NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE NO. "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 1st 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 within India as also across the globe. 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, A-330, B-747, B-777 and B-787. The Airline Industry has generally been affected by economic slowdown coupled with high fuel cost. The company has during the financial year 2011-12 adopted/ implemented a Turnaround Plan (TAP) and a Financial Restructuring Plan (FRP) to improve its operational and financial performance.

During the year the Company has implemented SAP-ERP system of accounting. The accounts of the company for both wide body and narrow body operations were maintained separately till the date of migration and in SAP-ERP effective Jan 2013.

B. ACCOUNTING CONVENTION

i) These Financial Statements have been prepared on going concern concept on accrual basis (except as specifically stated) under historical cost convention, and are in compliance with generally accepted accounting principles and the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

ii) 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 / materialized.

iii) The Company being in service sector, there is no specific operating cycle, 12 months period has been adopted as "the Operating Cycle" in-terms of the provisions of Revised Schedule VI to the Companies Act 1956.

C. SIGNIFICANT ACCOUNTING POLICIES

1. FIXED ASSETS

i) a) Aircraft are stated at purchase price.

b) Other assets, including Aircraft Rotables, are capitalized and stated at historical cost.

c) Other incidental costs including interest wherever applicable, are also capitalized up to the date of commercial operation.

ii) Expenditure on major modernization/modification/conversion of aircraft, resulting in increased efficiency/ economic life, is capitalized.

iii) Aircraft Fleet and Equipment 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 is done on a rotational basis so that every asset is verified once in every two years and the discrepancies observed in the course of the verification are adjusted in the year in which report is submitted.

v) 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.

2. DEPRECIATION

a) Depreciation is provided on all assets on straight-line method.

b) The rates adopted are in accordance with the manner prescribed under Schedule XIV of the Companies Act, 1956 except for the following :

i) New Fleet of Boeing and A-320 family aircraft are depreciated upto 95% of the block value over 20 years instead of 16.96 years.

ii) Aircraft rotables relating to Air bus family are depreciated upto 95% of the value over the residual average useful life of the aircraft fleet relating to respective engineering base, for relevant year of purchase.

iii) Aircraft rotables relating to Boeing are depreciated up-to 95% of the value over the residual average useful life of the related aircraft fleet for the relevant year of purchase.

iv) Electrical fittings, Typewriter & Office Appliances, Other General Equipment and Cabin Catering Equipment are depreciated @ 6.33% instead of 4.75%upto 95% of the value.

v) Motor Cars are depreciated at 20% instead of 9.5%upto 95% of the value.

vi) Depreciation on additions to “Rotables” and “Other Fixed Assets” is provided for the full year in the year of acquisition and no depreciation is provided in the year of disposal.

c) Major modifications /refurbishment, modernization/ conversion carried to leased assets are shown under improvement to leasehold assets and amortized over the balance period of lease.

d) Leasehold Land other than perpetual lease is amortized over the period of lease.

e) Intangible assets which have a useful economic life are amortized over the estimated useful life.

f) Assets of small value not exceeding Rs.5000 in each case are fully provided for/charged off.

3. INVESTMENTS

Long-term investments are stated at cost less permanent diminution in value, if any. Current investments are valued at lower of cost and fair market value

4. INVENTORIES

i) Inventories are valued at cost or Net realizable Value (NRV) whichever is lower. Cost is determined using the weighted average formula.

ii) Repairable spares are those which have an economic life greater than the operating cycle and can be reused after repairs and are expensed at the time of scrappage and are however classified as Current Assets. External Repairs are charged of as and when incurred.

iii) Expendables/consumables are charged off at the time of initial issue except those meant for repairs of repairable which are expensed when the work order is closed At the yearend estimated cost of expendables/ consumables required for restoration of repairable are provided for in respect of open work orders.

iv) 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).

b) Provision is made in full (net of estimated realizable value) for aircraft fleet which has been phased out unless the same can be used in other Aircraft.

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.

v) Obsolescence provision for non-aircraft stores and spares is made for non-moving inventory exceeding a period of five years.

5. MANUFACTURER'S CREDIT

Manufacturers' credits entitlements received from Aircraft / Engine manufacturers, Buyer Furnished Equipment vendors, Seller Furnished Equipment vendors are treated as incidental revenue on accrual basis by debiting Advances. Such advances are adjusted upon utilization.

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, is recognized as Revenue.

b) Loss or gain on reissue/refund/ involuntary transfer of passengers to other carriers is also included in the revenue for the period of uplift.

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, if any, are carried out at the time of such information being received.

d) Income from Interest is recognized on a time proportion basis. Dividend is recognized as income when the right to receive is established.

e) The claims receivable from Insurance Company are accounted for on their acceptance by the Insurance Company.

f) Warranty claims /credit notes received from vendors are recognized on acceptance of claim/receipt of credit note.

g) Other Operating Revenue is recognized when goods are delivered or services rendered during the year.

7. PROVISION FOR DOUBTFUL DEBTS

Debts pertaining to the Govt./Govt Departments/Public Sector Undertakings are provided for if they are more than three years old except for debts which are known to be recoverable with certainty. All other debts are provided for, if they are either more than three years old or specifically known to be doubtful.

8. FOREIGN CURRENCY TRANSACTIONS

i) <u>Foreign Currency transactions of Integral Foreign Operations</u>

a) Foreign currency Revenue and Expenditure transactions relating to Integral Foreign Operations are recorded at established monthly rates (based on published IATA rates).

b) Interline settlement with Airlines for transportation is carried out at the exchange rate published by IATA for respective month.

ii) <u>Foreign Currency Monetary Items:</u>

a) The Company has opted for accounting the exchange differences arising on reporting of long-term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 (AS-11) notified by Government of India on 31st March 2009 and further as amended from time to time. 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 by 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 life of the asset and in other cases is accumulated by transfer to “Foreign Currency Monetary Items Translation Difference Account” to be amortized over the balance period of the 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.

c) Exchange variation is not considered at the year-end in respect of Debts and Loans & Advances for which doubtful provision exists.

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 or Production of qualifying assets including capital work–in-progress are capitalized upto the date of commercial use of the assets.

b) Interest incurred on funds that are generally borrowed and used indirectly 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 that point of time.

11. IMPAIRMENT OF ASSETS

The carrying values of Fixed Assets of the identified cash-generating unit are reviewed for impairment at each Balance Sheet date to determine whether there is any indication of impairment. The aircrafts are grouped at the fleet type level to constitute a cash-generating unit, for comparing the recoverable amount (higher of its net selling price and value in use) with the carrying amount. The net selling prices of aircraft fleet and equipment are estimated by the management using published sources as available. If the carrying value of a cash-generating unit exceeds its estimated recoverable amount an impairment loss is recognized in the Statement of Profit & Loss and the asset value of the cash-generating unit is reduced to its recoverable amount.

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.

b) Contributions made to lessors on account of Maintenance Reserve for which, maintenance is expected to arise during the lease period is treated as a Prepaid Expense. These contributions are adjusted to expense whenever the maintenance expenditure arises and in case of redelivery of aircraft to the lessor, balance in maintenance reserve is charged as expense. All other contributions towards maintenance reserve are charged off to the revenue in the year of payment.

13. COMMODITY HEDGING TRANSACTIONS

Commodity hedging contracts are accounted for on the date of their settlement and realized gains / losses in respect of settled contracts are recognized in the Statement of Profit and Loss.

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 future.

15. 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 net of the amount paid to other participating airlines. The amount billed towards administrative overheads and delayed payment charges is accounted for as Incidental Revenue.

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.

b) Contingent liabilities exceeding Rs.0.1 million in each case are disclosed in respect of possible obligations that 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.

17. 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 and charged to Statement of Profit and Loss.

18. OTHER LIABILITIES

Liabilities which are more than three years old are 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.

NOTE "2" : SHARE CAPITAL

(Rupees in Million)

Particulars	As at March 31, 2013	As at March 31, 2012
AUTHORISED		
11,000.0 Million Equity Shares of Rs.10 each (Previous Year : 3,500.0 Million Equity Shares)	**110,000.0**	35,000.0
NIL Preference Shares of Rs.100 each (Previous Year : 750.0 Million Preference Shares)	**-**	75,000.0
TOTAL	**110,000.0**	110,000.0
ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES		
9,345.0 Million Equity Shares of Rs. 10 each (Previous Year : 3,345.0 Million Equity Shares)	**93,450.0**	33,450.0
TOTAL	**93,450.0**	33,450.0

2.1 *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.*

2.2 *Off the above, 144.95 Million equity shares were issued during the year 2007-08 pursuant to Amalgamation*

2.3 *Reconciliation of number of shares outstanding at the beginning and end of the reporting period are given below:*

Particulars	**(Number of Shares in Million)**		**(Share Value Rupees in Million)**	
	2012-13	*2011-12*	**2012-13**	*2011-12*
Equity Shares at the beginning of the period	**3,345.0**	*2,145.0*	**33,450.0**	*21,450.0*
Add : Equity Shares Allotted during the period	**6,000.0**	*1,200.0*	**60,000.0**	*12,000.0*
Equity Shares at the end of the period	**9,345.0**	*3,345.0*	**93,450.0**	*33,450.0*

2.4 *During the year the Company has converted 750.0 Million preference shares of Rs. 100/- each to 7,500.0 Million equity shares of Rs.10/- each ranking pari-passu with the existing equity shares, which has been approved by the Shareholders in the Extra Ordinary General Meeting held on 30th April 2012.*

2.5 *Term/rights attached to equity shares*

The company has single class of share capital 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. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTE "3" : RESERVES AND SURPLUS

(Rupees in Million)

Particulars	As at March 31, 2013	As at March 31, 2012
1. **CAPITAL RESERVE**		
Balance as per Last Balance Sheet	**1,258.3**	804.7
Add : Additions during the year	**-**	489.2
Less : Transfer to the Statement of Profit and Loss as reduction from Depreciation (Refer Note 21)	**55.7**	35.6
Closing Balance	**1,202.6**	1,258.3
2. **SURPLUS / (DEFICIT) in the Statement of Profit & Loss**		
Balance as per last financial statements	**(199,140.0)**	(123,542.6)
Loss for the year	**(54,901.6)**	(75,597.4)
Net deficit in the Statement of Profit & Loss	**(254,041.6)**	(199,140.0)
TOTAL (1+2)	**(252,839.0)**	(197,881.7)

3.1 *Fixed Assets includes cost of B-777 and B-787 simulator and Nagpur MRO Land received from Boeing has been credited to Capital Reserve. The proportionate depreciation provided on the amount credited, has been charged to Capital Reserve.*

NOTE "4" : LONG TERM BORROWINGS

(Rupees in Million)

Particulars	Non-Current		Current	
	As at March 31, 2013	As at March 31, 2012	**As at March 31, 2013**	As at March 31, 2012
I Bonds / Debentures	**136,000.0**	62,000.0	**-**	-
II Term Loans				
a) from Banks (Secured)	**123,912.5**	114,598.2	**1,302.2**	-
b) from Banks (Unsecured)	**3,749.2**	4,226.2	**890.6**	6,768.2
c) from Other Parties (Secured)	**-**	-	**-**	144.0
d) from Other Parties (Unsecured)	**217.3**	211.7	**8.6**	8.0
III Finance Lease Obligations	**117,796.4**	125,184.4	**15,778.7**	15,501.4
TOTAL	**381,675.4**	306,220.5	**17,980.1**	22,421.6

4.1 Bonds/Debentures

136,000 Redeemable, Unsecured Non-convertible Debentures of face value of Rs.1 Million each (Previous Year : 62,000 Debentures), are guaranteed by Government of India. Maturity Profile and Rate of interest are as set out below :

(Rupees in Million)

Period of Maturity	No of instalments as at March 31, 2013	Amount Payable on Redemption	Rate of Interest	Amount of instalments due as at March 31, 2013
Dec-2031	NA	4,714.0	9.08%	NIL
Nov-2031	NA	10,086.0	9.08%	NIL
Sep-2031	NA	15,000.0	10.05%	NIL
Dec-2030	NA	4,714.0	9.08%	NIL
Nov-2030	NA	10,086.0	9.08%	NIL
Dec-2029	NA	4,714.0	9.08%	NIL
Nov-2029	NA	10,086.0	9.08%	NIL
Dec-2028	NA	4,714.0	9.08%	NIL
Nov-2028	NA	10,086.0	9.08%	NIL
Dec-2027	NA	4,714.0	9.08%	NIL
Nov-2027	NA	10,086.0	9.08%	NIL
Sep-2026	NA	40,000.0	9.84%	NIL
Mar-2020	NA	7,000.0	9.13%	NIL
	TOTAL	**136,000.0**		

4.2 Details of restructured Secured Term Loans from Banks are as under :

(Rupees in Million)

Sr. No.	Restructuring Lender	As at 31.03.2013	As at 31.03.2012
1	Allahabad Bank	**2,906.9**	2,664.2
2	Andhra Bank	**3,513.0**	3,201.6
3	Bank of Baroda	**13,089.9**	11,989.0
4	Bank of India	**15,768.0**	14,279.0
5	Canara Bank	**8,532.8**	7,819.5
6	Central Bank of India	**9,302.8**	8,525.5
7	Corporation Bank	**7,565.1**	6,928.9
8	Dena Bank	**1,377.5**	1,252.2
9	The Federal Bank Limited	**1,850.6**	1,647.2
10	IDBI Bank Limited	**4,360.5**	3,996.3
11	Indian Bank	**4,356.2**	3,991.0
12	Indian Overseas Bank	**7,109.4**	6,556.2
13	Oriental Bank of Commerce	**8,891.9**	8,152.5
14	Punjab National Bank	**12,252.4**	11,311.5
15	Punjab & Sind Bank	**2,760.6**	2,531.0
16	State Bank of India	**6,731.6**	6,165.0
17	Syndicate Bank	**6,409.8**	5,861.3
18	UCO Bank	**5,814.1**	5,328.5
19	United Bank of India	**2,621.6**	2,397.8
	TOTAL	**125,214.7**	114,598.2

All Term Loans from above Banks are secured by following 28 aircrafts and 12 immovable properties and all Current Assets (Previous Year 29 aircrafts, 12 immovable properties and all Current Assets). However equitable mortgage for 12 immovable properties with banks are yet to be created :

Aircrafts :-

1) A310-F/VT-EQT 2) A319/VT-SCP 3) A319/VT-SCQ 4) A319/VT-SCR 5) A319/VT-SCS 6) A319/VT-SCT 7) A319/VT-SCU 8) A319/VT-SCV 9) A319/VT-SCW 10) A319/VT-SCX 11) A320/VT-ESA 12) A320/VT-ESC 13) A320/VT-ESD 14) A320/VT-ESE 15) A320/VT-ESF 16) A320/VT-ESG 17) A320/VT ESI 18) A320/VT-ESJ 19) A320/VT-ESK 20) A320/VT ESL 21) A320/VT-EDC 22) A321/VT-PPN 23) A321/VT-PPO 24) A321/VT-PPQ 25) A321/VT-PPV 26) A321/VT-PPW 27) A321/VT-PPX 28) B787-800/VT-ANH.

Immovable Properties :

1) Building at Old Airport, Kalina, Mumbai
2) Air India Building, Nariman Point, Mumbai
3) Land at CIDCO Plot, Nerul, Navi Mumbai

4) Building at NITC, Santacruz, Mumbai
5) Land at Baba Kharak Singh Marg, New Delhi
6) Staff Quarters - Vasant Vihar, New Delhi
7) Freehold land and Residential flats at Palavanthangal Village & IA Staff Housing Colony, Chennai
8) Unit No. 264, 297, 310, 489, 631, 678, 684, 714, Asiad Village Complex, New Delhi
9) Land at DLF, Qutab Enclave, Phase-III, Gurgaon, Haryana
10) Airlines House, 113, Gurudwara Rakabganj Road, Delhi
11) Freehold Vacant No. 504, Annasalai / Teynampet, Chennai
12) Freehold Land (CTE Complex) and Buildings, Hyderabad

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 confidentility clause with the banks as regards interest rate.

4.3 Overdue interest payment on Secured Term Loans from Banks as on 31st March 2013 is Rs. 52.1 Million (Previous Year : Rs.NIL Million).

