

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AIR INDIA LIMITED FOR THE YEAR ENDED 31 MARCH 2015.**

The preparation of financial statements of **Air India Limited** for the year ended 31 March 2015 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139(5) or 139(7) of the Act are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 23 November 2015.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of Air India Limited for the year ended 31 March 2015. The supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

ASSETS**Long Term Loans and Advances (Note 10) : Rs.41,363.7 million.**

This includes Serve from India Scheme (SFIS) Scrips/claims of Rs.11,551.5 million. These included scrips amounting to Rs.6,815.6 million, the validity of which had expired on 27 September 2014 for which renewal, though sought by the Company has not been granted. Further, the company had earlier filed a claim for issuance of scrips amounting of Rs.4735.9 million for the financial year 2007-08 which had not been granted due to change in Foreign Trade Policy at that time Despite this, the Company had revived the claim and recognized revenue of Rs.4735.9 million in 2013-14. SFIS Scheme for airlines was discontinued with effect from January 2011. Government concurrence/clearance is necessary for the renewal of expired Scrip and issuance of scrips which is not available with the Company Hence, necessary provision should have been made for the expired and unapproved SFIS scrip claim amounting to Rs. 11,551.5 Million. However, this has not been done. Therefore, the loss of the company stands understand and Loans and Advance overstated by Rs.11,551.5 million.

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

Place : Mumbai
Date : 25 January 2016

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



MANAGEMENT REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AIR INDIA LIMITED FOR THE YEAR ENDED MARCH 31, 2015

| Audit Observation | Management Reply |
|---|--|
| <p>ASSETS</p> <p>Long Term Loans & Advances (Note 10) Rs 41,363.7 million</p> <p>This includes Serve from India Scheme (SFIS) Scrips/claims of Rs 11,551.5 million. These included scrips amounting to Rs 6,815.6 million, the validity of which had expired on 27 September 2014 for which renewal, through sought by the Company has not been granted. Further, the company had earlier filed a claim for issuance of scrips amounting to Rs 4,735.9 million for the financial year 2007-08 which had not been granted due to change in Foreign Trade Policy at that time. Despite this, the Company had revived the claim and recognized revenue of Rs 4,735.9 million in 2013-14. SFIS Scheme for airlines was discontinued with effect from January 2011. Government concurrence/clearance is necessary for the renewal of expired Scrip and issuance of scrips, which is not available with the Company. Hence, necessary provision should have been made for the expired and unapproved SFIS Scrip claim amounting to Rs 11,551.5 million. However, this has not been done. Therefore, the loss of the company stands understated and Loans and Advances overstated by Rs 11,551.5 million.</p> | <p>The company has approached the Ministry of Civil Aviation to take up with the office of DGFT for extending the validity of the SFIS Scrips amounting to Rs 6,815.6 million and the Ministry of Civil Aviation has already forwarded a note to the DGFT office for extending the validity of the Scrips which have so far expired. The Management is hopeful of having the Scrips revalidated in due course after receiving the necessary approvals.</p> <p>Further, as regards the claim of FY 2007-08 for Rs.4,735.9 million, which was accounted for in FY 2013-14, the Management is confident of receiving these Scrips in due course of time from the office of the Director General of Foreign Trade (DGFT) as this application is under process for necessary action through the Ministry of Civil Aviation. This case is being followed up with the Ministry of Commerce and Industry and the company is expecting a favorable settlement of the same. We also understand that DGFT have issued Scrips to another airline in India in the recent past after a lapse of time.</p> <p>The utilization of these Scrips will be primarily towards payment of excise duty for domestic sourcing of ATF. The company is also planning to transfer certain amount of Scrips to its Group companies / Subsidiaries / JV's who are planning to import Capital equipment and machinery in the next two years for their use and also for payment of normal customs duty on spares.</p> <p>The Management is confident of receiving these Scrips in due course of time from the office of the Director General of Foreign Trade (DGFT) and accordingly, no provision for the same has been considered necessary in the books of accounts.</p> |