carried out on A330

3 ‘A’ checks were carried out during the year under report.

#### Major checks carried out on A320

Major checks (A, B, C and Structural Inspection) on A320 aircraft are undertaken at Delhi and Hyderabad. Delhi carries out ‘A’, ‘B’, ‘C’ checks and Structural Inspection, scheduled and unscheduled engine changes, weighment of aircraft, renewal of certificate of airworthiness, compliance of major modifications, etc. Following number of checks were carried out during the financial year 2012-13:

<table>
<thead>
<tr>
<th></th>
<th>‘A’ Checks</th>
<th>‘C’ Checks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi/Hyderabad</td>
<td>79</td>
<td>10</td>
</tr>
</tbody>
</table>

#### Major checks carried out on A319

All the major checks upto ‘C’ checks on A319 aircraft are carried out at Kolkata. 107 ‘A’ checks, 26 ‘P2 & P3’ checks were carried out during the year 2012-13.
**Major checks carried out on A321**

All major checks on A321 aircraft are carried out at Mumbai. 96 major checks were carried out during the year under report.

**Third Party Engineering Services**

**Mumbai**

Overhaul shops and Major Maintenance facilities were utilised to provide engineering assistance to Kingfisher, Jet Airways, GoAir and Reliance. An amount of Rs.8.67 crores was earned from third party servicing.

**Delhi**

Overhaul shops and Major Maintenance facilities were utilized to provide engineering assistance to ARC Airwing, IAF, GoAir, Indigo, KAM Air, Deccan Charters Ltd., British Airways Engineering, BSF, Source One, etc. An amount of Rs.10.90 crores was earned during 2012-13 through this facility.

**Hyderabad**

- Number of components belonging to Indian Air Force, M/s Blue Dart Aviation Ltd., Chennai, M/s Rajiv Gandhi Aviation Academy, Hyderabad and M/s AISATS, Hyderabad were serviced and an amount of Rs.79 lacs earned.
- An amount of Rs.1.14 crores earned from renting of hangars at Chennai and Hyderabad.

**Kolkata**

An amount of Rs.1.03 crores earned by providing engineering services to ARC, North East Shuttle, IAF, etc.

**9.2 Jet Engine Overhaul Complex (JEOC)**

The FAA approval received for JEOC is valid till 31 October 2014 and ISO 9001-2000 certification till 17 February 2014.

During Financial Year 2012-13, 11 V2500 engines were refurbished.

The facility for inspection and repairs of CFM56-5B engines has been established. The facility was operationalised and is awaiting DGCA approval.

**10. TRAINING**

**Engineering**

**Boeing**

During the Financial Year 2012-13, Training Section of the Engineering Department trained 2,436 Technical Personnel.

**Airbus**

During the Financial Year 2012-13, Training Section of the Engineering Department imparted training to 2,800 AMEs and 865 Aircraft Technicians.

24 participants from outside parties such as Indian Air Force, DGCA and AASL also participated in various training programmes.

**Security**

High emphasis is assigned to training in the form of basic/first time, refresher and security awareness programmes to Security personnel and officers/staff from other departments viz., Operations, Customer Services, Commercial Department, by the Security Training Centre (STGC), Mumbai and Central Training Establishment (CTE), Hyderabad. Both the training centres are authorised by the BCAS to conduct security training programmes based on the National Civil Aviation Security Programme (NCASTP), which in turn has been formulated on the basis
of the Standards and Recommended Practices (SARPs) contained in Annexure 17 to the ICAO Convention on International Civil Aviation, Chicago. New Training Centres are being established at Delhi, Bengaluru, Chennai and Kolkata to facilitate speedy and economically viable security training to Air India and other Airlines’ staff, within the four Indian regions.

The Investigation & Fraud Prevention (I&FP) Cell has also been actively conducting training for the benefit of all the frontline staff at the Booking Office (Reservations), Airport Offices and Check-in Counters at the domestic stations. Till date, the I&FP Cell has trained over thousands of staff from erstwhile Air India, other Customer Airlines, Customs and Immigration Authorities (Government of India), in the field of fraud prevention.