4.4 Unsecured Term Loan from Banks of Rs.4,639.8 Million (Previous Year Rs.10,994.4 Million) are guaranteed by the Government of India to the extent of Rs.3,749.2 Million (Previous Year Rs.3,513.7 Million)

(Rupees in Million)

Period of Maturity	No of Loan instalments	Amount of Loan as at March 31, 2013	Rate of Interest	Amount of instalments due as at March 31, 2013	Amount of interest due as at March 31, 2013	Amount of instalments due as at March 31, 2012	Amount of interest due as at March 31, 2012
Sep-16	NA	3749.2	Libor + 1.45 /2.5	NIL	NIL	NIL	NIL
Feb-14	5	890.6	BPLR - 0.50	178.1	11.1	178.1	66.3

4.5 Secured Term Loan from Others of Rs.NIL Million (Previous Year Rs.144.0 Million) are secured by Hypothecation of SAP related Hardware & Software.

4.6 Unsecured Term Loan from Others of Rs.225.9 Million (Previous Year Rs.219.8 Million) are guaranteed by the Government of India to the extent of Rs.225.9 Million (Previous Year Rs.219.8 Million)

(Rupees in Million)

Period of Maturity	No of Loan instalments	Amount of Loan as at March 31, 2013	Rate of Interest	Amount of instalments due as at March 31, 2013
Oct-2039	52	155.1	Interest Free	NIL
Mar-2037	48	70.8	Interest Free	NIL

4.7 Finance Lease Obligations of Rs.133,575.1 Million (Previous Year Rs.140,685.8 Million) are guaranteed by the Government of India to the extent of Rs.109,678.4 Million (Previous Year Rs.95,955.1 Million)

(Rupees in Million)

Period of Maturity	No of Loan instalments	Amount of Loan as at March 31, 2013	Rate of Interest	Amount of instalments due as at March 31, 2013
Jul-22	74	17,254.4	Libor + 0.24	NIL
Sep-21	102	34,809.2	Libor + 0.93	NIL
Feb-21	32	23,387.0	Libor + 0.75	NIL
May-20	57	12,079.2	Libor - 0.05	NIL
Dec-19	107	28,056.1	Fixed	NIL
Dec-19	27	17,989.2	Libor + 0.75	NIL

4.8 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, 2013	As at March 31, 2012	**As at March 31, 2013**	As at March 31, 2012
Trade Payable	**-**	-	**65,555.7**	69,017.3
(A)	**-**	-	**65,555.7**	69,017.3
Other Liabilities				
a) Current maturities of long-term debts	**-**	-	**2,201.4**	6,920.2
b) Current maturities of finance lease obligations	**-**	-	**15,778.7**	15,501.4
c) Interest accrued but not due on borrowings	**-**	-	**6,780.6**	3,633.3
d) Interest accrued and due on borrowings	**-**	-	**298.4**	1,179.6
e) Forward Sales (Net) [Passenger / Cargo]	**-**	-	**18,070.1**	13,881.0
f) Advance from customers (Net)	**-**	-	**485.8**	28.9
g) Others Liabilities (Net)	**578.3**	581.5	**29,111.3**	29,850.6
h) Book Overdraft	**-**	-	**298.2**	344.6
(B)	**578.3**	581.5	**73,024.5**	71,339.6
TOTAL (A + B)	**578.3**	581.5	**138,580.2**	140,356.9

5.1 Trade Payable includes net payable to subsidiary company Air India Air Transport Services Ltd. Rs.19.1 Million (Previous Year : Rs.66.1 Million).

5.2 Details of Current maturities of long term debts / Finance Lease Obligation have been grouped under Long Term Borrowing (Refer Note No.4.8).

5.3 Current maturities of long-term debts includes Unsecured Term Loans from Banks of Rs.178.1 Million payable on 31st March 2013 paid subsequently (Previous Year : Rs.178.1 Million) (Refer Note 4.4).

5.4 Interest accrued and due includes Rs.11.1 Million being interest on unsecured term loan from banks, paid subsequently in 1st quarter of 2013-14 (Previous Year : Rs.66.3 Million) (Refer Note 4.4).

5.5 Interest accrued and due includes Rs.235.2 Million being interest on Secured Loans repayable on demand from Banks, paid subsequently (Previous Year : Rs. 1,113.3 Million) (Refer Note 7.4)

5.6 Interest accrued and due includes Rs.52.1 Million being interest on Secured Term Loans from Banks, paid subsequently (Previous Year : Rs.NIL Million) (Refer Note 4.3)

NOTE "6" : PROVISIONS

(Rupees in Million)

Particulars	Long-term Provisions		Short-term Provisions	
	As at March 31, 2013	As at March 31, 2012	**As at March 31, 2013**	As at March 31, 2012
Provision for Employee Benefits				
a) Gratuity	**8,452.4**	7,477.5	**1,351.1**	1,281.8
b) Leave Encashment	**4,822.2**	4,351.3	**612.1**	769.7
c) Post Employment Medical and Other Benefits	**1,829.8**	1,630.4	**42.6**	53.4
(A)	**15,104.4**	13,459.2	**2,005.8**	2,104.9
Other Provisions				
a) Wealth Tax	**-**	-	**18.2**	16.3
b) Frequent Flyer Programme	**-**	-	**145.9**	213.4
(B)	**-**	-	**164.1**	229.7
TOTAL (A + B)	**15,104.4**	13,459.2	**2,169.9**	2,334.6

NOTE "7" : SHORT TERM BORROWINGS

(Rupees in Million)

	Particulars	As at March 31, 2013	As at March 31, 2012
I	**Loans repayable on demand :**		
	a) from Banks (Secured) */**	**73,645.4**	51,255.4
	b) from Other Party (Secured) **	**14,353.4**	-
	c) from Banks (Unsecured)	**3,606.3**	76,939.7
	TOTAL	**91,605.1**	128,195.1

7.1* Secured loans repayable on demand from Banks are to the tune of Rs.58,529.7 Million (Previous Year Rs.51,255.4 Million). Details of Secured Loans from Banks are as under :

(Rupees in Million)

Sr. No.	List of Lender	As at March 31, 2013	As at March 31, 2012
1	Allahabad Bank	**850.0**	850.0
2	Andhra Bank	**1,010.0**	1010.0
3	Bank of Baroda	**3,829.0**	3820.2
4	Bank of India	**6,885.6**	4578.8
5	Canara Bank	**4,630.9**	2579.7
6	Central Bank of India	**6,216.5**	3716.5
7	Corporation Bank	**2,210.0**	2210.0
8	Dena Bank	**394.2**	399.0
9	HDFC Bank Ltd.	**66.5**	164.4
10	The Federal Bank Limited	**542.8**	508.8
11	IDBI Bank Limited	**1,273.4**	1273.4
12	Indian Bank	**1,280.0**	1280.0
13	Indian Overseas Bank	**1,775.5**	2169.2
14	Oriental Bank of Commerce	**2,597.7**	2597.7
15	Punjab National Bank	**3,634.3**	3425.9
16	Punjab & Sind Bank	**806.4**	806.4
17	Standard Chartered Bank	**15,449.5**	13582.6
18	State Bank of India	**878.2**	1964.4
19	Syndicate Bank	**1,867.7**	1867.7
20	UCO Bank	**1,697.8**	1697.8
21	United Bank of India	**633.7**	752.9
	TOTAL	**58,529.7**	51,255.4

7.2** Secured loan repayable on demand from Bank is to the tune of Rs.15,115.7 Million (Previous Year Rs.NIL Million) :

(Rupees in Million)

Sr.No.	Name of the Lender	As at March 31, 2013	As at March 31, 2012
1	Standard Chartered Bank	**15,115.7**	-
	TOTAL (7.1 + 7.2)	**73,645.4**	51,255.4

* **Security Details for 7.1 is as under :**

The loans to the tune of Rs.58,529.7 Million are secured by Hypothecation of 31 aircraft, 12 immovable properties and all Current Assets. However equitable mortgage for 12 immovable properties with banks are yet to be created :

Aircraft :-

1) A310-F/VT-EQT 2) A319/VT-SCP 3) A319/VT-SCQ 4) A319/VT-SCR 5) A319/VT-SCS 6) A319/VT-SCT 7) A319/VT-SCU 8) A319/VT-SCV 9) A319/VT-SCW 10) A319/VT-SCX 11) A320/VT-ESA 12) A320/VT-ESC 13) A320/VT-ESD 14) A320/VT-ESE 15) A320/VT-ESF 16) A320/VT-ESG 17) A320/VT ESI 18) A320/VT-ESJ 19) A320/VT-ESK 20) A320/VT ESL 21) A320/VT-EDC 22) A321/VT-PPN 23) A321/VT-PPO 24) A321/VT-PPQ 25) A321/VT-PPV 26) A321/VT-PPW 27) A321/VT-PPX 28) B747/VT-ESP 29) B747/VT-EVA 30) B747/VT-EVB 31) B787-800/VT-ANH

Immovable Properties :

1) Building at Old Airport, Kalina, Mumbai
2) Air India Building, Nariman Point, Mumbai
3) Land at CIDCO Plot, Nerul, Navi Mumbai
4) Building at NITC, Santacruz, Mumbai
5) Land at Baba Kharak Singh Marg, New Delhi
6) Staff Quarters - Vasant Vihar, New Delhi
7) Freehold land and Residential flats at Palavanthangal Village & IA Staff Housing Colony, Chennai
8) Unit No. 264, 297, 310, 489, 631, 678, 684, 714, Asiad Village Complex, New Delhi
9) Land at DLF, Qutab Enclave, Phase-III, Gurgaon, Haryana
10) Airlines House, 113, Gurudwara Rakabganj Road, Delhi
11) Freehold Vacant No. 504, Annasalai / Teynampet, Chennai
12) Freehold Land (CTE Complex) and Buildings, Hyderabad

(Previous Year : Secured loans repayable on demand from Banks are secured by Hypothecation of 32 aircrafts, 12 immovable properties and all Current Assets)

7.3** Secured loan repayable on demand from Others is to the tune of Rs.14,353.4 Million (Previous Year Rs.NIL Million) :

(Rupees in Million)

Sr.No.	**Name of the Lender**	**As at March 31, 2013**	As at March 31, 2012
1	Boeing Credit Corporation	**14,353.4**	-

** **Security details for 7.2 and 7.3 is as under :**

The loans to the tune of Rs.29,469.1 Million are secured by Hypothecation of 9 aircraft 1) A320/VT-EDD, 2) A320/VT-EDE, 3) A320/VT-EDF, 4) A321/VTPPU, 5) A321/VT-PPT, 6) B787/VT-ANI, 7) B787/VT-ANK, 8) B787/VT-ANL, 9) B787/VT-ANJ

7.4 Overdue interest payment on Secured Loans of Rs.73,645.4 Million from Banks as on 31st March 2013 is Rs. 235.2 Million (Previous Year : Rs.1,113.3 Million). Disclosure as regards Bank wise amount and period of default is not made due to complexity of data & confidentiality clause with the banks (Refer Note 5.5).

NOTE "8" : FIXED ASSETS

(Rupees in Million)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at April 01, 2012	Additions	Deductions / Adjustments	**As at March 31, 2013**	Upto April 01, 2012	For the year	Deductions / Adjustments	**Upto March 31, 2013**	**As at March 31, 2013**	As at March 31, 2012
TANGIBLE ASSETS :											
A.	**AIRCRAFT FLEET & ROTABLES**										
1	Airframes										
	Owned & Self Operated	196,459.2	31,196.0	-	**227,655.2**	35,706.0	10,663.7	-	**46,369.7**	**181,285.5**	160,753.3
2	Aero Engines & Power Plants										
	Owned & Self Operated	69,355.2	14,686.9	853.0	**83,189.1**	13,478.6	3,772.2	746.8	**16,504.0**	**66,685.1**	55,876.6
3	Simulators & Link Trainers	1,874.5	550.3	-	**2,424.8**	390.8	106.6	-	**497.4**	**1,927.4**	1,483.7
4	Airframe Rotables	3,631.1	913.4	(101.2)	**4,645.7**	1,220.6	336.6	2.3	**1,554.9**	**3,090.8**	2,410.5
5	Aero-Engine Rotables	1,491.7	130.5	(4.0)	**1,626.2**	397.3	99.2	8.1	**488.4**	**1,137.8**	1,094.4
6	Simulator Rotables	0.1	-	-	**0.1**	0.1	-	-	**0.1**	**-**	-
	SUB TOTAL "A"	272,811.8	47,477.1	747.8	**319,541.1**	51,193.4	14,978.3	757.2	**65,414.5**	**254,126.6**	221,618.5
B.	**LAND, BUILDINGS & VEHICLES**										
1.	Land-Freehold	7,059.5	-	25.3	**7,034.2**	-	-	-	**-**	**7,034.2**	7,059.4
2.	Land-Leasehold	64,079.5	19.7	-	**64,099.2**	658.1	117.5	-	**775.6**	**63,323.6**	63,421.4
3.	Buildings	17,779.8	675.5	(0.4)	**18,455.7**	4,049.0	799.7	(0.1)	**4,848.8**	**13,606.9**	13,730.9
4.	Vehicles	239.5	3.0	2.1	**240.4**	178.2	13.0	1.5	**189.7**	**50.7**	61.2
	SUB TOTAL "B"	89,158.3	698.2	27.0	**89,829.5**	4,885.3	930.2	1.4	**5,814.1**	**84,015.4**	84,272.9
C.	**OTHER- FIXED ASSETS**										
1	Workshop Equipment, Instruments, Machinery and Plants	3,517.3	282.7	248.5	**3,551.5**	1,267.5	235.4	54.8	**1,448.1**	**2,103.4**	2,249.8
2	Ground Support & Ramp Equipment	4,474.0	88.5	9.8	**4,552.7**	1,702.8	324.6	1.7	**2,025.7**	**2,527.0**	2,771.2
3	Furniture & Fixtures	190.0	15.7	1.6	**204.1**	81.4	13.7	0.8	**94.3**	**109.8**	108.5
4	Electrical Fittings & Installations	206.8	52.5	0.1	**259.2**	123.9	22.2	0.1	**146.0**	**113.2**	82.9
5	Computer System	1,033.6	448.0	2.2	**1,479.4**	706.0	186.5	1.7	**890.8**	**588.6**	327.6
6	Office Appliances & Equipment	606.0	131.2	2.3	**734.9**	298.2	59.9	1.3	**356.8**	**378.1**	307.8
	SUB TOTAL "C"	10,027.7	1,018.6	264.5	**10,781.8**	4,179.8	842.3	60.4	**4,961.7**	**5,820.1**	5,847.8
TOTAL FOR TANGIBLE ASSETS		371,997.8	49,193.9	1,039.3	**420,152.4**	60,258.5	16,750.8	819.0	**76,190.3**	**343,962.1**	311,739.2
INTANGIBLE ASSETS :											
A.	**COMPUTER SOFTWARE**	1,511.7	1,200.9	-	**2,712.6**	369.6	406.8	-	**776.4**	**1,936.2**	1,142.1
TOTAL ASSETS		373,509.5	50,394.8	1,039.3	**422,865.0**	60,628.1	17,157.6	819.0	**76,966.7**	**345,898.3**	-
	Previous Year	354,408.9	21,128.0	2,027.6	373,509.3	47,282.5	14,699.2	1,353.7	**60,628.0**		312,881.3
	Capital Work-in-Progress									**3,770.3**	8,736.2
	Intangible Assets under Development									**18.7**	1,009.6
GRAND TOTAL										**349,687.3**	322,627.1

8.1 Additions to and deductions from "Aircraft Fleet and Rotables" includes Exchange Rate Fluctuations on underlying loans in foreign currency : Rs. 9,535.0 Million (Previous Year: Rs. 18,329.7 Million) and Rs. 100.2 Million (Previous Year: Rs. NIL Million) respectively.

8.2 Aircraft Fleet and Rotables includes 42 Aircraft (Eight B777-200LR, Twelve B777-300 ER, Ten A-319 & Twelve A-321) (Previous Year : 42 Aircraft - {Eight 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 42 Aircraft & 5 Spare Engines continues to be in the name of SPV Company for which beneficial ownership is with Air India Ltd.

Gross Block Rs.211,989.3 Million (Previous Year : Rs.202,637.8 Million), Provision for Depreciation Rs. 41,717.2 Million (Previous Year : Rs. 31,453.8 Million), Net Block Rs. 170,272.1 Million (Previous Year : Rs. 171,184.0 Million).

Future Lease rental obligations aggregate to Rs. 133,575.1 Million (Previous Year : Rs.140,685.8 Million) for which liability of an equal amount is included in the year-end balance of " Future Lease Obligations"

8.3 Deductions under the block of Aircraft Fleet & Rotables includes 23 Engine (A320) & 10 APU (A-320) (Previous Year : One Engine (B747-400) & Six Aircraft A-320) held for disposal transferred to Surplus Assets during the year, Gross Block Rs.853.0 Million (Previous Year : Rs.1,266.6 Million), Provision for Depreciation Rs.746.8 Million (Previous Year : Rs.868.8 Million) and Loss on this account amounts to Rs.105.0 Million (Previous Year : Rs.161.2 Million).

