

**DIRECTORS' REPORT**

The Shareholders,

Your Directors have pleasure in submitting the Eighth Annual Report of the Company together with the Audited Accounts, Auditors' Report and Comments of the Comptroller and Auditor General of India on the accounts for the year ended 31 March 2015.

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

The financial performance of the Company during the year 2014-15 was as under:

(Rupees in Million)

Particulars	2014-15	2013-14
Total Revenue	206,131.6	194,807.4
Total Expenses	264,661.8	264,201.9
Profit/(Loss) before Exceptional and Extraordinary Items & Tax	(58,530.2)	(69,394.5)
Exceptional Items	(528.2)	464.6
Profit/(Loss) before Extraordinary Items & Tax	(59,058.4)	(68,929.9)
Extraordinary Items	459.3	6133.9
Profit/(Loss) before Tax	(58,599.1)	(62,796.0)
Less: Provision for Tax	-	-
Net Profit/(Loss)	(58,599.1)	(62,796.0)

1.2 Physical Performance:

Particulars	Unit	2014-15	2013-14
ASKMs (Scheduled Services)	Million	48859	45428
ASKMs (Total)	Million	49050	45704
PKMs (Scheduled Services)	Million	36000	33279
PKMs (Total)	Million	36000	33279
ATKMs (Scheduled Services)	Million	6624	6244
ATKMs (Total)	Million	6651	6273
RTKMs (Scheduled Services)	Million	4143	3906
RTKMs (Total)	Million	4143	3906
Passenger Load Factor	%	73.7	73.3
Overall Load Factor	%	62.5	62.6
No. of Pax Carried (Scheduled Services)	Million	16.8	15.4
No. of Pax Carried (Total)	Million	17.2	15.8
Freight Carried	Tonnes	193495	211162
Total Revenue Hours Flown	No.	337335	322319

2. OTHER FINANCIAL INFORMATION**2.1 Share Capital****Authorised Share Capital**

The Authorised Share Capital of the Company is Rs.25,000,00,00,000/- divided into 25,000,000,000 equity shares of Rs.10/- each.

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

As on 31 March 2015 the Issued, Subscribed & Paid-up Share Capital of the Company is Rs.171,780,000,000/- divided into 17,178,000,000 fully paid up equity shares of Rs.10 each. During the year 2014-15, Government of India infused Rs.57,800 million towards equity capital.

2.2 Aircraft Project Loans :

As on 31 March 2015, the position of aircraft loans, including future lease obligations in respect of finance leases and Non Convertible Debentures issued for Aircraft financing, was as under :

(Rupees in Million)

Total Loan due as on 1 April 2014	222,423.80
Add: Amount drawn during April 2014 to March 2015	46,284.20
Less: Amount repaid during April 2014 to March 2015	50,721.70
Add : Exchange adjustments due to revision in rates of Currencies	7,754.60
Balance as on 31 March 2015	225,740.90

2.3 Annual Plan Outlay 2014-15**(Rupees in Million)**

	Approved	Actual
Aircraft Projects		
Payment to aircraft/spare engine manufacturers	3,490.00	2,440.00
Interest to be Capitalised		
Non-Aircraft Projects		
Other capital expenditure	2,200.00	1740.00
Equity infusion by Government of India	65,000.00	57,800.00
TOTAL PLAN OUTLAY	70,690.00	61,980.00

2.4 Annual Plan Outlay 2015-16

The Annual Plan Outlay for the year 2015-16 is Rs.32,050.00 million. The Company has spent Rs.25,607.3 million up to September 2015.

2.5 Twelfth Five Year Plan – 2012-13 to 2016-17 (Approved)**(Rupees in Million)**

Aircraft Projects	11,730.00
Non-Aircraft Projects	18,650.00
Budgetary support from Government	150,960.00
Total Plan Outlay	181,340.00

3. MEETINGS OF THE BOARD OF DIRECTORS

Sr.No.	Date of Meeting	Board Strength	No.of Directors Present
1.	16 April 2014	12	11
2.	26 June 2014	12	7
3.	24 July 2014	12	12
4.	2 September 2014	12	11
5.	5 November 2014	12	12
6.	11 December 2014	12	10
7.	17 March 2015	11	11



4. INFORMATION ABOUT SUBSIDIARY AND JOINT VENTURE COMPANIES

The following are the wholly owned subsidiaries of the Company :

Air India Air Transport Services Limited

Air India Charters Limited

Air India Engineering Services Limited

Airline Allied Services Limited

Air India holds 80% Equity Shares of Hotel Corporation of India Limited and remaining 20% Shares are held by the President of India.

Company has a Joint Venture Agreement with Singapore Airport Terminal Services (SATS) in the ratio of 50:50 to provide ground handling services to airlines at certain Metro airports in pursuance of Government of India Notification on the Ground Handling Policy.

5. INDUSTRIAL RELATIONS

Relations with the work force continued to be cordial during the year 2014-15.

6. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Although Air India was not mandated to earmark specific funding for CSR activities under the Guidelines on Sustainability and CSR for CPSE dated 2 November 2012, it was required to achieve CSR objectives by integrating business processes with social processes wherever possible and taking up such initiatives which did not involve cash outgo. Objectives related to Sustainable Development (SD) could be achieved through saving / conservation activities or by collaboration / co-operation with other private / public organizations.

Air India continues to undertake the CSR activities like Sustainable Development activities through Fuel Efficiency Gap Analysis with the help of IATA, Green Cabin Services, Fuel Management Services, FwZ – Sabre Flight Planning System.

Air India is promoting Adarsh Smarak in co-ordination with Ministry of Culture through the IFE on board by promoting films on India's historical monuments. Air India also supports and promotes sports activities.

6.1 Encouragement/assistance to small scale industrial units

The Company continued to support the MSME Units / Social Welfare/ Charitable Organizations. The procurement from MSME Units and the selective sourcing/procurement from social/charitable organisations amounted to Rs.3,448.73 million during the year.

6.2 Environment Protection

Environment Management System

Air India celebrated World Environment Day on 5 June 2015 highlighting the theme Swachh Bharat is a Swasth Bharat in sync with Hon'ble Prime Minister's vision for Swachh Bharat – A Clean India.

7. VIGILANCE

The focus and guiding principles of the functioning of Air India Vigilance are in accordance with the thrust notified by the CVC. The main thrust was upon Promoting Good Governance-Positive Contribution of Vigilance and also on Leveraging Technology and speedy disposal of departmental enquiries.



The Vigilance Department has been conducting periodical follow-ups with the concerned Departments for speedy disposal of departmental enquiries.

During the year, besides main line investigations, the Department has conducted 95 Surprise Checks, 20 Procedural Audits, 10 Field Studies and 12 Station Inspections.

8. OFFICIAL LANGUAGE IMPLEMENTATION

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

In order to facilitate officers/employees in doing their official work in Hindi, 47 Hindi workshop training programmes were organized. 116 officers and 280 employees were trained in these training programmes.

The IInd Sub-Committee of the Committee of Parliament on Official Language carried out Official Language inspections of Coimbatore Station to review progress of Hindi. During this period, Official Language Department of the Company also carried out regular inspections.

Information given on online reservation system was updated in Hindi on regular basis. Material related to In-flight entertainment system was also updated from time-to-time. Facility for internal correspondence in bilingual form was made available on Intranet. Taking one more step forward towards adopting information technology in official work, Rajbhasha Portal in Air India Intranet site has been made functional. Initially, facility to fill-up Quarterly Progress Report online has been provided.

9. IMPLEMENTATION OF RESERVATION POLICY :

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

SC/ST/OBC – Number of employees as on 31 March 2015

Total No. of employees	Total No. of SC employees	% of SC employees	Total No. of ST employees	% of ST employees	Total No. of OBC employees	% of OBC employees
21137	4391	20.77	1509	7.13	1336	6.32

10. CORPORATE GOVERNANCE

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

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

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

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

**11. NOMINATION AND REMUNERATION COMMITTEE**

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

Name of the Director	Position held in the Committee	Category of the Director
Prof Ravindra Dholakia	Chairman	Part Time Non Official Director
Prof Prem Vrat	Member	Part Time Non Official Director
Jt Secretary, Ministry of Civil Aviation	Member	Govt. Nominee Director
Chairman & Managing Director	Member	Chairman & Managing Director

12. AUDIT COMMITTEE

In compliance with the provisions of Section 177 of the Companies Act, 2013 and DPE Guidelines, the Company has constituted the Audit Committee of the Board in November 2007. As on 31 March 2015, the following were the Members of the Audit Committee :

Name of the Director	Position held in the Committee	Category of the Director
Smt Renuka Ramnath	Chairperson	Part Time Non Official Director
Smt M Sathiyavathy	Member	Govt. Nominee Director
Prof Prem Vrat	Member	Part Time Non Official Director
Director (Finance)	Special Invitee	Executive Director
ED-Internal Audit	Special Invitee	Executive Director
Shri Rohit Nandan	Permanent Invitee	Chairman & Managing Director

13. MANAGEMENT DISCUSSION & ANALYSIS REPORT

A detailed Management Discussion and Analysis Report is given separately.

14. PERFORMANCE EVALUATION OF BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

Air India being a Government Company, the performance evaluation of the Company is carried by the Administrative Ministry through the process of Memorandum of Understanding every Financial Year. Further, there is also performance evaluation of Functional Directors by Ministry of Civil Aviation. Ministry of Corporate Affairs has now exempted Government Companies from the provisions of Section 134 (3) (p) of the Companies Act, 2013 vide Notification dated 5 June 2015.

15. POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION

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

**16. DECLARATION OF INDEPENDENCE**

Shri Ravindra Dholakia, Shri Prem Vrat, Shri Gurcharan Das, Air Marshal (Retd) K K Nohwar and Smt Renuka Ramnath have been appointed as Independent Directors on the Board of the Company as required under Section 149(10) of the Companies Act, 2013 for a term of 3 years as per the directions of the Ministry of Civil Aviation, Government of India.

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

17. DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the current Financial Year, the following changes have occurred in the constitution of Directors of the Company :

Sr No.	Name	Designation	Date of Appointment	Date of Cessation	Mode of Cessation
1	Shri Syed Nasir Ali	Nominee Director (MOCA)	13.07.2012	20.12.2014	Nomination not extended by MOCA
2	Shri Arun Kumar	Nominee Director (MOCA)	23.04.2014	01.01.2015	Nomination not extended by MOCA
3	Shri B S Bhullar	Nominee Director (MOCA)	01.01.2015		
4	Shri S S Mohanty	Nominee Director (MOCA)	11.02.2015	06.05.2015	Nomination not extended by MOCA

18. SEXUAL HARASSMENT

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

The following is a summary of sexual harassment complaints received and disposed off during the year 2014-15:

No. of Complaints received	9
No. of Complaints disposed off	6

19. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm :

- that in the preparation of the annual accounts, the applicable accounting standards had been followed and wherever there are deviations, necessary disclosures have been given;



- that the selected accounting policies were applied consistently, other than disclosed in the Notes to Accounts, and the Directors made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2015 and of the profit or loss of the Company for the period ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a 'going concern' basis; and
- The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

20. COMMENTS OF COMPTROLLER AND AUDITOR GENERAL OF INDIA

The comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the accounts of the Company for the year ended 31 March 2015 and the replies of the Management are annexed to this report.

21. STATEMENT SHOWING DETAILS OF EMPLOYEES

Your Company being a Government Company, is exempted from the provision of Section 197 of the Companies Act, 2013 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) vide Ministry of Corporate Affairs (MCA) Notification dated 5 June 2015.

22. AUDITORS

M/s PKKG Balasubramaniam & Associates, Chennai and M/s Thakur Vaidyanath Aiyar & Co., Delhi and M/s Sarda & Pareek, Mumbai were appointed Joint Statutory Auditors for the year 2014-15 by the Comptroller & Auditor General of India.

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

23. SECRETARIAL AUDITORS

The Board has appointed M/s Jiwan Parkash Saini, Company Secretaries, New Delhi to conduct the Secretarial Audit for Financial Year 2014-15. The Secretarial Audit Report for the Financial Year ended 31 March 2015 along with Management clarifications / explanations to the qualifications or adverse remarks of the Auditor is annexed to this Report.

24. EXTRACT OF ANNUAL RETURN

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

25. MATERIAL CHANGES AND COMMITMENTS

As required under the provisions of Section 134(3)(l) of the Companies Act, 2013, following changes have occurred between 31 March 2015 and the date of the Directors' Report which have affected the financial position of the Company :

Government of India has infused Rs.18,470.0 Million as Equity in the Company and Rs.14,530.0 Million towards Grants during April-November 2015.

The Board has accorded its approval to dry lease 14 A320 NEO aircraft from M/s ALAFCO.

**26. RELATED PARTY TRANSACTIONS**

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

27. RISK MANAGEMENT

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

- Provide an overview of the principles of risk management;
- Explain approach adopted by the Company for risk management;
- Define the organizational structure for effective risk management;
- Develop a “risk” culture that encourages all employees to identify risks and associated opportunities and to respond to them with effective actions;
- Identify, assess and manage existing and new risks in a planned and co-ordinated manner with minimum disruption and cost, to protect and preserve Company's human, physical and financial assets.

28. ORDER OF COURT

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

29. ANNUAL REPORT OF SUBSIDIARIES AND CONSOLIDATED FINANCIAL STATEMENT

In accordance with the provisions of Section 134 of the Companies Act, 2013 and the AS-21 on Consolidated Financial Statements read with AS-23 on Accounting for Investments in Associates and AS-27 on Financial Reporting of Interests in Joint Ventures, audited Consolidated Financial Statements for the year ended 31 March 2015 of the Company and its Subsidiaries form part of the Annual Report.

30. CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be “forward-looking” statements within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied. The important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply, global economic condition and pricing in the domestic and overseas markets in which the Company operates, changes in the Government policies, regulations, tax laws and other statutes and other incidental factors. Fuel is a major determinant of the airline's profitability constituting nearly 31% of its total costs and any major variation in its prices could impact the airline's profitability. Besides this, global and economic factors like slowdown, liquidity crisis in the global markets, geo-political conditions and stability, exchange fluctuations in the US dollar in which most of the debts/expenses of the Company are denominated could also influence the airline's performance.



31. ACKNOWLEDGEMENTS

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

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

For & on behalf of the Board

(Ashwani Lohani)

Chairman & Managing Director

Place : New Delhi
Date : 29 March 2016