11. QUALITY MANAGEMENT SYSTEM (QMS)

Emergency Response Plan

As continuous efforts to be prepared to face an emergency, mock drills and table top exercises as per the Emergency Management Manual requirements were carried out. Also, various activities carried out as per the Corporate Emergency Response Plan prepared for the year 2013. Emergency Response Mock drill was conducted on 7 June 2013 which involved activation of the Emergency Command Centre.

Documentation Management System (DMS)

A centralized DMS has been implemented effective 31 December 2012 which provides creation, search, retrieval and dissemination of documents over a browser to all authorised personnel. This is in compliance with the IOSA, DGCA, ISAGO standards and would reduce need for paper, thereby generating cost savings, improved efficiency, saving time and environment. The audits carried out by IOSA, ISAGO, DGCA and ICAO on DMS were found satisfactory and there were no findings related to the same.

IATA Safety Audit for Ground Operations (ISAGO)

For the first time, Head of QMS has been nominated as Vice Chairperson of the ISAGO Oversight Council (GOC) for the next two years. Air India can now be involved in the policy changes as it can share views on the new Ground Operations Policies and requirements for AHM/IGOM, etc. which influence the certification standards for ground handling as well as the airport related activities.

Operational Efficiency & Fuel Management

QMS Department has been monitoring and ensuring quality enhancement in all areas of fuel management, operational efficiency, cost reduction besides implementation of green initiatives as well as emission reduction. Aviation Fuel Consulting group of IATS was entrusted with the work of conducting the Fuel Efficiency Gap Analysis (FEGA) on the consumption of aviation turbine fuel as well as implementation of specific cost saving opportunities. Implementation of the recommendations of FEGA helped in saving fuel. Huge monetary, fuel savings and reduction in Carbon Dioxide emission were achieved. Upto March 2013, carbon dioxide emissions were reduced by 822,731,184 kgs. and 261,184,503 kgs of fuel was saved.

Flight Planning System

Phase II of the Flight Planning System was developed by M/s SABRE. Data entry into SABRE-FWZ FPM for B787 aircraft has been completed and it would be introduced on B787 in phases.

Corporate Safety Management System (SMS)

Corporate SMS Plan 2013 covering various activities as per Audit Plan 2013 was prepared and followed. Phase IV of SMS has been completed. More than 6000 personnel in various Departments underwent SMS awareness training and Emergency Response training. Auditor Training to support the Safety and Quality Assurance functions was also carried out. Train-the-Trainer courses for key areas like Operations, Flight Safety, Engineering, Ground Handling and Cargo were also conducted.
Personnel in the Organisation are encouraged to make use of every channel to report issues of concern which affect quality, safety and security of operations through the detailed standardised formats.

IATA Operational Safety Audits (IOSA)

Air India is the first airline in the world to voluntarily get audited for E-IOSA (Enhanced IOSA) with new Standards. The E-IOSA renewal audit was conducted from 2nd to 6th September 2013 with zero findings. E-IOSA will introduce significant new elements into the IOSA process. Airlines on IOSA Registry incorporate an ongoing internal assessment process using IOSA provisions in their Quality Assurance Programme and provide a Conformance Report as a record of ongoing evaluations against IOSA provisions before each recurrent IOSA audit. The information in the Conformance Report is reviewed, verified and then forms part of the overall IOSA assessment. The overall objectives of E-IOSA are based on achieving four “pillars” of effective airline operations viz.

Continuity
To maintain continued conformity with all IOSA standards throughout the registration period by conducting ongoing internal audits as an integral part of internal quality assurance programme. The results can be analysed and if there are any areas of concern, the same can be addressed immediately.

Implementation
It facilitates and enhances overall implementation and execution of operational policies, plans, processes and procedures, etc.

Reliability
The reliability and integrity of internal quality assurance system can be demonstrated by conducting ongoing internal assessments against ISARPs using appropriately trained and qualified auditors.

Standardisation
The use of IOSA provisions, published auditor actions and IOSA auditing principles would result in a systematic standardisation of internal audit procedures and the overall audit process.

12. INFORMATION TECHNOLOGY

MRO-IT Solution

MRO-IT Solution (M&E Series 5X), as developed by M/s Ramco Limited, Chennai was implemented on 28 May 2012, resulting in achieving major milestone towards increased productivity through the optimum use of all engineering resources. The data migration activity from the Maxi Merlin database to the new system was successfully carried out by DIT.