8.4 CWIP includes exchange rate fluctuation of Rs.887.1 Million (Previous Year Rs.1,684.4 Million) on underlying monetary items in foreign currency. CWIP is accounted to the extent of bills received.

8.5 A-320 (VT-ESH) having book value Rs. 17.2 Million (Insured value USD 30 Million) given as security on behalf of M/S AICL.

8.6 Depreciation includes debit of Rs.98.3 Million (Previous Year : credit of Rs. 1,304.6 Million) for Prior Period and debit of Rs.55.7 Million (Previous Year : Debit of Rs.35.6 Million) to Capital Reserve.

8.7 Aircraft Fleet and Rotables includes cost of refurbishment / conversion of Leased Aircraft, Gross Block Rs.485.0 Million (Previous Year : Rs.485.0 Million, Accumulated Depreciation Rs.261.5 Million (Previous Year : Rs.195.7 Million)

8.8 Intangible Asset includes : 1) Software for Passenger Service System depreciated over 10 years. 2) Others over 5 years.

8.9 Special tools included in Workshop Equipment, Instrument Machinery & Plants and Other Fixed Assets are being Depreciated at year wise total Block Amount.

8.10 During Assets migration in SAP, some asets have been reclassified and regrouped as of 1st April 2012 along with the accumulated depreciation. In some cases, the same have been identified and has been reflected in 'Deductions/Adjustments' of respective assets.

NOTE "9" : NON-CURRENT INVESTMENTS

(Rupees in Million)

	Particulars	As at March 31, 2013	As at March 31, 2012
A	**(Unquoted Equity Instruments) (at cost)** **Investment in Subsidiaries**		
1)	4,060,000 Equity Shares of Rs. 100 each fully paid up in Hotel Corporation of India Limited	**406.0**	406.0
2)	3,000,000 Equity Shares of Rs. 100 each fully paid up in Air India Charters Limited.	**300.0**	300.0
3)	50,000 Equity Shares of Rs. 10 each fully paid up in Air-India Air Transport Services Limited.	**0.5**	0.5
4)	50,000 Equity Shares of Rs. 10 each fully paid up in Air-India Engineering Services Limited.	**0.5**	0.5
5)	3,64,200 Equity Shares of Rs 1,000/- each fully paid up in Vayudoot Ltd.	**182.1**	182.1
	Less: Provision for diminution	**182.1**	182.1
		-	-
6)	2,25,000 Equity Shares of Rs 100/- each fully paid up in Airlines Allied Services Ltd.	**22.5**	22.5
	TRADE INVESTMENTS		
1)	271,938 Equity Shares (Previous Year : 271,882 Equity Shares) of EUR 5.00 each fully paid up in SITA (Societe Internationale de Telecommunications Aeronautiques). (56 Shares Allotted in redistribution during the year)	**13.9**	13.9
2)	2216 class B Shares (Previous Year : 2566 Shares) of BHT 100 each fully paid up in Aeronautical Radio of Thailand Ltd. (350 Shares redeemed during the year)	**0.4**	0.5
3)	2,617,098 Equity Shares of MAR 10 each fully paid up in Air Mauritius Ltd.	**9.5**	9.5
4)	2,301,244 Equity Shares of MAR 10 each fully paid up in Air Mauritius Holding Ltd.	**16.7**	16.7
5)	6% Debenture Bonds of Banco De Romafacevalue EUR 15.49 guaranteed by the Government of Italy (Deposited with Civil Aviation Department, Italy).* (Rs. 3,057.69).	*** 0.0**	* 0.0
6)	10,000,000 Equity Shares of Rs. 10 each fully paid up in Cochin International Airport Limited.	**100.0**	100.0
7)	618,460 Depository Certificates of SITA Information Network Computing N.V.	**28.8**	28.8
8)	50 Equity Sharesof 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.	**436.1**	436.1
	TOTAL OF UNQUOTED INVESTMENTS	**1,335.3**	1,335.4
B	**QUOTED (AT COST-TRADE)**		
	375,407 Shares of EUR 0.48 each fully paid up in France Telecom (Market Value Rs.205.8 Million, Equivalent to EUR 3.0 Million). (Previous Year: Rs. 283.0 Million, Equivalent to EUR 4.2 Million)	**7.6**	7.6
	TOTAL	**1,342.9**	1,343.0

Aggregate amount of unquoted investments	**1,517.4**	1,517.5
Aggregate provision for diminution in value of investments	**182.10**	182.10
Aggregate amount of quoted investments (Market value : Rs.205.8 Million (Previous Year : Rs.283.0 Million)) (Equivalent to EUR 3.0 Million (Previous Year : EUR 4.2 Million))	**7.6**	7.6

NOTE "10" : LOANS AND ADVANCES

(Rupees in Million)

Particulars		Long Term Loans & Advances		Short Term Loans & Advances	
		As at March 31, 2013	As at March 31, 2012	**As at March 31, 2013**	As at March 31, 2012
Capital Advances					
Unsecured Considered Good		**3,303.5**	11,360.6	**-**	-
Doubtful		**232.0**	7.6	**-**	-
		3,535.5	11,368.2	**-**	-
Less : Provision for Doubtful Advances		**232.0**	7.6	**-**	-
	(A)	**3,303.5**	11,360.6	**-**	-
Security Deposits					
Secured Considered Good		**1.8**	5.7	**-**	-
Unsecured Considered Good		**1,021.4**	1,031.6	**377.8**	54.3
Doubtful		**26.8**	4.8	**-**	-
		1,050.0	1,042.1	**377.8**	54.3
Less : Provision for Doubtful Advances		**26.8**	4.8	**-**	-
	(B)	**1,023.2**	1,037.3	**377.8**	54.3
Advance to Subsidiary Companies*					
Unsecured Considered Good		**19,351.1**	13,979.1	**-**	-
Doubtful		**768.6**	768.6	**-**	-
		20,119.7	14,747.7	**-**	-
Less : Provision for Doubtful Advances		**768.6**	768.6	**-**	-
	(C)	**19,351.1**	13,979.1	**-**	-
Advances recoverable in Cash or in Kind					
Unsecured Considered Good		**8,236.8**	1,099.9	**1,431.8**	1,085.7
Doubtful		**716.5**	1,258.7	**-**	-
		8,953.3	2,358.6	**1,431.8**	1,085.7
Less : Provision for Doubtful Advances		**716.5**	1,258.7	**-**	-
	(D)	**8,236.8**	1,099.9	**1,431.8**	1,085.7
Loans and Advances to Employees					
Secured Considered Good		**5.2**	2.7	**-**	4.0
Unsecured Considered Good		**37.1**	76.9	**95.7**	63.6
Doubtful		**12.3**	12.9	**-**	-
		54.6	92.5	**95.7**	67.6
Less : Provision for Doubtful Advances		**12.3**	12.9	**-**	-
	(E)	**42.3**	79.6	**95.7**	67.6
Other Loans and Advances					
Advance Payment of Income Tax and TDS (net of provision for taxation)		**826.8**	962.2	**-**	-
Prepaid Expenses		**509.4**	528.9	**810.8**	1,502.0
Balances with Statutory / Government Authorities		**1,699.8**	1,535.0	**201.1**	655.1
	(F)	**3,036.0**	3,026.1	**1,011.9**	2,157.1
	TOTAL (A + B + C + D + E + F)	**34,992.9**	30,582.6	**2,917.2**	3,364.7

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

(Rupees in Million)

Name of the Subsidiary Company	**As at March 31, 2013**	As at March 31, 2012
1. Air India Charters Limited	**13,422.5**	9,371.7
2. Air India Engineering Services Limited	**1.0**	0.9
3. Hotel Corporation of India Limited	**277.7**	162.8
4. AASL	**5,649.9**	4,443.7
5. Vayudoot Limited	**768.6**	768.6
TOTAL	**20,119.7**	14,747.7

10.2 Prepaid Expenses includes an amount of Rs.NIL Million (Previous Year : Rs.702.8 Million) towards Maintenance Reserve.

10.3 Advances recoverable in Cash or Kind includes unreconcilled Inter-corporate Debit balance (net) of Rs.10.5 Million, which is under reconciliation, for which provision has been made.

NOTE "11" : TRADE RECEIVABLES

(Rupees in Million)

Particulars	Non-current Receivables		Current Receivables	
	As at March 31, 2013	As at March 31, 2012	**As at March 31, 2013**	As at March 31, 2012
Outstanding for a period exceeding six months from the date they are due for payment				
Secured, Considered Good	**-**	-	**14.5**	0.4
Unsecured, Considered Good	**54.8**	144.3	**7,214.8**	2,766.6
Doubtful	**4,135.6**	3,724.2	**-**	-
	4,190.4	3,868.5	**7,229.3**	2,767.0
Less : Provision for Doubtful Receivables	**4,135.6**	3,724.2	**-**	-
(A)	**54.8**	144.3	**7,229.3**	2,767.0
Other Receivables				
Secured, Considered Good	**-**	-	**377.3**	459.6
Unsecured, Considered Good	**-**	-	**12,673.8**	15,264.7
Doubtful	**258.9**	83.5	**-**	-
	258.9	83.5	**13,051.1**	15,724.3
Less : Provision for Doubtful Receivables	**258.9**	83.5	**-**	-
(B)	**-**	-	**13,051.1**	15,724.3
Total (A + B)	**54.8**	144.3	**20,280.4**	18,491.3

11.1 Trade Receivables amounting to Rs. 391.8 Million (Previous Year Rs. 460.0 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, 2013	As at March 31, 2012	**As at March 31, 2013**	As at March 31, 2012
1. Deposits - Others (having maturity of more than 12 months)	**6.5**	11.7	**-**	-
Less : Provision for Doubtful Deposits	**0.1**	-	**-**	-
	6.4	11.7	**-**	-
2. Interest Accrued on				
i) Fixed Deposits	**-**	0.5	**21.9**	18.5
ii) Loan to Employees	**-**	24.9	**57.2**	57.0
iii) Others	**-**	-	**-**	0.4
	-	25.4	**79.1**	75.9
3. Surplus Assets	**283.5**	-	**253.0**	556.8
Less : Provision for Diminution in Value of Asset	**283.5**	-	**-**	-
	-	-	**253.0**	556.8
4. Foreign Currency Monetary Items Translation Difference Account	**504.1**	321.2	**84.0**	45.9
5. Other Non-Trade Receivables				
Unsecured, Considered Good	**-**	57.3	**8,963.1**	7,261.0
Doubtful	**1,954.7**	2,864.8	**-**	-
	1,954.7	2,922.1	**8,963.1**	7,261.0
Less : Provision for Doubtful Receivables	**1,954.7**	2,864.8	**-**	-
	-	57.3	**8,963.1**	7,261.0
TOTAL	**510.5**	415.6	**9,379.2**	7,939.6

12.1 Deposits - Others Non Current (having maturity of more than 12 months) includes Rs. 1.5 Million (Previous Year Rs. 1.9 Million pertainsto Blocked amount lying in current Account

12.2 Items of the Fixed Assets retired from the active use and held for disposal are transferred to 'Surplus Assets'. Realisable value of Surplus Assets has been considered to be minimum 5% of Gross Block or realisable wherever ascertainable.

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

(Rupees in Million)

	Particulars	As at March 31, 2013	As at March 31, 2012
1.	i) Stores and Spare Parts	**29,199.0**	14,498.4
	ii) Loose Tools	**98.6**	136.8
		29,297.6	14,635.2
	Less : Provision for Obsolescence / Inventory Reconciliation	**12,601.7**	5,870.4
		16,695.9	8,764.8
2.	Goods-in-Transit	**876.7**	307.8
	TOTAL	**17,572.6**	9,072.6

NOTE : "14" : CASH AND BANK BALANCES

(Rupees in Million)

	Particulars	As at March 31, 2013	As at March 31, 2012
	Cash and Cash Equivalents		
1.	Balances with Banks :		
	a) On Current Accounts	**2,102.7**	1,678.7
	b) Deposit Accounts (Maturity less than 3 months)	**414.8**	266.1
2.	Cheques, Drafts on Hand	**37.0**	78.0
3.	Cash on Hand (as certified by the Management)	**31.6**	30.2
4.	Remittances in Transit	**-**	1.1
	(A)	**2,586.1**	2,054.1
	Other Bank Balances		
	Security Deposit from Employees	**1.1**	5.3
	Deposits - Others (More than 3 months but Less than 12 Months)	**71.6**	65.1
	Margin money deposits	**2,502.5**	2,185.6
	(B)	**2,575.2**	2,256.0
	TOTAL (A + B)	**5,161.3**	4,310.1

NOTE "15" : TRAFFIC REVENUE

(Rupees in Million)

	Particulars	2012-13	2011-12
	Scheduled Services		
1	Passenger	**124,944.4**	114,236.9
2	Excess Baggage	**794.2**	813.3
3	Mail	**686.8**	1,041.9
4	Cargo	**8,549.0**	7,549.7
	(A)	**134,974.4**	123,641.8
	Non-Scheduled Services		
1	Charter	**10,740.4**	6,646.7
2	Block Seat Arrangement	**653.8**	724.7
3	Revenue Share from Air India Charters Ltd. (Wholly Owned Subsidiary Company) [Refer Note 61(d)]	**2,227.0**	4,526.1
	(B)	**13,621.2**	11,897.5
	TOTAL (A + B)	**148,595.6**	135,539.3

NOTE "16" : HANDLING, SERVICING AND INCIDENTAL REVENUE

(Rupees in Million)

	Particulars	2012-13	2011-12
1	Handling and Servicing	**5,139.7**	5,835.4
2	Manufacturers Credit	**842.5**	-
3	Incidental	**5,700.6**	5,378.3
	TOTAL	**11,682.8**	11,213.7

NOTE "17" : OTHER REVENUE

(Rupees in Million)

	Particulars	2012-13	2011-12
1	Interest Income on :		
	Bank Deposits	**183.1**	148.0
	Others	**118.0**	94.0
2	Dividend from Long Term Investments (Trade)	**52.2**	53.9
3	Receipts from Air-India Building	**89.4**	89.2
	TOTAL	**442.7**	385.1

NOTE "18" : OPERATING EXPENSES

(Rupees in Million)

	Particulars	2012-13	2011-12
1	Insurance	**1,174.8**	1,089.3
2	Material Consumed - Aircraft	**2,935.9**	1,836.5
3	Outside Repairs - Aircraft	**5,372.2**	2,975.8
4	Navigation, Landing, Housing and Parking	**11,063.8**	10,669.4
5	Hire of Aircraft	**5,322.4**	4,178.7
6	Handling Charges	**7,640.6**	6,245.3
7	Passenger Amenities	**4,855.0**	4,708.3
8	Booking Agency Commission (Net)	**3,847.1**	5,555.6
9	Communication Charges		
	i) Reservation System	**5,692.5**	4,891.0
	ii) Others	**969.1**	1,041.7
	TOTAL	**48,873.4**	43,191.6

NOTE "19" : EMPLOYEE BENEFIT EXPENSES

(Rupees in Million)

	Particulars	2012-13	2011-12
1	Salaries, Wages and Bonus	**21,150.1**	22,204.1
2	Crew Allowances	**5,280.4**	8,044.1
3	Contribution to Provident and Other Funds	**1,087.9**	1,067.5
4	Staff Welfare Expenses	**1,559.8**	1,519.6
5	Provision for Gratuity	**2,256.6**	1,457.7
6	Provision for Leave Encashment	**988.3**	1,175.6
7	Provision for Retirement Benefit	**224.2**	197.9
	TOTAL	**32,547.3**	35,666.5

NOTE "20" : FINANCE COST

(Rupees in Million)

	Particulars	2012-13	2011-12
1	Interest on :	-	-
	a) Debentures	**6,075.3**	3,420.3
	b) Aircraft Loans	**3,014.9**	7,159.5
	c) Other Loans	**24,599.9**	24,761.6
		33,690.1	35,341.4
2	Other Borrowing Costs	**1,301.9**	1,113.5
3	Delayed Payment Charges to Fuel Companies	**3,038.3**	1,762.1
4	Interest on Delayed Payment of TDS / Service Tax	**659.3**	643.7
	TOTAL	**38,689.6**	38,860.7

NOTE "21" :DEPRECIATION AND AMORTIZATION EXPENSE

(Rupees in Million)

	Particulars	2012-13	2011-12
1	Depreciation of Tangible Assets	**16,668.3**	15,855.2
2	Amortization of Intangible Assets	**391.1**	148.7
	(A)	**17,059.4**	16,003.9
	Less :Recoupment from Capital Reserve (Refer Note 3.1)	**55.7**	35.6
	(B)	**55.7**	35.6
	TOTAL (A- B)	**17,003.7**	15,968.3

NOTE "22" : OTHER EXPENSES

(Rupees in Million)

	Particulars	2012-13	2011-12
1	Travelling Expenses		
	i) Crew	**1,751.0**	1,919.2
	ii) Others	**602.7**	657.1
2	Rent	**1,564.5**	1,144.7
3	Rates and Taxes	**460.6**	186.1
4	Repairs to :		
	i) Buildings	**114.5**	118.6
	ii) Others	**1,585.2**	1,258.4
5	Hire of Transport	**680.9**	697.6
6	Electricity & Heating Charges	**941.6**	675.7
7	Water Charges	**68.5**	46.4
8	Publicity and Sales Promotion	**593.1**	397.7
9	Printing and Stationery	**101.6**	110.9
10	Legal Charges	**118.8**	89.9
11	Auditors' Remuneration and Expenses	**7.9**	10.4
12	Provision for Bad & Doubtful Receivables and Advances	**382.9**	435.8
13	Provision for Obsolescence (Net)	**585.9**	784.2
14	Provision for Inventory Repairs	**840.2**	-
15	Expenses on Block Seat Arrangements	**448.1**	404.2
16	Exchange Variation (Net)	**2,393.2**	3,012.9
17	Loss on Sale / Discarded Fixed Assets (Net)	**188.8**	336.0
18	Loss on Sale of Inventory	**-**	353.5
19	Miscellaneous Expenses	**2,041.4**	1,918.0
	TOTAL	**15,471.4**	14,557.3

NOTE "23" : PRIOR PERIOD ADJUSTMENTS (Net)

(Rupees in Million)

Particulars	2012-13	2011-12
Revenue Heads		
1) Passenger Revenue	**(148.1)**	(106.1)
2) Cargo Revenue	**3.4**	(45.7)
3) Mail	**3.6**	4.7
4) Handling, Servicing and Incidental Revenue	**188.0**	106.2
5) Others	**(5.8)**	27.3
(A)	**41.1**	(13.6)
Expenditure Heads		
1) Handling Charges	**137.6**	2.8
2) Depreciation	**98.3**	(1,304.6)
3) Stores and Equipments	**22.4**	(224.1)
4) Passenger Amenities	**151.6**	51.8
5) Publicity	**6.5**	0.2
6) Delayed Payment Charges to Fuel Companies	**-**	2,344.6
7) Insurance	**(3.9)**	137.5
8) Salaries/Staff Welfare Expenses	**44.2**	36.0
9) Landing, Parking and Navigation	**14.8**	(19.8)
10) Commission	**13.6**	(3.2)
11) Communication Charges - Others	**6.7**	4.8
12) Rent, Rates and Taxes	**115.2**	11.8
13) Exchange variation	**(14.3)**	114.8
14) Legal Charges	**0.7**	0.4
15) Hire of Aircraft	**2.8**	21.6
16) Interest	**6.2**	(3.4)
17) Others (Net)	**263.2**	69.4
(B)	**865.6**	1,240.6
TOTAL (B - A)	**824.5**	1,254.2

NOTE "24" : EXCEPTIONAL ITEMS

(Rupees in Million)

	Particulars	2012-13	2011-12
1	Inventory Migration Surplus / Written Back	**14,667.2**	3,321.3
	Less : Provision for Inventory Reconciliation	**5,974.4**	-
		8,692.8	3,321.30
2	Balances of Subsidiary Companies written Back	**-**	5,746.7
3	Provision No Longer Required	**2,506.2**	156.1
	TOTAL	**11,199.0**	9,224.1

24.1 Balances of Subsidiary Companies written back includes :

(Rupees in Million)

Particulars	2012-13	2011-12
Advances	**-**	5,724.2
Provision for Diminution in value of investment	**-**	22.5
TOTAL	-	**5,746.7**

NOTE "25" : EXTRA ORDINARY ITEMS (NET)

(Rupees in Million)

	Particulars	2012-13	2011-12
1	Compensation for Liquidity Damages from Vendors	**2,801.0**	2,655.7
2	Duty Credit Entitlement under SFIS	**7,416.8**	-
	TOTAL	**10,217.8**	2,655.7

NOTES FORMING PART OF ACCOUNTS:

26. Contingent Liabilities :

A. Claims against the Company not acknowledged as debts (excluding interest and penalty wherever applicable) and being contested to the extent ascertainable and quantifiable:

(Rs in Million)

Description	**2012-13**	2011-12
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.	**690.4**	327.9
Income TaxDemand Notices received by the Company which are under Appeal	**424.3**	201.4
Customs Duty and Service Tax demanded by the Tax Authorities	**4313**	6559.1
Property Taxes/House Tax demanded by Municipal Authorities	**23.1**	200.0
Claims of Licence Fees, X-Ray, TNLC, Landing Charges, Parking Charges, Levies etc.	**2745.6**	2404.8
Claims on account of Staff/Civil/Arbitration/Labour Cases pending Court Cases/Govt Guarantee Fee	**3361.8**	3838.5
Estimated Claims of employees towards rationalisation of pay structure to be in line with Justice Dharmadhikari Committee report.	**2361.4**	-
Total	**13919.6**	13531.7

B. Guarantees given by the Banks and counter guaranteed by the Company outstanding Rs.22.1 million (Previous Year: Rs.1564.3 million).

C. Letters of Credit issued by the Bank aggregating to Rs.5967.9 million (Previous Year: Rs.5596.0 million).

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

(Rs in Million)

	Particulars	**2012-13**	2011-12
i)	Airline Allied Services Ltd.	**156.7**	187.3
ii)	Air India Charters Ltd	**826.2**	2201.0

27. Capital Commitments are in respect of estimated amount of contracts remaining to be executed on Capital Account (Net of Advances) – Rs 164936.8 million (Previous Year: Rs 182426.3 million) the details of the same are given below. As regards "Other Commitments" the amount is not ascertainable.

(Rs in Million)

	Particulars	**2012-13**	2011-12
(A)	**Capital Commitments**		
	i) For Aircraft Project	**164368.1**	180941.8
	ii) Others	**568.7**	1484.5
	Total	**164936.8**	182426.3
(B)	**Other Commitments**	**Not Ascertainable**	Not Ascertainable

28. The company has during the year implemented SAP-ERP w.e.f. 1st January 2013. The financial records of the company up-to the period 31.12.2012 were maintained in the legacy systems which have been migrated to SAP. Accordingly, the Financial Statements for the year 2012-13 have been prepared from the SAP database. SAP-FICO module has been implemented for Finance and SAP (MMD) module for non-aircraft material. In this regard, the company has also carried out an audit of migration of balances from the legacy systems to SAP by an independent firm of Chartered Accountants in order to ensure the accuracy of the migrated balances in the SAP. As per the migration audit report the balances were verified and tallied at broad GL level and the observations in respect of certain areas are remaining to be complied with. Further the management is taking steps to continue the process of migration audit at document level and necessary accounting action if any required shall be undertaken. The opening balances in SAP are therefore as per the data migrated. The SAP system is also being extended to the subsidiary companies and as per the decision taken by the management, the company has decided not to apportion the SAP project cost as well as the maintenance charges to other subsidiary companies pending complete implementation.

29. Balancing of Subsidiary Ledgers and reconciliation including matching of Debit/Credit entries in certain subsidiary records with the corresponding Control Accounts in General Ledger is a continuous process. However in SAP, there are accounts where reconciliation/confirmation of subsidiary accounts including intermediary/transitory accounts, revenue/other accounting modules, cash and bank balances and other assets and liabilities/ income and expenditures etc. is in progress. The process of identification of unmatched items and accounts which have been migrated to SAP at block level instead of line items is also in progress. Impact, if any, of consequential adjustment arising out of reconciliation on Financial Statements will be dealt with in the year of completion of reconciliation.

30. Debenture Redemption Reserve as required under Section 117 C of the Companies Act, 1956 has not been created, since there are no profits.

31. The company has taken up the issue of waiver of guarantee fee amounting to Rs.2122.2 million with Ministry of Civil Aviation under the FRP. This includes an amount of Rs.350.7 million not provided for in the accounts for the year which represents the guarantee fee payable on NCDs issued during the year. Further no provision of additional guarantee fee of the entire outstanding payable has been considered necessary in view of the pending approval of competent authority. However the same has been disclosed as contingent liability.

Fixed Assets

32. In terms of the Scheme of Amalgamation the immovable assets comprising land and buildings were recorded at their fair value as determined by the external registered valuer as on 1st April 2007. In case of buildings which were fully depreciated as on 1st April 2007 and which were revalued by the valuer, the revalued amount has been amortized/depreciated over the useful life as advised by the valuer.

33. Land (Freehold/Leasehold) and buildings include Gross Block Rs.77469.8 million (Previous Year: Rs.77450.1 million) (to the extent identified) for which registration formalities are yet to be completed and where original title deeds (amount unascertained) are not in possession of the company. These inter-alia include the following :

a) Lease hold land where registration formalities are pending includes a plot of land admeasuring 4 acres at Baba Kharag Singh Marg, New Delhi which was valued in 2007 by the external registered valuer at Rs.5390.6 million (Previous Year: Rs.5390.6 million). This property is one of the immovable properties identified for the purpose of monetization under the TAP/FRP approved by the CCEA in order to improve the finances of the company and to repay the loans taken from the banks. Accordingly, efforts to complete the registration formalities in the name of the company in respect of this plot of land have been started at the highest level. Ministry of Urban Development vide its Letter No L&DO/L-11A/429/2013/63 dated 7th June 2013 have issued the revised Allotment Letter for an area of 3.54 acres against 4 acres with the same terms and conditions of 1983 Allotment Letter which has since been accepted by the company and possession obtained on 26/06/2013. As per the revised allotment letter issued differential amount towards the acquisition of land already paid, will be adjusted against the future payments/dues. The management is taking steps for revision in value of the property as per revised allotment letter. Accounting treatment in this regard will be given at the time of monetization of this asset.

b) Leasehold properties pending registration formalities also includes one property namely Housing Colony, Vasant Vihar, New Delhi which was valued in 2007, by the external registered Valuer at Rs 51295.1 million. Initially, the land admeasuring 27.2 acres was allotted vide letter No.L.II.3.1(140)67 dated 18.12.1967, subsequently the area of the land was amended to 30 acres and possession was handed over to the company on 27.2.1968. Due to non fulfillment of certain conditions mentioned in allotment letter, the allotment was cancelled vide L & DO letter No.L.II-1(140)67 dated 10.11.1983 and lease deed could not be executed. The building at the said land is also being carried in books at Rs. 146.0 million and is being depreciated as per the accounting policy of the company. The valuation obtained as per legal opinion, is subject to regularization of the property rights. An independent consultant has been appointed to regularize this property in the name of the company. In this respect, during the year a series of meetings were held with the Technical Cell of the L&DO Office for regularization of this property. Company has since received approval of plan from Municipal Corporation of Delhi on 12.11.2013 which is to be submitted to L&DO office. This issue is being consistently followed up and the Company is hopeful of regularization of the property rights. Moreover as per the allotment letter dated 18.12.1967 issued by the L & DO, there is no clause related to sharing of 50% of unearned increase in the value of the captioned lease and therefore the company does not foresee any amount payable on account of unearned increase. The expenditure for regularization estimated at around Rs.35.0 million and consultancy charges to the extent of Rs. 30 million has been approved by the Board on 02.08.2011 and is to be accounted for as and when incurred. A contingent liability to the extent of Rs 56.6 million has been disclosed in this respect.

c) During the year the company has also appointed a Global Real Estate Consultant M/s DTZ & Co as its property consultants for the purpose of registration & reinstatement of property rights of the company in respect of such unregistered properties. The consultants will assist the company not only in getting such properties registered but also help in the subsequent sale/disposal/leasing of these properties.

d) Efforts are being made to obtain duplicate copies and other relevant records of properties in cases where original Title Deeds are not in possession of the company.

34. The company had been allotted land at Nerul, Navi Mumbai admeasuring 100,021.60 sq.mtrs for development of staff housing complex. 508 flats have been constructed on a portion admeasuring 28626 sqmtrs and it has been decided to sell these flats to the employees of the company. In terms of the orders of Hon'ble High Court at Bombay (the Court), the company has issued allotment letters to 332 allottees out of 508 flats constructed. The entire amount of additional premium payable to CIDCO in terms of the orders of the Court towards the flats allotted, as collected from the employees has been paid. As the process of transferring the title to eligible employees after receipt of NOC from CIDCO and formation of proposed housing society is to be completed, the cost of property at Nerul comprising cost of land and cost of construction is being carried in Fixed assets and depreciation is being charged as per the laid down accounting policy. No provision for additional premium payable to CIDCO towards unsold flats has been made since the allottees for these flats are not yet finalized. Additional lease premium towards non-development of the surplus land Rs.251.0 million (Previous Year: Rs 231.3 million) payable to CIDCO has been capitalized under land cost.

35. Capital Advances include a sum of Rs.24.6 million being the advance paid by the company for the purchase of Land at Nerul. 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. As per the information on records, there is an encroachment on the said plot and a brick kiln exists there and no suitable course of action has been demonstrated since 1985. However no provision towards the same has been considered necessary since the company is hopeful of getting the same regularized with no additional cost.

36. As per the laid down policy on physical verification of fixed assets and stores, every asset/inventory is to be verified once in two years. The exercise of physical verification is stated to be carried out by the Internal Audit department for the biennial period 2010-12. However in practice, it has not been possible to complete the coverage of 100% verification by the Internal Audit. Physical verification of assets is conducted at regional headquarters and stations inspected during the biennial period. In other cases, the certificates given by various user departments are relied upon. Airframes and Aero engines are taken as per the certificates issued by the Engineering department annually and no physical verification is conducted by the Internal Audit Department. The reports of biennial period 2010-12 have since been submitted but the accounting action in certain cases is pending. Since every asset is not being physically verified during the biennial period, the management is taking steps to streamline the process of physical verification in order to ensure the compliance of laid down policy. The necessary accounting adjustments in this regard will be carried out in due course.

37. With effect from 1st January 2013, item-wise details of various fixed assets have been migrated to SAP to the extent of details available in respect of quantities/location/date of purchase. In other cases year-wise block of items have been migrated into SAP as one item. There are also certain cases where uniformity of classification under each class of Fixed Assets is being worked out. The company is also in the process of matching Finance Asset Value register with Asset registers maintained in stores /materials management division (MMD), for line-wise asset details. Reconciliation of Asset records maintained at finance division with asset register in MMD and Property Movement Control Register (PMCR) is under process and the precise details of assets with location and description thereof are being worked out.

38. As per the accounting practice followed by the company, Software like antivirus, MS office etc not forming integral part of hardware is being charged off at the time of initial expenditure itself.

39. Rotables:

i) 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) During the year pursuant to migration to RAMCO, there have been reclassification of certain items contained in inventory till previous year treated as rotables and vice-versa and accounting effect to this has been given in the accounts. Accordingly an amount of Rs. 243.9 million has been re-classified from inventory to Fixed Assets and Rs. 372.7 million of rotables have been recapitalized and included as inventory. The precise details of purchase cost/WDV not being available item-wise, the values for such accounting action have been taken based on available data on estimated basis.

iii) During the course of migration of inventory balances into RAMCO values relating to certain rotables have been included under inventory while the de-capitalization of certain rotables under inventory is pending. The values of such parts amounting to Rs. 830.6 million have been identified in inventory and in order to remove the effect of duplication, an adhoc provision of Rs. 415.3 million has been created in accounts since the detailed exercise of identification is yet to be conducted. The accounting treatment of reclassification of remaining rotables/inventory will be done in due course.

iv) During the year, there has been change in the method of accounting/accounting policy in respect of depreciation on rotables in order to ensure that the rotables are fully depreciated over the average useful life of the related fleet for the relevant year of purchase subject to the maximum life of 20 years. Consequent to the above, the depreciation for the year is lower to the extent of Rs.8.9 million and an amount of Rs. 78.5 million has been charged to prior period adjustments.