AIRCOM Server Installation

Department of IT in collaboration with SITA successfully migrated and upgraded existing AIRCOM Server at the Data Centre, Mumbai during the week of 28 May 2012, resulting in improved performance, reliability and product support. This would help in fuel savings, schedule optimisation and enhanced passenger services due to fewer flight interruptions and unnecessary delays.

With the induction of Boeing 787s in the fleet, AIRCOM Server will be of immense benefit as it is capable of interfacing to all necessary Boeing systems such as Aircraft Health Monitoring and Electronic Flight Bag (EFB).

AIRCOM Server is a pivotal system which is ready for any future direction that Air India takes on its EFB needs. It will also provide benefits like 'least cost routing' to deliver content to the aircraft in the most economic way. SITA's AIRCOM Server is in use by over 70 airlines world over.

SAME TIME – Lotus Video Conferencing

For ease of communication, Phase I of Office Automation i.e. Video Conferencing based on Lotus Notes is completed. This would reduce considerable amount of travel direct cost and there will be a tremendous amount of indirect cost savings in terms of reducing travel time, which can be better used on other productive jobs.
Web Based Application for Visitor Entry Pass (WAVE)

Application for automating the process of issuance of visitor entry pass by Security Department to reduce manual intervention and minimise paper usage has been developed in-house and deployed at Duty Manager’s Office, Security Department, Old Airport, Kalina, Mumbai.

Website for Central Training Establishment (CTE - Hyderabad)

Application for CTE has been developed in-house for providing details about the courses offered, training programme, training schools/colleges, with a view to develop CTE at Hyderabad as a separate business unit to impart training facilities to third parties also. A dedicated website http://cte.airindia.in was launched on 30 January 2013.

Cargo Custodian Function

Air India is a joint custodian with MIAL at Mumbai. Custodian functions are automated since 2006. However, the latest version of the software was implemented on 1 August 2012, which is based on the latest Net Platform which provides online interface to bank for collection of TSP charges, several new reports to cater to user requirements, etc.

Air India is also a custodian at Chennai and the custodian functions were automated on the same lines at Mumbai.

Centralised e-mail Archival Solutions

As a continuous IT improvement initiative in the corporate mailing solutions, Department of IT has implemented a centralised e-mail archival solutions based on IBM Content Collector Platform alongwith the Corporate Data Management System environment, wherein all e-mails will be stored in a centralised storage for any future references and also for regulatory compliance purposes with proper access security controls.

Attendance Management System

DIT is in the process of evaluating and implementing a new Attendance Management System to integrate with the state of art SAP ERP Human Capital Management Time and Leave Management module. It is planned to implement biometric based technologies in conjunction with smart ID cards, whereby all employees shall be able to view their attendance, leave, etc.

Software to extract Passenger and Cargo Load Data

The IT Department, Delhi has developed a software to extract flown passenger figures, cargo, mail, payload from TRIM Sheet, LDM Messages and AILOAD messages on daily basis, which is useful in calculating payload, available cargo payload, etc.

E-Gift Coupon

Air India has launched a web based e-Gift Coupon scheme with effect from 1 August 2012, developed in-house by IT Department, Delhi.

The customer can purchase gift coupon in four different denominations of Rs.1,000/-, Rs.2,000/-, Rs.5,000/- and Rs.10,000/- and he is allowed to provide the recipient’s name and customised message he would like to be printed on e-gift coupon. This coupon can be redeemed against purchase of tickets on Air India domestic network.

Adequate security checks have been incorporated in the application to prevent misuse. The scheme will help generate direct sale, save distribution costs, agency commission and help generate bulk business through Web Network.

Message Board

IT Department has, in-house, developed a web based online interactive query system effective 20 July 2012, which is a direct channel to interact one to one with the Dharmadhikari Committee Report Implementation and Anomaly Committee.
Website for Air India Modern School

IT Department has designed and developed a website, www.aimodernschool.in, for the school which will help to communicate with staff, parents and alumni of the school. Information on various activities, procedures, staff profile, achievements, etc. is made available on the site for the public.

Wi - Fi connectivity in Material Management Department (MMD)

IT Department has implemented Wi-Fi Solution in MMD at Old Airport, Kalina, the important aspect of which is that the entire area has been ensured to have 100% redundancy of Access Points (APs), implying that even if an Access Point fails, the standby will take over seamlessly.