40. Depreciation

a) In accordance with the approval received from the Ministry of Corporate Affairs vide Letter No.45/4/2008-CL-111 dated 25.05.11 effective 1st April 2007 depreciation on the new fleet of Airbus 319, 320, 321 and B-777 & B-787 Aircrafts has been charged considering the economic life of these aircraft as 20 years as these aircrafts are new generation/ state of art new technology aircrafts, which is lower than the rate prescribed in Schedule XIV to the Companies Act, 1956.

b) In case of certain Fixed Assets, other than Aircraft block, the residual life has to be reworked in order to ensure calculation of depreciation as per the Accounting policy followed and matching of W.D.V. at the time of disposal. Since this is the first year of migration of fixed assets into SAP which involved a voluminous exercise of migrating legacy assets, the necessary reworking is yet to be done. The effect of the same will be ascertained and accounted for after due reconciliation of records. However, in the opinion of the management the impact of the same is not material.

c) As per regular practice, in certain Business Areas, depreciation on Other Fixed Assets including Special Tools is being charged on the basis of year wise gross block for each class of assets. The effect of the above on the depreciation charged on each of such assets is to be ascertained after due reconciliation. In certain other business areas, special tools are included under inventory. The effect of the above is not ascertained.

41. The Company has carried out 'In-House' assessment of impairment of Aircraft Fleet In the opinion of the management there is no physical impairment and therefore no adjustments to the book values of these assets are considered necessary. The impairment assessment as required under AS-28 in respect of the Fixed Assets including Aircraft fleet is yet to be done. The company has as per the accounting policy followed, continued to capitalize the exchange differences amounting to Rs. 28179.5 million in accordance with AS-11 as adopted, pending assessment of impairment of aircraft fleet. Adjustments, if any, required in the carrying value of these assets will be carried out in due course.

42. Borrowing costs capitalized during the year are Rs.1340.0 million (Previous Year Rs.1512.2 million) out of which Rs 918.2 million relates to 6 B787-8 aircraft received during the year, Rs 407.1 million relates to Capital Work-in-Progress and Rs 14.7 million relates to other assets. Further, out of the total borrowing costs of Rs 1340.0 million, an amount of Rs 487.0 million relates to interest on working capital loans and Rs 853.0 million relates to interest on Term Loans.

43. As per the consistent practice, surplus assets being assets retired from active use are being identified based on write off reports which are yet to be reconciled with the Scrap Board Reports completed during the year. The assets retired from active use and held for disposal are also being identified. Accounting adjustments required, if any, in this respect shall be carried out after necessary confirmations/reconciliations.

44. In terms of Foreign Trade Policy 2009-2014 (FTP), the company was entitled to Duty Credit Scrips under Served from India Scheme (SFIS) equivalent to the extent of 10% of Foreign Exchange earned during the financial year. The SFIS scheme under the 2009-2014 FTP was valid from 1st April 2009 to 31st December 2010.

During the year the Company was issued Duty Credit Scrips amounting to Rs 7,416.8 million in respect of Financial Year 2009-10 and 2010-11 as per following details:

(a) 11 Scrips worth Rs. 4241.0 million on 10.12. 2012 (Due for Expiry on 09.06.2014)
(b) 3 Scrips worth Rs. 3175.8 million on 28.03. 2013 (Due for Expiry on 27.09.2014)

These Scrips are permitted to be utilized for payment of Customs duty of any Capital goods including spares, office equipment, office furniture and consumables. Moreover as per the policy, these Scrips were also permitted to be used by associate companies including subsidiaries. Accordingly, the company could utilize an amount of INR 47.7 million up to 31st March 2013 only for payment of Customs Duty.

However, due to continuous persuasions, the company could be able to get clarification from Director General of Foreign Trade (DGFT) on 10th December, 2013 that the Scrips can be utilized for payment of excise duty on ATF procured from domestic sources. The Public Sector Oil Marketing Companies (OMC's) have also agreed to allow the company to utilize the SFIS Scrips for payment of excise duty on ATF as per the agreement entered into with them. The company is in the process of evolving modalities towards utilization of SFIS Scrips for payment of excise duty against ATF purchases and is hopeful of commencement of such utilization from February 2014 onwards.

The company has utilized Rs 318.6 million till 31st December 2013 and expects to utilize Rs 2600.0 million till the initial expiry of these Scrips. However, as per past experience, the company is confident of getting extension beyond the expiry of these Scrips from Policy Relaxation Committee of DGFT which will enable the company to utilize the balance value of Rs4816.8 million in full. Further, Civil Aviation Secretary, Govt. of India vide his letter dated 22 August 2013 addressed to Revenue Secretary, Govt. of India, New Delhi "requesting that the benefit from SFIS Scrips may be extended from 18 months from the date of issue to 36 months from the date of issue since the airline has lost the considerable time in utilizing these SFIS scrips on account of lack of clarity in the administrative process / procedure of adjusting these scrips against the excise duty payable on ATF". Accordingly, the company has credited the entire value of Duty Credit Scrips worth Rs 7416.8 million in the Statement of Profit & Loss during the year as extraordinary item. The consumption of duty adjusted against the balance receivable as at 31/03/2013 is to be reconciled with the Balance as per the records of Custom authorities.

It is proposed that unutilized SFIS scrips as on 31.03.2013 worth Rs.7369.1 million will be utilized in the extended period against following :

1. For Custom Duty Rs.1259.1Million
2. For Excise Duty on ATF Rs.4810.0 Million
3. Utilization by Subsidiary Companies Rs.1300.0 Million

45. The Company has during the FY 13-14 entered into a Sale and Purchase Agreement with an airline for Sale of 5 B777-200LR aircraft in order to rationalize its fleet and reduce its operational losses. The five aircraft were sold at a price of USD 336.5 million which would enable the company to repay its outstanding loan on these aircraft. This sale will result in a saving of approximately USD 100 million per annum mainly in terms of repayment of loan and interest liability and maintenance cost apart from reduced cash losses. Though this asset could have been utilized for the balance period of the life of the aircraft, the Company took a conscious decision to sell the aircraft since the long haul routes operated by these aircraft were uneconomical due to high fuel prices and low yields arising out of competition. However, since these Aircraft were in active use till the year end and the title transfer is likely to take place in FY 13-14 the accounting treatment would be given in the year of Sale.

46. Boeing Compensation

Boeing Compensation/ Credits

a) Liquidated Damages/ Other Credits

The company has entered into a purchase agreement with Boeing on 30-12-2005 for purchase of 27 B-787 aircraft. As per said agreement, these Aircraft were scheduled for delivery from September 2008 to October 2011 and in case of inexcusable delay beyond 180 days, the company was entitled to the liquidated damages. In view of delay of more than 180 days in scheduled delivery of all the B-787 aircraft, the company had recognized the revenue towards liquidated damages amounting to Rs6846.5 million up to Financial Year 2011-12 and disclosed the same in the Statement of Profit & Loss under the head Boeing compensation as an extraordinary item. Boeing will issue credit notes for these Liquidated Damages on delivery of these aircraft.

However, due to inordinate delay in delivery of these aircraft, the company pursued for additional compensation with Boeing. Consequently, Boeing has agreed for additional compensation for inordinate delays which would accrue to the company only upon delivery of the aircraft. During the year, the company has taken delivery of 6 B787 aircraft and accordingly the company was allowed credits amounting to Rs 1842.3 million. For additional compensation in the form of additional delay payments, lease subsidy payments, function reliability testing payments, relation payments, 787 DFDR, Thrust and Star Alliance livery. In addition, the company was also allowed additional credit of Rs 165.6 million towards further delay in delivery of 6th Aircraft.

The company has treated all the aforesaid credits aggregating to Rs 2007.9 million as additional compensation attributable to inordinate delay in delivery of the aircrafts. The management is of the view that aforesaid credits were on account of revenue loss due to inordinate delay in delivery of the aircraft and accordingly credited them to the Statement of Profit &Loss under Boeing Compensation as an Extra Ordinary items.

b) Compensation for the Grounding of B-787 aircraft

6 B-787 were delivered to the company during September to December 2012. The company had temporarily grounded all the 6 B787 aircraft on January 2013 following a directive of DGCA which was based on the directive of Federal Aviation Administration (FAA) USA. A modification plan as approved by FAA was carried out on these aircraft and after necessary approvals from DGCA/FAA all the 6 aircraft were positioned back for flying by May 2013. The matter of compensation for losses suffered by the company on account of grounding was taken up with Boeing. Boeing has agreed for a minimum compensation for the losses during the grounding period. Accordingly, a proportionate credit of Rs 793.1 million reflecting grounding compensation for the period 17th January to 31st March 2013 has been taken as Extraordinary Items under the head Boeing Compensation.

47. As per the accounting policy followed by the company, manufacturer and supplier credit entitlements received at the time of delivery of the aircraft amounting to Rs 312.7 million and Rs 842.5 million respectively have been recognized as Incidental Revenue.

48. Effect of changes in Exchange rates (AS-11)

i) The Company in 2008-09 opted for accounting the exchange differences arising on reporting of long-term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 retrospectively. The Ministry of Corporate Affairs vide their Notification

GSR 913(E) & 914(E) dated 29th December 2011 has extended the purview of the amendment which has been adopted by the company and the relevant details are as under:

a) In accordance with the accounting policy as stated in Para 8(ii) regarding recognition of exchange differences arising on settlement and reporting of long term monetary items, the company has during the year capitalized translation difference of Rs.9434.8 million (Previous Year: Rs.18744.9 million) and an amount of Rs.305.0 million (Previous Year: Rs.113.3 million) has been transferred to the Foreign Currency Monetary Items Translation Difference Account (FCMI) during the year and the balance remaining to be amortized over remaining life of the respective long term monetary items as on 31/03/2013 is Rs. 588.1 million.

b) While the company has opted for the Companies (Accounting Standard) Amendment Rules, 2009, in respect of periods up-to March 31, 2011, the exchange differences to the extent regarded as adjustment to the interest cost as required by Paragraph 4(e) of Accounting Standard 16 on Borrowing Costs, has not been separately determined and has been added or deducted to the cost of respective depreciable capital assets. In the opinion of the management, the Company does not have comparative interest rates and the sources of these funds are not available locally. The precise effect of the above has not been ascertained.

c) The company as per the consistent practice has been treating the short term borrowings during the intermediary period before arrangement of long term finance as borrowings relating to the acquisition of Aircrafts and as such these are treated as long term monetary items for the purpose of capitalization under the amended AS-11.

ii) Closing balances of monetary items in foreign currency, include certain accounts (precise amounts unascertained), that are not translated at the FEDAI rates in accordance within the provisions of AS-11 due to complexity of transactions. The impact of translation of these balances is not ascertainable.

49. Exchange difference arising out of settlement and reporting of foreign currency borrowings other than long term monetary items as stated in Accounting Policy No. 8 (ii), in relation to amount of principal of these foreign currency borrowings to the extent of difference between the interest on local currency borrowing and the interest on foreign currency borrowings is being accounted as Foreign Exchange loss/gain instead of borrowing costs and charged to the Statement of Profit and Loss. However, it does not have any impact on the loss for the year.

50. As per Ministry of Civil Aviation Order No.AV.18013/44/92-ACVL dated 25th May 1993 Vayudoot Ltd (Vayudoot) was to be merged with erstwhile Indian Airlines Limited and the merger is pending for compliance of legal formalities hence, no financial entries to this effect have been done in the books of accounts of the company. In compliance with the Ministry's directions, the company had absorbed Vayudoot employees and usable assets of Vayudoot were being utilized by the company. However, as the merger is still pending, the assets and liabilities continue to be reflected in the books of Vayudoot. The balance in the Vayudoot Settlement Account amounting to Rs. 38.5 million is under reconciliation.

51. The company is in the process of maintaining adequate records for scrap sale and consumption of non-aircraft material. These are accounted for on the basis of scrap sale/consumption reports as received.

52. The Internal Controls at the stations with regard to the transactions undertaken at stations including accounting of imprest are in the process of improvement. Internal controls at Stores with regard to issues of material/preparation of GRANs, loaning of materials etc, movement of goods within the company are also being reviewed for further strengthening wherever required. RAMCO Inventory control system has been introduced during the year 2012-13 in order to have an online and real time control over the movement of aircraft inventory.

53. Internal Audit Department is in the process of strengthening the internal audit process in the company so as to ensure the coverage of all the areas as envisaged in the Minimum Audit Programme (MAP) and ensure effective internal controls at stations, regional offices, user departments and Central Accounts Office.

54. Claims for reimbursements from employees availing medical, educational and other leave without pay, claims of interest from suppliers / other parties are accounted for on cash basis due to uncertainties involved. Other staff claims and lost baggage claims are recognized on cash basis consistently. Liability for amounts payable towards IATA dues, liabilities for expenses and manufacturers' credits are recognized to the extent of claims/ invoices received.

55. Loans & Advances (Long Term & Short Term), Other Assets (Current/Non Current)

a) As per the consistent practice followed, Aviation insurance premium is initially paid on provisional basis on the estimated passenger count/departure count/ spares consumed. Adjustments with reference to actual counts/actual consumption are carried out at the time when final count is known. Deposit premium receivable from the insurance companies amounting to Rs 439.0 million (Previous Year: Rs.366.0 million) is subject to confirmation and reconciliation.

b) In respect of Income Tax assessments/appeals wherein disputed demands aggregating to Rs.424.3 million (Previous Year: Rs. 201.4 million) are pending at various stages, the company is hopeful of matters being decided in its favour and therefore these are disclosed as contingent liability. The company has also taken necessary steps to obtain credit towards disallowance of TDS credit aggregating to Rs. 308.9 million (Previous year Rs 308.9 million) in various assessment years.

c) TDS deducted at source by outside parties for which reconciliation with Income Tax data base (Form No. 26AS) as well as follow up for TDS certificates is in progress. Till such time these have been considered as good for recovery.

d) The company has sought the confirmation of balances for some of the receivables and payables. However, except for Oil Companies, in most of the cases the parties have not responded. Wherever the balances confirmed by the parties are not in agreement, the reconciliation is under process and effect of consequential adjustments is not ascertainable. The management is streamlining the process of sending balance confirmation letters to the parties concerned.

e) Balances of receivables/payables include certain items of unmatched credits/debits and these are stated as per the book balances pending proper matching and reconciliation. Consequent to the above, while compiling, the ageing of trade receivables, such unmatched credits are not netted against the debits outstanding and reconciliation of balances in the receivables accounts is in progress. The impact of the above on the disclosure of these items and provision for doubtful debts, as computed in accordance with the accounting policy of the company, could not be ascertained.

f) “Advances Recoverable in Cash or in-kind” include an amount of Rs. 10.5 million being net balance in inter office account as on March 31, 2013 which has been provided for. The precise details of gross debit and gross credits contained in the said balance are being compiled. The accounting adjustments, if any, required in this respect shall be carried out in due course.

g) The company had paid an amount of Rs.639.4 million towards joining fee for entry into Star Alliance between 2007 and 2010. Since the integration process was discontinued, the said amount was fully provided for in earlier years. Due to the improvement in the financial and operating performance of the Company, Air India has been invited again, to join Star Alliance, and the integration process has recommenced. Accordingly, the Company has taken a decision to write back the provision made earlier, which will be amortized over a period of time, based on the membership status of Air India.

56. Cash and Bank Balances

a) The process of year end physical verification of cash in hand and cheques in hand is being reviewed in order to cover the entire cash balance under physical verification through officials other than those holding the cash balances. The internal audit department is also in the process of developing suitable mechanism in this regard.

b) There are few cases where cash balances carried in the books of accounts are not reconciled/tallied with the physical verification certificates and in certain cases confirmation of cash holding as on 31/03/2013 have not been received. A few Bank accounts namely State Bank of India and Andhra Bank, at New Delhi are still in the process of being reconciled. Pending such confirmation and reconciliation, the balances as appearing in SAP have been incorporated in accounts. Necessary accounting adjustments in this regard shall be carried out in due course.