SAP

The SANGAM SAP Project has gone live on 31 January 2013. The System has been implemented in Finance, Materials Management and Human Resources Departments. It will also be integrated with all other systems already implemented/to be implemented in Air India.

Advance Passenger Processing (APP) for UAE

UAE APP was implemented in February 2013. This system sends advance passenger information to UAE authorities and black-listed passport holders are prohibited from boarding in India through real time messages. This covers the stations of Dubai, Sharjah, Abu Dhabi and Bahrain.

Integration of Air India Telephone Exchange with MIAL Exchange at Terminal 2 CSI Airport

IT team with the support of Siemens has extended integration process to an external system i.e. Nortel telephone exchange of MIAL at Terminal-2, CSI Airport whereby Air India Offices at Nariman Point, Old Airport and CSI Airport have integrated voice communication system. These Offices can call seamlessly to each other through Direct Internal Dialling (DID) system without making an external call.

Haj Operations 2012

A software developed for Haj activities was upgraded to a centralised Haj software for printing boarding pass as well as Haj pilgrims’ check-in and post flight activities including report generation.

Round the clock IT support is also organised from Data Centre, Mumbai. The system is operational since 17 September 2012 and around 20,000 passengers have been handled so far.

13. SECURITY

The Security Department of the Company has a well defined security policy for safety and security of its operations. It has a professionally managed set-up headed by Executive Director-Security, who is a senior level IPS Officer on deputation from the Government and permanent and contract security personnel through its subsidiary Companies viz. Air India Air Transport Services Limited (AIATSL), Air India Charters Limited (AICL), Airline Allied Services Limited (AASL) and through Joint Venture of AISATS, who are deployed for providing security coverage to all Air India flights and those of our customer airlines.

In addition to its primary responsibility of providing security for our flight operations and property, the Security Department also generates additional revenue for the Company by providing security services to customer airlines.

Investigation & Fraud Prevention Cell

The Investigation & Fraud Prevention Cell, a vital wing of the Security Department, deals with all revenue and property crimes/frauds, including policies and procedures to prevent the travel of inadmissible passengers on our flights to western countries with improper documents/documentation such as stolen/counterfeit/forged passports.
and visae, counterfeit/forged/stolen revenue documents like tickets, Miscellaneous Charges Order (MCO), credit card frauds, etc. Owning to this, the British Government has, through the Home Office (Her Majesty’s Immigration Service), bestowed upon Air India the Approved Gate Checks status and signing of MoU with Canadian Government, which enabled the waiver of several fines/penalties imposed by them for the carriage of inadmissible passengers (inadvertently) to the UK/Canada on a case to case basis.

14. HUMAN RESOURCES

14.1 Staff Strength

The staff strength as on 31 March 2013 was 25,047.

14.2 Long Service Mementoes

Every year all the employees of the Company who had completed 25 years of service are presented with a long service memento i.e. a wrist watch and a Certificate, on 27 August. Accordingly, this year on 27 August 2012, the Long Service Mementoes presentation function was held Region-wise and 1,020 employees were felicitated.

15. MEDICAL SERVICES

During 2012-13, a revenue of Rs.2,29,194/- was generated by way of calibrating Alcosensor IV Instruments for commercial airlines for conducting pre-flight medical checks.

A number of measures have also been initiated to reduce expenditure and achieve savings in Medical Services Department:

- Purchase of life saving medicines for terminally ill patients directly from the manufacturers resulting in saving of Rs.50,13,411/-. 
- Availing institution discounts by stocking a large number of medicines in-house resulting in saving of Rs.47,22,593/-. 
- Issue of prescription was curtailed thereby saving Rs.45,15,255/-. In addition, 5% discount was obtained from Panel Chemist resulting in savings of Rs.21,19,380/-. 
- Rs.7,02,000/- was saved on the cost of pre employment medical examination as the cost is borne by the candidates as per the new policy.

Total savings by the Medical Services Department during the year under review amounted to Rs.1,70,72,639/-. 

16. SPORTS

The Air India Hockey Team won the L.B. Shastri Hockey Tournament held in Delhi from 27 November to 4 December 2012. In the League Phase, Mr. V.S. Vinaya and Mr. Arjun Halappa were awarded the Man of the Match Award. Mr. V.S. Vinaya was declared the Best Player of the tournament.