57. Current Liabilities:

a) The Service Tax including Input credit (CENVAT) to be availed and Tax Deducted at Source (TDS), Refunds to be received in respect of Income Tax, VAT, Employee Provident Fund (EPF), Employee State Insurance

Scheme (ESIS), Profession Tax and Airport Tax accounts are being reconciled to be in line with the Returns filed/ statutory records.

b) Reversal of Cenvat credit for nontaxable services is being accounted for on estimated basis and Cenvat not eligible for availment is charged to revenue at the time of payment of relevant expense. The precise amount in this regard is being ascertained. Necessary adjustments will be done thereafter.

c) As per the Accounting policy followed by the company, liabilities which are more than 3 years old are written back except in case of liabilities towards aircraft rotables and certain deposits, due to non availability of necessary details. Necessary adjustment in this regard will be done in due course.

d) Balances with Oil Marketing Companies have been confirmed as on 31.3.2013. However, reconciliation of the same is under progress. Delayed Payment charges paid/payable to Oil companies amounting to Rs. 3038.3 million and interest on delayed payment of TDS/service tax Rs.659.3 million, have been included under "Finance Cost" as against "other Expenses" in earlier years and disclosures relating to previous year have been regrouped accordingly. Liability towards TDS on such payment has not been recognized as per the practice followed in this regard.

e) The company has an outstanding amount of Service Tax liability as on 31/03/2013 as per books of accounts amounting to Rs.2414.6 million (Previous Year: Rs.3849.9 million) which is under reconciliation. However interest of Rs.586.2 million (Previous Year: Rs 564.3 million) has been provided for on the outstanding dues Rs. 1853.9 millions per service tax records. Penalty payable, if any, is not ascertainable. Service tax liability outstanding for more than six months as per service tax records as on 31/03/2013 amounts to Rs.691.7 million out of which an amount of Rs.400.0 million has been paid subsequent to Balance Sheet date.

f) The company has an outstanding amount of TDS liability as on 31.03.2013 amounting to Rs.2165.9 million (Previous Year: Rs.2768.4 million) including interest. Out of the above an amount of Rs. 229.9 million (Previous Year: Rs. 300.9 million) represents such liability outstanding for more than six months as on Balance Sheet date. Subsequent to the Balance sheet date an amount of Rs.2026.8 million (Previous Year: Rs.2689.0 million) has been paid. In certain cases, TDS liability is recognized as and when bills are paid and as such TDS, if any, remaining to be paid for more than six months as on 31/03/2013, in respect of accrual of such liability, remained unascertained.

g) Provision towards Preferred Agent Programme and Corporate Incentive amounting to Rs. 631.3 million has been made on adhoc/estimated basis, as per the inputs received from respective user department and an amount of Rs. 288.8 million has been written back as provision no longer required out of the ad-hoc amounts provided in earlier years.

h) The bills raised by various vendors/ service providers are accounted/paid after the deductions made by various operations department concerned with such billing. These deductions are not confirmed by AAI/DIAL/ other vendors and as such the claims relating to these bills cannot be said to have extinguished. No liability/ contingent liability has been recognized in this respect in accounts since these are to be ascertained.

i) In respect of inventory records maintained in legacy OASIS/Maxi Merlyn software, the inventory related vendor accounts up-to the date of migration were maintained in legacy accounting system. The accumulated balances were subsequently transferred to SAP during the migration of accounts. These balances as per legacy software are not fully reconciled with the balances as migrated to SAP and also these inventory related accounts post migration to SAP and RAMCO are being reconciled. The precise impact of differences has not been ascertained. Various vendor accounts, and other related account heads related to inventory accounts (OASIS related) are therefore subject to necessary accounting adjustments which will be carried out in due course.

j) In respect of Route Navigation Facility Charges (RNFC)/Terminal Navigational Landing Charges (TNLC) at Delhi Airport, bills for expenditure incurred during the year were not available/received and hence in the absence, an ad-hoc /estimated provision for Rs 864.0 million based on trends of liability in previous years/ communications from AAI has been made in accounts.

58. During the year there were certain delays in payment of statutory dues such as Tax deducted at source, PF / ESI dues etc. Interest on such delays has been provided for/paid. Dues outstanding for more than six months in respect of interest on delayed payments of PF dues amounts to Rs. 29.3 million and in case of ESI, are not fully ascertainable.

59. An incidence of misappropriation of Company's funds by an employee was detected during earlier years at Kolkata and matter is in under investigation by external agencies. The amount of fraud, as detected by Vigilance Department is Rs. 11.6 million (to the extent identified), that occurred spanning period from 2005 to 2011. Fraudulent amount is included under relevant expenditure head of respective years. The amount recovered from the employee Rs.2.5 million is kept under "Deposits". Since investigations are still in progress, no accounting treatment has been done for the amount involved.

60. During the year, the auditors have visited selected Foreign Stations and also carried out review of certain domestic locations was carried out as per the approval of the competent authority. However there are certain foreign locations where accounting entries are made in SAP based on summary returns received from these stations and these are not covered under Internal Audit during the year. Internal Controls at these stations are being reviewed by the management.

61. Revenue Related Matters:

a) The company has during the year created a provision for Rs 12.5 million (Previous Year: Rs. 78.5 million), towards unreported sales in respect of passenger, and Rs 95.0 million (Previous Year: Rs Nil) towards unreported sales in respect of cargo, for which revenue was recognized on the basis of carriage.

b) The company has during the year, written back to the credit of Prior Period Adjustment account, an amount of Rs.157.0 million, representing credit balances more than 3 years old relating to uplift tax collected as a part of sales in respect of discontinued 058 Code since there is no demand in this regard. However the same is being confirmed by the respective station managers.

c) The company has been recognizing Mail Revenue in relation to domestic operations based on the award given by Ministry of Finance. The Mail Rates have been finalized by the Ministry only up to the period 2009-10. Ministry of Finance has awarded Mail Rate of Rs 30.57 per TKM for the year 2010-11. However, the company has not been able to bill Department of Posts at this rate, as they have requested the Ministry of Finance to review the same. Pending receipt of the outcome of the review, the billing and accounting of mail revenue is being made at the old rates Rs. 29.92 per TKM. The current outstanding from the Department of Posts, as on 31st March 2013 is Rs 871.2 million.

d) Operating Revenue includes an amount of Rs. 2227.0 million, being revenue sharing from Air India Charter Limited (AICL), accounted for based on provisional data received. Confirmation and reconciliation of audited balances is pending.

62. Inventories:

i) During the Financial year 2012-13, balances of inventories which were hitherto maintained in the OASIS /Maxi Merlyn systems were migrated to an ERP package developed by RAMCO which now maintains integrated aircraft inventory of the entire company. The inventory package has been custom built for the Company by RAMCO essentially to provide a better control over inventory systems prevailing in the organization as well as to provide on line and real time access to the various inventories held by the company and reduce the cost of holding inventory at various locations. All items of inventory whether they were lying in the warehouse or shop floor or work in progress for open work orders or with repair agencies were taken into inventory. There were major challenges in documenting the entire inventory data base and migrating the same into the RAMCO system as the erstwhile system of both the fleets did not provide adequate information on the availability or consumption or movement of inventories in a granular manner. Thereby the documented basis for quantities and values to be migrated to RAMCO system were not readily available mainly in case of inventory of unserviceable items to be included in inventory.

ii) During the process of migration, entire inventory which was maintained at different locations and for which records were kept in different forms i.e. in OASIS, Old RAMCO, Maxi Merlyn and manual had been collated and these quantities were allocated, the available values by the RAMCO Project Team and the opening balances of inventory were migrated to RAMCO system w.e.f28/05/2012 (Boeing Fleet) and 26/11/2012 (Air Bus Fleet) in case of different locations/warehouses based on Sign off Reports.

iii) As a part of inventory the company carries large quantities of repairable items. A repairable is defined as an item which has an economic life more than the operating cycle of the company (one year) and can be reused after repairs either in-house or outside repair agency or with OEM (Original Equipment Manufacturer). Expendables are those items which are expensed at the time of initial issue. As per the practice adopted by other leading Airlines also, the values of repairables are not charged at the time of issue and are amortized over a period of time.

iv) In the year 2011-12 there was a change in the accounting policy for repairable, by which the repairable items which were charged to consumption at the time of initial issue were taken back to inventory after repairs at the latest available weighted average, resulting in a write back of Rs3321.3 million in inventory balance. This was done mainly to harmonize the different practices followed in the company. Post migration of balances into RAMCO these items of inventory are continued to be carried at latest available weighted average.

v) During the year 2012-2013, there has been a further change in the accounting policy with regard to repairable items. The repairable are now to be charged to consumption only at the time of scrappage and during the currency of their life till then only repair charges are to be recognized in accounts. Consequent to such change, apart from the inventory values and quantities which were carried forward from the previous year, following are the impact on accounts during the year :

a) Inventory of Unserviceable items (awaiting repairs) Rs12102.6million which were earlier charged to consumption has been taken back to inventory. These include repairable Rs.8425.5 million and expendables Rs. 3677.1 million.

b) Inventory of serviceable items amounting to Rs2564.6 million which were repairable and were earlier charged to consumption has been included in the current inventory at latest available weighted average.

c) The aggregate of the above amounting to Rs.14667.2 million has been credited in the Statement of Profit and Loss as “Exceptional Items”.

vi) Since the applicable weighted average cost in respect of unserviceable inventory taken back during the year were not readily available at the time of migration of balances into RAMCO, the values in these cases had been taken as per latest available weighted average rates aggregating to Rs.5273.7 million and in other cases catalogue prices relating to 2004-2012 wherever available Rs 9393.5 million had been considered for valuation.

vii) Against the incremental inventories taken back during the year, the Company has made provisions towards the following:

a) A Provision of Rs 4319.9 million (which includes Rs. 1479.8 million relating to expendables) towards unserviceable, in order to correct the valuation discrepancies to the extent identified post migration since the correction of values in RAMCO is in progress;

b) A provision of Rs. 577.6 million, towards value corrections and quantity difference towards serviceable items post migration of balances.

c) An ad-hoc provision of Rs.1076.8 million (including Rs.415.3 million for rotables), as the exact source of quantities and valuation of the inventory items migrated into RAMCO could not be correctly ascertained in cases of unserviceable/serviceable/rotable items taken back to inventory since the same could not be traced back to birth in terms of quantities and pricing.

viii) There might have also been cases wherein free of charge (FOC) of items, cannibalized items and items of inventory which were received with the aircraft have also been valued and taken into inventory at the values as stated above. However, the exact quantum of same is not identifiable at this stage. Hence no corrective action can be taken in this regard.

ix) The balances have been migrated based on the “Sign Off Reports“ by the Project team and based on values and quantitative data received from various locations. No physical verification of all the items could be conducted due to time and manpower constraints. The process of migration audit will be conducted by the Management by an independent agency and discrepancies if any would be adjusted against the provision created towards inventory reconciliation.

x) An Ad-hoc provision of Rs 481.9 million out of a total inventory of Rs 963.8 million has been made towards expendables/consumables issued for repairs in respect of open work orders as at the year end. An Assessment of open work orders in respect of jobs completed which could not be closed as on 31/03/2013 due to system constraints is being done and necessary accounting action will be done in due course.

xi) The company has a total stock of Rs7590.2million as on 31/03/2013 which represent the unserviceable items meant for repairs and which might be repaired either in house or by the repair agency or may be treated as scrap, but the assessment was yet to be completed as on 31/03/2013. However, as per the accounting policy in this regard, the repair cost has been accounted to the extent incurred and hence no provisions has been considered in accounts for open work orders in this regard.

xii) At the year end, there are inventory items valued at Rs.2509.9 million which is the stock for repairs with outside repair agencies, while a provision for estimated repairs in this respect to the extent of Rs. 358.2 million has been made in accounts and confirmation of balances with these outside parties is pending as on 31/03/2013.

xiii) The data relating to the last movement of inventory is not available in the RAMCO systems based on the data of inventory migrated. Based on the movement data available in the legacy system relating to Air Bus fleet amounting to Rs.16680.6 million, Serviceable Inventory to the extent of Rs. 1697.3 million has been has been identified to be non-moving. However since the data updation in RAMCO is in progress, an adhoc provision for non-moving inventory to the extent of Rs.972.3 million has been made for obsolescence. In respect of inventory amounting to Rs. 6288.0 million (net of ad-hoc provisions made for inventory reconciliation) relates to inventory for which no movement data is available in legacy software and as per the data available in records these items are not trackable in the movement records of last five years and no provision for obsolescence is made. Necessary accounting treatments for additional provision required towards obsolescence will be done in due course. In respect of Boeing fleet obsolescence provision of Rs. 681.5 million has been made in the accounts.

xiv) 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. Vendor accounts in respect of Airbus inventory are remaining to be reconciled in view of summary level entries being done in RAMCO. Closing balance of inventory as per the books of accounts is being reconciled with RAMCO data base 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.

xv) As a result of the migration and the change in accounting policy, as against total gross credit of Rs. 14667.2 million due to increase in inventory values, provisions for valuation differences and ad-hoc provisions for remaining corrections amounting to Rs.5974.4 million and thereby net amount of Rs. 8692.9 million has been credited to Exceptional items in the Statement of Profit Loss with consequent reduction in Loss for the year.

The gross value of the inventories migrated to RAMCO as at 31st March 2013 is Rs.23189.2 million which includes unserviceable items of Rs.11825.77 million, comprising repairables of Rs 8771.32 million and expendables of Rs3054.3 million and serviceable items of Rs 11363.5 million. A provision for Rs. 5974.4 million has been made towards corrections in values and quantities and an amount of Rs.1653.8 million towards obsolescence has been made.

Pending unforeseen circumstances, the Company is of the opinion that these provisions would be adequate to take care of any differences in valuation, quantities and repair costs wherever applicable since it is not possible to exactly quantify these at this stage. The Company would give effect to these differences in FY 13-14 and any excess or short provision would be suitably dealt with in the books of accounts.

63. Post migration of accounts to SAP, Non aircraft inventory which was earlier maintained in manual records in Materials Management Division (MMD), has been migrated to SAP. In respect of Air Bus-320 Engineering base locations, these balances maintained in manual records were not reconciled with the financial records and the balances migrated are to the extent of data available in MMD. The migrated records are also being verified for its veracity and hence the migrated balances in respect of Non-Aircraft inventory amounting to Rs.267.6 million are subject to pending verification, reconciliation and necessary accounting actions. The related vendor accounts are also subject to pending accounting adjustments in this regard. The data relating to movement of these items in order to identify the non-moving inventory as per the accounting policy is also being compiled.

64. In respect of few vendors, Invoices against GRANs pertaining to non-aircraft inventory received during the year amounting to Rs. 53.0 million have been parked in FY 2013-14 whereas the payment made against those invoices have been accounted in the current year as debit to vendors**.** The adjustment of credit appearing in GR/IR Account pertaining to such parked invoices will be set off in FY 2013-14.

65. The company continues to hold standby equipments/ machinery spares/ insurance spares as a part of inventory since these items can be used for both the purpose of modification in the aircrafts and also for maintenance jobs as well as for outside repair jobs.

66. During the year, pursuant to the change in accounting policy relating to obsolescence provision, the inventory of engine Parts, relating to A-310 fleet amounting to Rs. 591.6 million which had been phased out in earlier years and fully provided for, has been taken back as the same has been certified to be used in other Aircrafts. Accordingly provision of Rs.583.9 million has been written back in accounts as “Provisions No Longer Required”. The loss for the year has been lower to that extent.

67. Liability for Goods/Expenses for all materials received have been provided as per the values in GRANs & Store-in-Transit statement as on 31.3.2013 as per RAMCO generated data. For items received at R&D section/ Customs/high seas is provided based on data available, outside the RAMCO data base. 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.

68. Mumbai International Airport Ltd (MIAL)

An Agreement has been entered into between Airports Authority of India (AAI) and MIAL whereby MIAL has been entrusted with the responsibility to develop Mumbai Airport. Accordingly MIAL has indicated that the Company has to surrender certain leasehold land (which was on lease from AAI) to MIAL for the purpose of airport development.

As per the Agreement, buildings to be demolished would be reconstructed at MIAL’s cost at alternative locations acceptable to the Company or MIAL would pay compensation at an agreed formula. In addition, MIAL would also provide concession/rebate in license fee/rental on land/space occupied at the airport.

Due to the ongoing expansion and reconstruction of airport areas by MIAL in Mumbai, relocation of land leased to AI is in process with surrender of existing premises, in lieu of alternative premises provided by MIAL. A comprehensive review of total lease premises ultimately held including compensation if any can be taken only after expansion work is completed. As such, the lease holding continues to be shown in the books of accounts as per original allotments.

As per the company the outstanding dues payable to MIAL (other than PSF/UDF) as on 31/03/2013 is Rs.876.1 million (Previous Year: Rs. 1650.6 million). Further, contingent liability, including interest, is also shown in the accounts to the tune of Rs.1120.0 million (Previous Year: Rs.161.8 million). There are various areas in which there are disputes with MIAL for which no impact has been considered in the accounts since as per the company, these claims are not justified. Some of these areas are difference in rate/area in respect of land and space rent, service tax not payable as per the company, excess billing on account of electricity charges, deduction on account of excess parking charges, etc. The company recognizes the liability only in respect of amounts actually received from the airlines towards the royalty on ground handling.

The MIAL Levy Circular was received by Air India only in June 2013 wherein the levy was to be billed retrospectively effective Aug 2011. Therefore the accounting action in this respect has been taken in 2013-14. Since the amount is to be collected and then payable to MIAL, according to the management there is no impact on the Statement of Profit and Loss.