The Hockey Team won the Obaidullah Khan Gold Cup held in Bhopal from 17 to 25 December 2012. In the League Phase, two of our players viz. Mr. Arjun Halappa and Mr. Birender Lakra were awarded the Man of the Match Award.

The Hockey Team also won Maharaja Ranjit Singh Hockey Tournament held in Delhi from 7 to 16 March 2013. Air India Hockey Team upset last year’s Champions Punjab 6-2 to clinch the title of 3rd Hockey India Senior Men’s National Championship in Pune on 10 June 2013. Sameer Dad & Affan Yousuf scored a brace to clinch the title.

Air India Junior Team performed extraordinarily well in 37th Junior National Badminton Championship held in Imphal from 10 to 18 November 2012. The boys’ team was declared best by winning Narang Cup whereas girls’ team won bronze medal in team events. Overall, Air India won 4 gold medals, 5 silver medals and 3 bronze medals and finished the tournament on a very high note.

Ms. Anjali Nair, Swimmer on Scholarship with Air India, won 2 gold medals in 50m butterfly and 50m free style at the Interschool National Swimming Championships held at Delhi creating a new Meet Record. She also won a gold medal in 100m free style creating a new Meet Record and a silver medal in 50m butterfly stroke at the State Aquatic Championship.
Air India Chess Team participated in the 33rd National Team Chess Championship & 11th National Team Chess Championship for Women held in Hyderabad between 20 and 26 February 2013. In Men’s section, the team won 4, drew 2 and lost 3 matches.

In Women Section, 7 matches were played and all the matches were won by Air India team. Ms. Tania Sachdev and Ms. S. Vijayalakshmi won gold medal on 1st and 3rd board respectively. Ms. Bhakti Kulkarni won bronze medal on 2nd board and Ms. R. Aarthie won silver medal on the 5th board.

Ms. S. Meenakshi, Sr Traffic Supdt., Chennai was part of the Indian chess team which won silver medal in the 4th Asian Indoor Games held in Korea.

Ms. Shubhada Sawant on scholarship with Air India represented Maharashtra Chess team in the National School games held in Andhra Pradesh and won silver medal.

Air India won Bronze medals in 43rd Inter Institutional Table Tennis Championship held from 22-28 August 2013.

Air India Cricket Team (M) won the All India T-20 Tournament played at West Bengal. The team also won the VIP Trophy 2013 at Kolhapur. The Cricket Team also won Times Shield Cricket Tournament 2012-13.

Air India Badminton team won the Central Zone Badminton Tournament at Bangalore played from 26 to 27 September 2013.

17. PUBLIC GRIEVANCES

During the year 2012-13, 267 Public Grievance cases were received. Out of these, 262 cases have been settled during 2012-13 and 5 are pending. Out of the 5 pending cases, 1 pertains to the year 2012 while remaining 4 pertain to the year 2013.

18. STATUTORY COMPLIANCE

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

18.1 Air India Air Transport Services Limited (AIATSL):

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2012-13</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air India’s investment in equity</td>
<td>0.500</td>
<td>0.500</td>
</tr>
<tr>
<td>Total Income</td>
<td>750.09</td>
<td>609.06</td>
</tr>
<tr>
<td>Profit/(Loss) After Tax</td>
<td>5.06</td>
<td>(2.60)</td>
</tr>
</tbody>
</table>

The Board of Directors of Air India Limited, the parent company, at its Meeting held on 7 August 2010 approved operationalisation of Air India Air Transport Services Limited. Cabinet Note for operationalisation was submitted to the Ministry of Civil Aviation. Cabinet has approved operationalisation of AIATSL on 6 September 2012. It is proposed that the assets and manpower from Air India Limited, will be transferred to AIATSL as per the decision of the Cabinet. The Company will be treated as a separate profit centre for carrying out the Ground Handling activities. The process of operationalisation has accordingly started w.e.f. 1 February 2013 with transfer of manpower to the Company. Further, steps have been initiated to obtain/fulfil various Regulatory and Statutory approvals/compliances in order to start Ground Handling activities.

AIATSL provides certain handling services for customer airlines at various Indian stations. A total of 3,143 staff on contract have been employed to carry out the work of ground handling on behalf of the Company at various airports.