The billing for PSF/UDF is done on the basis of number of pax flown. However, liability is created in Air India books on the basis of sales since airport taxes/levies are also collected along-with fare. The accounts with MIAL are however subject to confirmation, reconciliation and accounting adjustments, the impact, if any, arising out of the same is not ascertainable.

69. Cochin International Airports Ltd (CIAL)

Consequent upon the termination of the Handling Agreement in June 2009 with M/s Cochin International Airport Ltd at Cochin, Air India has not accepted claim for the payment of License Fees on self-handled flights on account of enhanced rate of CIAL levy, loss of exclusivity of handling since such practice is not followed at any other Indian Airports. The financial impact of the same for the year is Rs. 29.0 million (Previous year Rs. 31.6 million). Contingent Liability of Rs. 122.5 million (Previous year 93.5 million) has been disclosed in this respect. The account is under reconciliation.

70. Delhi International Airport Ltd (DIAL)

DIAL took over IGI Airport Delhi under provisions of Operation Management & Development Agreement (OMDA) on May 03, 2006 from Airports Authority of India. There were certain disputes inter-alia relating to Land and Space dues and Third Party Ground Handling Revenue Sharing. In order to evolve a sustainable long term and exclusive relationship, Memorandum of settlement between Air India and DIAL relating to legacy dues and other dues was entered into on April 14, 2010

In a meeting on 12.12.2012 under the aegis of Secretary, Ministry of Civil Aviation, guidelines were issued in respect of settlement of space rental including the new lounge at T-3 IGIA. Accordingly, dispute with regard to rental charges were settled with DIAL and necessary accounting actions taken in the books. Also, effective August 2013, an Escrow Account with IATA Clearing House has been opened to remit the monthly pass through payments like PSF, DF & UDF. Monthly transfer of Rs 320.0 million is made to this account, adjustment for which is made on the basis of actual passenger data.

The outstanding dues as per the records of the company as on 31/3/2013 was Rs 2922.8 million (Previous Year: Rs 3505.5 million) as against Rs 3044.8 million (Previous Year: Rs 4188.9 million) shown by DIAL plus interest claim of Rs 1201.4 million (since revised to Rs 472.8 million). There were certain disputes regarding space areas/ parking charges and interest which are in different stages of discussion. Accordingly, Rs 641.4 million has been shown under Contingent Liability.

A Statement of Account as on 31.03.2013 has been received from DIAL but the same is to be matched with the accounts of the Region and differentials needs to be reconciled and accounted. Main differences are on account of Landing & Parking amounting to Rs 62.0 million and ADF amounting to Rs 227.1 million on account of excess billing by the party, major part of which was adjusted by the party to the tune of Rs 191.8 million by way of credit note in the subsequent year. The balance of Rs 35.3 million is under reconciliation. Liability for Service Tax on dues is provided only partially. However, a separate confirmation of balance from DIAL is not available. The accounts with DIAL are subject to confirmation, reconciliation and accounting adjustments.

71. Airports Authority of India (AAI)

(a) Under the aegis of Ministry of Civil Aviation a Memorandum of Understanding (MOU) was signed with Airport Authority of India on 26.08.2013 whereby the dues of AAI vis-a-vis AIL have been adjudicated by the Ministry. Accordingly accounting entries have been passed in the books of the companies which are being reconciled with the MOU as on 31.3.2012. Subsequent billings in 2012-13 from AAI have been accounted based on the settlement which has been arrived under the MOU. AAI has also charged interest at 9% on the outstanding sum which has been disputed since AAI have not suffered any losses as a result of delayed payments by AI. The estimated amount ofRs. 760 million has been shown as contingent liability. Further no liability or contingent liability has been recognized towards interest on delayed payments relating to dues for the year 2012-13.

(b) The outstanding as per Airports Authority of India is not ascertainable as the confirmation is not received. As per the books of the company, there is a firm liability to the tune of Rs.10335.6 million (Previous Year: Rs. 9097.7 million) and contingent liability of Rs.816.8 million. (Previous Year: Rs. 1412.4 million). The account with Airport Authority of India is subject to confirmation and reconciliation.

72. Segment Reporting:

a) The Company is engaged in airline related business, which is its primary business segment, and hence, segment results are not disclosed. The details of geographical area wise revenue earned (derived by allocating revenue to the area in which the sales were made) are given hereunder:

(Rs in Million)

	Particulars	2012-13	2011-12
a)	USA/Canada	**15117.5**	15327.3
b)	UK/Europe	**11546.4**	9246.1
c)	Asia (excluding India), Africa & Australia	**25142.6**	21777.6
d)	India	**108471.9**	100401.9
	Total	**160278.4**	146752.9

b) The 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 assets and liabilities to geographical segments. Consequently area-wise assets and liabilities are not disclosed.

73. Related Party Transactions:

Disclosures as required by Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India on "Related Party Disclosures" are given below:

A. Key Management I Personnel & Relatives: (as on 31 March 2013 and till date)

Sr. No.	Name	Position on Board	Designation
1	Mr. Rohit Nandan	CMD	Chairman & Managing Director
2	Mr. SyedNasir Ali	Functional Director	Joint Managing Director (appointed w.e.f. 13 July 2012)
3	Mr. S Machendranathan	Govt. Nominee	AS & FA, Ministry of Civil Aviation (ceased wef 19 November 2013)
4	Dr. Prabhat Kumar	Govt. Nominee	Joint Secretary, Ministry of Civil Aviation. (wef 18 October 2012)
5	Mr. Vipin K. Sharma	Functional Director	SBU Head - MRO (Eng. & Comp) (ceased wef 30 September 2013)
6	Mr. K.M. Unni	Functional Director	SBU Head – MRO (Airframes) (ceased wef 30 November 2013)
7	Mr. S Venkat	Functional Director	Director (Finance)
8	Mr. Gyan Deepak Brara	Functional Director	Director-Commercial (ceased wef 30 September 2013)
9	Mr. Nikhil Kumar Jain	Functional Director	Director-Personnel (appointed wef 5 July 2012)
10	Mr. Gurcharan Das	Independent Director	Management Consultant & Author (appointed wef 29 May 2013)
11	Dr. Prem Vrat,	Independent Director	Vice Chancellor & Professor, ITM University, Gurgaon (appointed wef 29 May 2013)
12	K.K. Nohwar,	Independent Director	Air Marshal (Retd) PVSM VM (appointed wef 29 May 2013)
13	Dr. Ravindra H. Dholkia	Independent Director	Professor, IIM, Ahmedabad (appointed wef 29 May 2013)
14	Ms. Renuka Ramnath,	Independent Director	Founder-Multiples Alternate Asset Management Private Limited, Mumbai. (appointed wef 29 May 2013)
15	Mr. Pankaj Srivastava	Functional Director	Director-Commercial (appointed wef 1 October 2013)

Changes during the year 2012-13 and till date

Sr. No.	Name	Position on Board	Designation
1	Mr. Prashant Sukul	Govt. Nominee	Jt. Secretary Ministry of Civil Aviation (ceased i.e. 28 September 2012)
2	Mr. Harshavardhan Neotia	Independent Director	Managing Director, Ambuja Reality Development Ltd. (ceased wef 5 March 2013)
3	Air Chief Marshal Fali H Major (Retd)	Independent Director	Former Chief of Air Staff (ceased wef 5 March 2013)
4	Mr. M.A. Yusuffali	Independent Director	Managing Director, EMKE Group, Abu Dhabi, UAE (ceased w.e.f 27 June 2012)

B. Transactions with Key Managerial Personnel:

(i) There are no other transactions with key managerial personnel except Remuneration and Perquisites to Chairman & Managing Director and Functional Directors and Sitting Fees to Independent Directors (as approved in 54th AIL Board Meeting held on 19th July 2013)

(ii) Transactions such as providing Airline related services in the normal course of Airline business are not included above.

C. Joint Working Group Arrangement:

a) Joint Working Group with M/s. Hindustan Aeronautics Ltd (HAL) Bangalore.

During the year, the Company's share of profit from Joint Working Group arrangement with HAL for Ground Handling arrangement at Bangalore Airport was Rs 15.5 Million (Previous Year : Rs 15.0 million).

HAL has withheld an amount of Rs.99.6 million (Previous Year - Rs.99.6 million) from the settlement of AI profit share in the HAL- AI JWG at Bengaluru due to pending litigation, which has been provided for.

b) Joint Venture with M/s. Singapore Airport Terminal Services (SATS), Singapore:

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 airports. This was in pursuance of Government of India Notification on the ground handling policy. The JV Company was formed on 20th April, 2010. Prior to the formation of the Company, AI SATS operated under an Association of Persons (AOP), since the airports at Hyderabad and Bangalore were made operational on 23rd March 2008 and 24th May, 2008, when the company was under incorporation.

During the year, total bills raised by AI-SATS towards handling charges and other services provided to Air India amounted to Rs.2238.4 million and total bills raised by Air India on AI-SATS amounted to Rs. 1552.0 million. Pursuant to settlement of dues during the year relating to transactions pertaining to earlier years, an amount of Rs. 147.8 million has been credited in the books as payable to AI-SATS. As per the books of the company the net balance payable to AI SATS as of 31st March, 2013 was Rs.527.7 million which is after adjusting the total advance of Rs. 1150.0 million. The accounts with AI-SATS are under reconciliation. The balance confirmation as on 31/03/2013 is yet to be received.

AI SATS, the Joint venture has made a Profit after Tax of Rs. 340.4 and dividend of 15% was declared during the year ended 31st March, 2013.

D. No loans or credit transactions were outstanding with Directors or Officers of the Company or their relatives at the end of the year which is required to be disclosed in accounts under the Companies Act, 1956.

E. 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.

74. Managerial Remuneration:

(Rupees in Million)

	Particulars	2012-13	2011-12
(A)	**Chairman & Managing Director**		
	Salaries and Allowances	**1.5**	1.3
	(Includes value of perquisites:Rs 0.08 million)		
	(Previous Year: Rs 0.04 million)		
(B)	**Functional Directors**		
(i)	Salaries and Allowances	**13.0**	11.3
	(Includes value of perquisites Rs 0.2 million)		
	(PY: Rs 0.2 million)		
(ii)	Contribution to Provident Fund	**0.5**	0.4
	(PY: Rs 0.4 million)		

Note: As regards retirement benefits, other than Provident Fund, since they have been done on a global Basis no allocation has been made.

In addition to the above, the Chairman and Managing Director has been allowed use of company's car, including private journeys on payment of Rs. 780 per month, as contained in the Ministry of Finance (BPE) circular No.2 (18)/PC/64 dated November 29,1964 as amended. Functional Directors have also been allowed to use company's cars, including private journeys on payment of Rs.150 per month as per the policy of the Company.

75. Leases:

(A) Finance Leases

a) Aircraft Fleet and Equipment acquired subsequent to 1st April 2001, under finance leases are treated as if they had been purchased outright. The cost of these assets taken on lease is Rs.205082.7 million (Previous Year: Rs. 198288.9 million). The future lease obligation is Rs.133575.1 million as at March 31, 2013 (Previous Year: Rs. 140685.9 million).

b) Liability on account of future minimum lease rentals is as under:

(Rs in Million)

	Particulars	As at 31.03.13	As at 31.03.12
a)	Outstanding balance of minimum lease payments including interest thereon		
	- Not later than one year	**16,909.3**	17,546.8
	- Later than one year and not later than five year	**70,410.6**	65,220.7
	- Later than five years	**54,280.6**	67,854.3
	Total	**141,600.5**	150,621.8
b)	Present Value of (a) above		
	- Not later than one year	**15,071.0**	15,501.4
	- Later than one year and not later than five year	**65,327.3**	59,291.2
	- Later than five years	**53,176.8**	65,893.3
	Total (*)	**133,575.1**	140,685.9
c)	Finance Charges	**8,025.4**	9,935.9

Note: Interest has been calculated assuming LIBOR as 0.5%

(B) Operating Lease

a) The Company has taken aircraft on non-cancelable operating lease. The future minimum lease rental payment, as at March 31, 2013 is Rs.5824.1 million (Previous Year: Rs.9265.4 million).

Liability on account of future minimum lease rentals in respect of leases acquired after April 01, 2001:

(Rs in Million)

Particulars	**As at 31.03.13**	As at 31.03.12
a) Not later than one year	**3,274.6**	3,805.4
b) Later than one year and Not later than five years	**2,549.5**	5,460.0
c) Later than five years	**0.0**	0.0
Total	**5,824.1**	9,265.4

However, in case of premature termination, the Lessee is required to pay the Lesser as per the terms of the agreement which includes balance lease rent and losses suffered by the Lesser due to early termination like swap cost, unwinding charges etc.

Lease rent expenses, in respect of aircraft taken on lease recognized in Statement of Profit & Loss for the year is Rs.5322.4 million (Previous Year Rs. 4178.6 million).

b) The Company has taken various residential/commercial premises under cancellable operating lease. The details relating to expired leases out of the above are being compiled.

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 whereof is not material, hence not disclosed.

76. Airline Allied Services Limited (AASL) Wholly Owned Subsidiary :

As per the MOU signed between AIL and AASL, the company is providing extensive infrastructure and administrative support to AASL. In terms of the MOU handling charges for such administrative & operational support and in-house maintenance charges of ATR/CRJ aircraft have been charged to AASL during the year. However, an amount of Rs 5649.9 million (Previous Year: Rs 4443.6 million) is receivable by the company from AASL as on 31st March 2013 which is under reconciliation.

77. The Subsidiary Companies of the company are having accumulated losses and net-worth of these companies has eroded as on 31/03/2013. However, in view of the ongoing Turnaround Plan as well as restructuring in place, in the opinion of the management, the diminution in the value of investment has not been considered as permanent and as such no provision of Rs.729.5 million in respect of such losses has been recognized. Information regarding the accumulated losses of the companies is given in the statement attached as required under Section 212 of the Companies Act, 1956. In view of continuity of the operations of these subsidiary companies, no provision has been considered necessary towards advances amounting to Rs.19351.1 million outstanding as on 31/03/2013 (Previous Year: Rs 13979.1 million).

78. A class action suit in a foreign country is pending against the company along with other foreign airlines, the financial impact of which is not ascertainable.

79. Payments to and Provisions for Employees:

a) Liability for wage arrears includes Rs.3419.2 million (Net) (Previous Year Rs.4088.9 million) arrived at on ad-hoc basis towards wage settlement up to period 31st 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.

c) A Committee headed by Justice Dharmadhikari was appointed by Ministry of Civil Aviation to rationalize the pay structures in the merged entity and to bring uniformity in the Pay-Scales in line with the DPE guidelines. The Committee submitted its report in January 2012 to the Ministry. Thereupon the rationalized Pay-Scales were determined by the Management for different categories of employees, other than Pilots and Engineers where the Dharmadhikari Committee had recommended that a reference should be made to the Cabinet for approval since, being in the licensed category they did not fit in the DPE Pay-Scales. The CTC of all other categories was put up on the website seeking the views of the employees. Subsequently, several grievances were filed before the Anamoly and Rectification Committee set up by the Management to look into these grievances. In the meanwhile a section of the employees challenged some of the recommendations of the Dharmadhikari Committee before the Bombay High Court and the matter is sub-judice. The cabinet later approved the recommendations by the Management to rationalize the pay and allowances of Pilots and Engineers to bring it in line with the industry standards. Pending the implementation of the Dharmadhikari Committee recommendations, Management is paying 75% of the allowances payable to various categories effective July 2012 in line with the recommendations made by the Dharmadhikari Committee. The balance amount of Rs 2361.4 million has been shown as Contingent Liability pending the outcome of the judgment of the court case.

d) As part of the TAP/FRP, the Company has transferred/deputed 10569 employees to its two subsidiary Companies Air India Engineering Services Limited (AIESL) and Air India Air Transport Services Limited (AIATSL) effective 1st February 2013.The employees transferred to AIESL subsequently went to the Bombay High Court against the Management's decision. The Bombay High Court upheld the decision of the transfer subsequent to which the employees approached the Supreme Court under a Special Leave Petition (SLP), The Supreme Court dismissed the SLP on 9th May 2013 based on the assurance given by the Management that it would settle the admitted dues, if any, of the employees transferred within a period of 18 months from the date of the transfer. Similarly, the employees transferred to AIATSL approached the Chennai High Court for a stay on the transfer and the matter is sub-judice. Pending the finalization of the rates and operationalization of the subsidiary companies, the Company has not given effect to the above transfers in the books of 2012-13.

e) In terms of wage agreement with certain cabin crew/pilot, union an adhoc provision of Rs. 500.4 million is being carried in the books of accounts towards arrears of flying allowance pending final computation thereof.