At all the stations Security Handling of all the flights is carried out exclusively by AIATSL staff, as the same is not permitted to be outsourced to any agency.
### 18.2 Air India Charters Limited (AICL):

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2012-13</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air India’s investment in equity</td>
<td>300.00</td>
<td>300.00</td>
</tr>
<tr>
<td>Total Income</td>
<td>15,602.3</td>
<td>13,779.9</td>
</tr>
<tr>
<td>Profit/(Loss) After Tax</td>
<td>(3,519.7)</td>
<td>(6,025.1)</td>
</tr>
</tbody>
</table>

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. As on 31 March 2012, AICL had a fleet of 21 B737-800 aircraft (including 4 dry leased aircraft). This continued in the year 2012-13. It operated to 11 Indian and 13 foreign on-line stations.

AICL has carried 1.5 million passengers till October 2013. This is an increase of almost 50% against last year compared to capacity increase of 41%. The Scheduled Services Revenue, before revenue sharing with the holding company Air India Limited, decreased marginally from Rs.18,104.2 million in 2011-12 to Rs.17,750.9 million in 2012-13. The reduction in revenue was primarily due to pilot strike, however, the same was minimised due to a 4.1% increase in yield and a 4% increase in the load factor.

Air India Express ended 2011-12 with a total of 124 flights per week. Air India Express ended the Winter 2012-13 schedule with 187 flights per week. During the year 2012-13, Air India Express carried about 2.1 million passengers as against 2.4 million passengers in 2011-12, constituting a decline of 8% against a capacity decline of 14% mainly due to the prolonged cockpit crew agitation. The Company made a loss of Rs.3,519.7 million during the year 2012-13 as against Rs.6,025.0 million during 2011-12.

### 18.3 Air India Engineering Services Limited (AIESL):

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2012-13</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air India’s investment in equity</td>
<td>0.500</td>
<td>0.500</td>
</tr>
<tr>
<td>Total Income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit/(Loss) After Tax</td>
<td>(0.02)</td>
<td>(0.029)</td>
</tr>
</tbody>
</table>

The Board of Directors of Air India Limited, the parent company, at its Meeting held on 7 August 2010 approved operationalisation of Air India Engineering Services Limited. Cabinet Note for operationalisation was submitted to the Ministry of Civil Aviation. Cabinet has approved operationalisation of AIESL on 6 September 2012. It is proposed that the assets and manpower from Air India Limited, will be transferred to Air India Engineering Services Limited as per the decision of the Cabinet. The Company will be treated as a separate profit centre for carrying out the Maintenance, Repair and Overhaul (MRO) activities of Airbus and Boeing fleet. The process of operationalisation has accordingly started w.e.f. 1 February 2013 with transfer of manpower to the Company. Further, steps have been initiated to obtain/fulfil various Regulatory and Statutory approvals/compliances in order to start MRO activities.

### 18.4 Airline Allied Services Limited:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2012-13</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air India’s investment in equity</td>
<td>22.50</td>
<td>22.50</td>
</tr>
<tr>
<td>Total Income</td>
<td>281.10</td>
<td>295.20</td>
</tr>
<tr>
<td>Profit/(Loss) After Tax</td>
<td>(133.38)</td>
<td>(114.74)</td>
</tr>
</tbody>
</table>

The Company operates under the brand Alliance Air.
As on 31 March 2012 the Company had 7 ATR-42-320s and 4 CRJ-700s leased aircraft in its fleet. As at the end of the year, the network of the Company consisted of 21 stations within the country. Presently, it has been operating around 161 flights per week. As on 31 March 2012, the staff strength of the Company was 1,005 including 25 employees on deputation from the parent Company.

As per the terms of an MoU with the North Eastern Council (NEC), the Company has been operating air services in the North East since 2002. The Viability Gap Funding (VGF) arrangement with the NEC to cover operating losses on these operations was initially for a period of five years, extended on year to year basis with last extension till the end of 2011. The Company received approval and payment of grant for viability gap funding from North Eastern Council for its North East Operations till 31 December 2011.

The Company has been following up with the Ministry of Development of North Eastern Region/NEC directly as well as through the Ministry of Civil Aviation for approval of VGF for 2012. However, though the operations have been continued, no approval has so far been received, putting huge financial strain on the Company. The VGF was not approved for 2012 and therefore the operations were withdrawn effective mid January 2013. However, Planning Commission constituted a Committee to consider the VGF issues. The Committee recommended that MOCA could provide the VGF gap support for the year 2012 from overall budget support to Air India. The Committee also recommended to restart services effective 10 July 2013, for which VGF would be paid by NEC and in the event NEC does not agree, the same may also be included in the annual budget support to Air India and the services be discontinued. The matter has been taken up with MOCA.

### Hotel Corporation of India Limited (HCI):

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2012-13</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air India’s investment in equity</td>
<td>406.00</td>
<td>406.00</td>
</tr>
<tr>
<td>Total Income</td>
<td>463.64</td>
<td>577.39</td>
</tr>
<tr>
<td>Profit/(Loss) After Tax</td>
<td>(356.15)</td>
<td>(212.90)</td>
</tr>
</tbody>
</table>

**Chefair Flight Catering, Mumbai**

As all efforts to offer the unit under Management Contract failed, the Board of Air India Limited had advised the Management to make the unit as a separate profit centre and give 30% of its catering business to HCI without following the tender procedure. Accordingly, 30% catering business of Air India was granted to Chefair without following the tender procedure.

**Centaur Lake View Hotel, Srinagar**

Subsequent to failure to offer the unit of CLVH under Management Contract due to the intervention of the State Government of Jammu & Kashmir, the Board of Air India Limited had directed the Management to continue running the hotel after carrying out necessary renovation for upgrading the unit. In the meanwhile, Government of India had sanctioned Rs.50 million in its Annual Plan 2012-13 for CLVH, Srinagar, which could be spent for the renovation of the unit. Necessary steps are being taken to upgrade the unit to bring it at par with other star hotels of the State.

**Centaur Hotel, Delhi and Chefair, Delhi**

With the approved Annual Plan 2012-13 of Rs.100 million, efforts were being made to upgrade the Chefair Flight Catering, Delhi (CFCD) and Centaur Hotel Delhi Airport (CHDA) with the allocated fund of Rs.50 million for these units out of the said Rs.100 million. While approving the Project Report, the Board had advised that the Government sector companies like Airports Authority of India (AAI) or other PSUs who had undertaken such projects of upgrading their existing properties be consulted. Accordingly, the work has been assigned to AAI & the renovation work is being carried out by them on depositary work basis after following the laid down procedures.
Post Disinvestment Issues

The Arbitration Petition filed by M/s Sahara Hospitality Limited against the Arbitration Award granted on the issue of settlement of Net Current Assets and other obligations with respect to Centaur Hotel Mumbai Airport (CHMA) is yet to come up on regular Board for hearing.

The settlement proceeding with regard to the dispute in the settlement of Net Current Assets subsequent to the sale of Centaur Hotel Juhu Beach (CHJB) to M/s Tulip Hospitality Services Limited (currently known as M/s V Hotels Ltd), several meetings were held between the parties and Director-Finance, Air India Limited, Mediator. An award has been finalised and the same is being put up to the Board for its final approval.

18.6 Vayudoot Limited:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2012-13</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air India's investment in equity</td>
<td>364.200</td>
<td>364.200</td>
</tr>
<tr>
<td>Total Income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit/(Loss) After Tax</td>
<td>(0.91)</td>
<td>(1.03)</td>
</tr>
</tbody>
</table>

Ministry of Civil Aviation, Government of India, vide its letter dated 25 May 1993 conveyed its decision to merge the company with erstwhile Indian Airlines Ltd. now amalgamated with NACIL effective 27 August 2007. Consequently, the entire shareholding of the company is being held by NACIL now AIR INDIA LTD. The company therefore is a wholly owned subsidiary of AIR INDIA LTD. During the year, the company did not undertake any flight operations as its operations were transferred to erstwhile NACIL now AIR INDIA LTD. As on date, the company is remaining as a “Shell” company pending completion of legal formalities related to merger.

19. RISK MITIGATION STRATEGIES

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

20. 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 unauthorised use and that transactions are authorised, recorded and reported correctly. The internal control system enables documented policies, guidelines, authorisation 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 utilisation 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 organisation. The said manual, along with the Company’s key functional process manuals, further strengthens the internal control system of the organisation. The Company has independent internal audit systems to monitor the entire operations and services spanning over all locations, business 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.