80. 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 up to a maximum of 300 days. However, lapsable Privilege Leave which was hitherto allowed to be encashed has now been discontinued effective 1st April 2013 and the employees have to avail the same. An estimated amount of Rs.150.0 million has been disclosed in this regard as Contingent Liability.

c) Sick Leave Encashment: Sick Leave encashment is payable to all eligible employees at the time of retirement up to a maximum of 120 days subject to the condition that the employee should have at least 60 days of Sick Leave to his credit. During the year, it was also decided that sick leave standing to the credit of all existing employees as on 01.07.2012 shall stand frozen and the employee would be allowed to encash the same only at the time or retirement provided that he/she has not exhausted that leave at the time of retirement. Further, it was decided that encashment of sick leave which has accrued beyond 01.07.12 will not be allowed and the employee has to avail the same.

d) Post Retirement Medical Benefits: The Company has a Post Retirement Medical Benefit Scheme under which medical benefits are provided to retired employees and their spouse.

e) Others: Apart from the above the company also provided retirement gift to retiring employees and reimbursement of expenses relating to transportation of personal effects to their home town at the time of retirement.

(B) Defined Contribution Plan

Employees Provident Fund: The Company has an 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:-

(Rs in Million)

	Particulars	Gratuity		Post Retirement Medical Benefits	
		As at 31.03.13	As at 31.03.12	**As at 31.03.13**	As at 31.03.12
(a)	**Table for Change in Benefit Obligation:**				
	Liability at the beginning of the year	**8,545.1**	7,930.2	**1,611.1**	1,572.6
	Interest Cost	**714.3**	643.0	**132.9**	127.3
	Current service cost	**329.4**	352.5	**490.1**	361.2
	Past Service Cost (Vested Benefit)	**0**	0	**0.0**	0.0
	Benefit paid	**(1,089.6)**	(806.3)	**(356.4)**	(312.8)
	Actuarial (gain)/loss on obligations	**1,132.1**	425.7	**(82.7)**	(137.2)
	Liability at the end of the year	**9,631.3**	8,545.1	**1,795.0**	1,611.1
(b)	**Table for Fair Value of Plan Assets:**				
	Value of Plan Assets at beginning of the year	**-**	-	**-**	-
	Expected return on Plan Assets	**-**	-	**-**	-
	Contributions	**1,089.6**	806.3	**356.4**	312.8
	Benefit paid	**(1,089.6)**	(806.3)	**(356.4)**	(312.8)
	Actuarial (gain)/loss on Plan Assets	**-**	-	**-**	-
	Fair value of Plan Assets at the end of the year	**-**	-	**-**	-
	Total Actuarial Gain/(Loss) on Plan Assets	**0.0**	0.0	**0.0**	0.0
(c)	**Table of Recognition of Actuarial Gains/Losses:**				
	Actuarial (Gains)/Losses on obligation for the period	**1,132.1**	425.7	**(82.7)**	(137.2)
	Actuarial (Gains)/Losses on asset for the period	**-**	-	**-**	-
	Actuarial (Gains)/Losses recognized in P&L A/c	**1,132.1**	425.7	**(82.7)**	(137.2)
(d)	**Amount Recognized in the Balance Sheet:**				
	Liability at the end of the year	**9,631.3**	8,545.1	**1,795.0**	1,611.1
	Fair value of Plan Assets at the end of the year	**-**	-	**-**	-
	Amount Recognized in the Balance Sheet	**9,631.3**	8,545.1	**1,795.0**	1,611.1
(e)	**Expense recognized in the P & L Account:**				
	Current service cost	**329.4**	352.5	**490.1**	361.2
	Interest cost	**714.3**	643.0	**132.9**	127.3
	Expected return on Plan Assets	**-**	-	**-**	-
	Net actuarial (gain)/loss to be recognized	**1,132.1**	425.7	**(82.7)**	(137.2)
	Past Service Cost (Vested Benefit)	**0.0**	0.0	**0.0**	0.0
	Expense recognized in the P & L Account	**2,175.8**	1,421.2	**540.3**	351.3
(f)	**Balance Sheet Reconciliation:**				
	Opening Net Liability	**8,545.1**	7,930.2	**1,611.1**	1,572.6
	Expense as above	**2,175.8**	1,421.2	**540.3**	351.3
	Benefit Paid	**(1,089.6)**	(806.3)	**(356.4)**	(312.8)
	Net Liability/(Asset) Recognized in P&L A/c	**9,631.3**	8,545.1	**1,795**	1,611.1
(g)	**Actuarial Assumptions for the year:**				
	Discount Rate	**8.00%**	8.25%	**8.00%**	8.25%
	Salary Escalation Rate	**5.50%**	4.00%		
	Medical Cost Inflation Rate	**-**	-	**5.50%**	4.00%
	Attrition Rate	**2.00%**	2.00%	**2.00%**	2.00%

(D) The Company has changed the post retirement medical benefit scheme during the year. The precise financial impact of actuarial liability determined by the actuary due to such change, is yet to be ascertained.

81. Deferred Tax Assets

The Company has taken several initiatives towards cost cutting and revenue enhancement during the year 2012-13 which has resulted in an improved operational performance. These measures include complete route rationalization of erstwhile AI & IA routes & elimination of route networks involving parallel operations; rationalization of certain loss making routes; Induction of brand new aircraft on several domestic & international routes to increase passenger appeal; phasing out & grounding of old fleet; return of leased aircraft, freezing of employment in non-operational areas; relocation of EDs / IBOs from abroad to India; closure of overseas offline offices at certain locations; leveraging the assets of the Company to increase MRO revenue and revenue from Company's real estate properties; up-gradation of IT Infrastructure & implementation of Quick Win IT Solutions; introduction of PSS (Passenger Services System) to have a single code and SAP ERP based Solutions; establishment of Integrated Operations Control Centre and Hub Control Centre in Delhi; operationalization of Subsidiary Companies such as AIATSL & AIESL and transfer of manpower and equipment and treating them as Independent Profit Centers; induction of the B-787 aircraft on Medium Capacity Long Haul Routes, implementation of Comprehensive Financial Restructuring Plan (FRP) as proposed by SBI CAPS.

The Govt. of India has also approved the infusion of equity of Rs.302310 million up to 2021 including Upfront equity infusion of Rs. 67500 million; Equity infusion for funding cash deficit Rs. 45520 million (FY 2013 to FY 2021); Equity for guaranteed aircraft loans FY 2021 of Rs.189290 million.

The Govt. of India has so far infused Rs.122000 million from the year 2009-10 uptill 31.12.13. There has been a substantial improvement in the performance of the Company in the year 2012-13 vis-à-vis 2011-12 in terms of Operational Parameters which has resulted in reduction of Cash Losses during this period.

As a result of the aforesaid measures, AI achieved EBIDTA positive status in 2012-13, and is expected to be Cash Positive in 2018 & PAT / Net-worth Positive in 2020.

The Deferred Tax Asset is therefore recognized only to the extent of Deferred Tax Liability as shown below:

(Rupees in Million)

Particulars	Balance as on 31.03.2012	DTA/DTL Recognized in 2012-13	Total DTA as on 31.03.13
(A) Deferred Tax Liability			
(i) Related to Fixed Assets	55,362.6	5,904.3	61,266.9
Sub-Total (A)	**55,362.6**	**5,904.3**	**61,266.9**
(B) Deferred Tax Asset			
(i) Unabsorbed Depreciation	47,112.9	5,904.3	53,017.2
(ii) Business Loss	32,127.9		32,127.9
(iii) Other Disallowances Under IT Act	4,547.0		4,547.0
Sub-Total (B)	**83,787.8**	**5,904.3**	**89,692.1**
Deferred Tax/(Liability) (Net)	**28,425.2**	**0.0**	**28,425.2**

82. Earnings Per Share

(Rupees in Million)

Particulars	As at 31.03.13	As at 31.03.12
Profit/(Loss) After Tax & Before Extra-Ordinary Items	**(65,119.4)**	(78,253.1)
Less: Extra-Ordinary Items	**(10,217.8)**	(2,655.7)
Profit/(Loss) after Tax & Extra-Ordinary Items	**(54,901.6)**	(75,597.4)
Weighted Average No. of Equity Shares	**5,940,687,671**	2,450,753,425
Before Extra-Ordinary Items (Rs per Share)	**(11)**	(31.9)
EPS After Extra-Ordinary Item (Rs per Share)	**(9.2)**	(30.8)

83. The Micro, Small and Medium Enterprises Development Act

The data related to Micro Small and Medium Enterprises is being compiled and the process of up-dating masters in SAP regarding identification of MSME is under progress and the precise data is therefore not readily available. 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 for delayed payments. In other cases, necessary compliance/disclosure will be ensured in due course.

84. A letter has been written to the Ministry of Corporate Affairs (MCA) for granting exemption from complying with the disclosure requirements in the Notes to Accounts forming part of the Balance Sheet and Profit & Loss Account in respect of Paragraph 4-D (a) to (e) except (d) [which is also not applicable to the company] of Part II of Schedule VI of the Companies Act 1956. The classification of Current/Non Current, Trade/ Other receivables and Creditors and other items have been done to the best extent possible/practicable.

85. In absence of relevant Notification by the Government of India specifying the period and applicable rate at which cess on turnover is payable under Section 441A of the Companies Act, 1956, the same is not determinable and hence, not provided for.

86. Remuneration to Auditors

The details of the audit fees and expenses of the Auditors:-

(Rupees in Million)

Particulars	**2012-13**	2011-12
Audit Fees - For the Year	**6.0**	6.0
Audit Fee - earlier years	**0.0**	2.0
Out of Pocket Expenses*	**1.9**	2.4
Total	**7.9**	10.4

** Accounted on Payment Basis*

87. Financial Restructuring Plan

Financial Restructuring Plan (FRP) was implemented by the Company on 01 October 2011 to realign Working Capital borrowings of the Company as on 30 September 2011 in order to provide relief to the Company. FRP provided relief to the Company in the form of reduction in interest rate, rates in case of INR loans ranging from 12 % to 13% to the uniform floating rate to 11% on Short term loan (STL), and Long Term loan (LTL), Funded Interest Term Loan (FITL) and Assessed Working Capital.

In Nov-Dec'12, the Company issued Non-Convertible Debentures (NCDs) to the tune of Rs 74000.0 million at the interest rate of 9.08%. Proceeds of NCDs have been utilized for repayment of STL from FRP Lenders. The issuance of NCDs has brought relief in the form of interest payment by the Company as interest rate of uniform floating rate of 11% on STLs reduced to 9.08% on NCDs. The Government of India (GOI) has also agreed to bring in Equity Capital for funding of interest on the above NCDs.

All Banks participating in the FRP have confirmed balances as on 31 March 2013. However, there are few differences between balances as confirmed by the Banks vis-a-vis balances as per Air India amounting to Rs 113.5 million (balance as per banks being less), which has been shown as other liability under Note_5. A part of these differences have since been reconciled and rectified by the Banks. Correspondence with Banks is in progress for reconciling the remaining differences as on 31st March 2013.

Equitable mortgages of immovable properties have been created for 3 properties at Chennai and Hyderabad out of the total 12 properties as stipulated in the FRP.

As per TAP/FRP the GOI has agreed to bring in equity of Rs.302310 million up to FY 2021 which would comprise upfront equity of Rs 67500 million, equity infusion for cash deficit Rs.45520 million and equity infusion for repayment of guaranteed aircraft loans of Rs.189290 million. Government has also agreed to infuse Equity for interest on NCDs of Rs 74000.0 million issued in Nov-Dec'12. Pursuant to the FRP, during FY 2012-13, GOI has infused

Equity to the tune of Rs 60,000 Million. Thus, total Equity Infusion under FRP as on 31st March 2013 aggregated to Rs 122000 million.

As a result of fiscal constraints, the Government, which was requested to infuse an amount of Rs.85740 million during FY 2013-14 has infused only Rs.50000 million resulting in a deficit of Rs.35740 million. The GOI has stated that this amount may be infused in AI in March 2014 depending upon the savings in the budget allocations given to different Ministries. The Company is confident of receiving the equity infusion of the balance amount of Rs.35740 million by 31.3.2014. In the interim, the GOI has issued a guarantee of Rs.20000 million in order to raise short term working capital loans to meet the operational requirements of the Company. The Company has requested the Ministry of Finance to reimburse the interest cost payable on such loans also in the Budget of 2014-15. The Company has also made an application for inclusion of impact of exchange rate variation (vis-à-vis the rate of exchange projected in TAP) on repayments of the principal amount on the aircraft guaranteed loans in the Budget of 2014-15. The impact of this works out to Rs. 9260.0 million.

88. Going Concern

In order to improve its operational & financial performance, the Company has formulated a TAP which entails both operational & financial turnaround of the company. Based on the company's assumption on TAP which has been independently vetted by Deloitte, a FRP has been prepared and implemented effective 1st October 2011 which envisages aligning of the debt repayments of the Company in line with the projected Cash Flows. GOI has also approved the infusion of equity in the form of Upfront Equity Infusion Rs. 67500 million, Equity for funding Cash Deficit Rs.45520 million (up to 2018) & Equity for guaranteed aircraft loans of Rs.189290 million (up to FY 2020), thereby totaling to Rs.302310 million from FY 2012-2021. GOI has also issued an unconditional & irrevocable guarantee for Rs.74000 millions for issue of Non-Convertible Debentures (NCDs) the proceeds of which has been used for repaying the Short Term Loans (STLs) of the banks thereby reducing the interest burden. The NCDs have been subscribed by Life Insurance Corporation of India and Employee Provident Fund Organization (EPFO). These NCDs have been issued with a 19 year maturity and have been placed at an interest rate of 9.08%. GOI has also set up specific milestones for achievement in terms of PLF of 73% by 2015 and 75% by 2020, yield and utilization parameters as indicated in the TAP. The induction of the aircraft in future would be based only on Route Planning & Economics and would be reviewed after 2014-15. The MRO & the GH activities have been hived-off as proposed in the TAP. The assets would be monetized and Cargo & Mail revenues will be enhanced as per the TAP. The HR Policy has also been reviewed across the company and a new organization structure has been approved by the Board in order to right-size the position at various levels in the organization hierarchy. An Integrated IT System has already been put in place for improving operational performance. This involved setting up of an Integrated Operational Control Centre (IOCC) and Hub Control Centre (HCC) at T3 in Delhi in order to integrate the domestic and international operations of the company. The IOCC and HCC would provide an online and real time tracking system of all the flights on the route network and would enable better utilization of the aircraft. An Oversight Committee has also been formed at the GOI level to ensure implementation of the TAP and closely monitor the actual performance against the milestones. The Oversight Committee has so far held 6 meetings in order to review the operational and financial performance of AI.

GOI has so far infused Rs.122000 million by way of equity into the company from the time the FRP was implemented. An amount of Rs.50000 million was released during the FY 2013-14 as equity to AI. The balance amount of Rs.35740 million was requested in the Supplementary Grants for approval by the GOI. However, due to fiscal constraints the GOI has decided that the amount would be available to AI in March 2014 when the actual utilization of various Ministries' against their budgeted allotment would be available with the Ministry of Finance and any surplus available would be allocated towards the equity requirement of AI. The GOI has also been approached for additional sums by way of equity for exchange losses suffered by the company from the time the FRP was implemented uptill FY 2013-14. The additional request made by AI towards this amounted to Rs.9260.0 million.

The Company achieved EBIDTA positive status in 2012-13 with an improvement in the operational and financial performance and barring exceptional circumstances or factors beyond the company's control, the Company is expected to be Cash Positive in 2018 & PAT Positive in 2020.

Due to the support of GOI as well as the various measures 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. The Accounts are therefore being prepared on the 'Going Concern' basis.

89. Previous Year figures have been re-grouped/re-arranged wherever considered necessary to be compatible and comparable with current year figures, to the extent of information being available and practicable of compilation.

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
R. Devendra Kumar & Associates
Chartered Accountants

Sd/-
D. K. Gupta
Partner
M.No. 09032

For and on behalf of
Kapoor Tandon & Co
Chartered Accountants

Sd/-
Rajesh Parasramka
Partner
M.No. 074192

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman & Managing Director

Sd/-
S. Venkat
Director Finance

Sd/-
Kalpana Rao
Company Secretary

For and on behalf of
P.K.K.G. Balasubramaniam & Associates
Chartered Accountants

Sd/-
C. Ramesh
Partner
M.No. 025985

Place : New Delhi
Date : 4 February 2014