AIR INDIA ENGINEERING SERVICES LIMITED

BOARD OF DIRECTORS (AS ON 21 NOVEMBER 2019)

Shri Ashwani Lohani	Chairman
Shri Vinod Shanker Hejmadi	
Shri Praveen Garg	
Shri Satyendra Kumar Mishra	

Chief Executive Officer

Shri H R Jagannath

Chief Financial Officer

Shri Kapil Aseri

Company Secretary

Shri Gagan Batra

Statutory Auditors

M/s Prakash Chandra Jain & Co
Chartered Accountants

Registered Office

Airlines House, 113, Gurudwara
Rakabganj Road
New Delhi - 110001

CHAIRMAN'S SPEECH

Dear Shareholders,

It gives me great pleasure to present to you the fifteenth Annual Report of the Company for the year 2018-19. At the outset, I would like to thank you for your continued support. As always, we remain committed to pursue growth opportunities not only ensuring expansion of our businesses but also creating value for all our stakeholders in a sustainable manner.

I take this opportunity to share the performance of the company during the past year and future outlook for the company.

PERFORMANCE OF THE COMPANY DURING THE YEAR 2018-19

The financial performance of your company during FY 2018-19 was as under:

- The operating revenue has increased from Rs. 785.10 crores in the previous year to Rs. 1191.96 crores in the current year and the total revenue of the company has increased from earlier Rs. 796.28 crores to Rs. 1206.4 during 2018-19 i.e. an increase of approx Rs. 410.12 crores (51.5%) in the total revenue.

- As against this, the total expenditure of the company has increased from Rs. 1291.93 crores in 2017-18 to Rs. 1387.27 crores 2018-19 which is an increase of approx Rs. 95.34 crores (7.37%).

- The loss of the company during year was reduced to Rs.180.87 crores as compared to Rs. 495.65 crores in previous year which resulted decrease in loss by approx Rs. 314.78 crores (63.5 %).

The company has shown improved financials and going by this trend, it is expected that the company may breakeven in a year or two down the line.

In FY 2018-19, company handled around 162 aircraft, on average basis, of Air India Limited and its Subsidiary Companies viz. Air India Charters Ltd. and Airlines Allied Services Limited. AIESL is also providing MRO services to Defense as well private sector wherever AIESL is having the capability. MRO services are proposed to be provided to all the airlines and aircraft within the flying distance of 5 hours from the facility.

Your company carried out base maintenance work for Domestic operators namely – Air Asia India, TATA SIA Airlines, Spicejet, GoAir, Indigo Airlines and Jet Airways in 2018-2019.

In addition, AIESL has also carried out major maintenance work for Aviation Research Centre, Indian Air Force, Indian Navy, Indian Coast Guard, HAL and Pawan Hans.

In 2018-2019, AIESL undertook maintenance of private parties aircraft like – Reliance RCDL, Jindal Steel (JSW), Taj Air Charters and Bluedart Aircraft.

In Dec 2017, changes in CAR 147 Basic was made by DGCA and it was made mandatory for DGCA approved AME Institutes to undergo Practical training at MROs with live aircraft. In 2018-2019, we have signed up with 32 Institutes for imparting training (PTE) to their students. Each of these AME Institute has approx.60 to 100 students in every batch.

Further, your company had in past technical handling agreement with 15 International Airlines and 2 Domestic Airlines for Line Maintenance work. During the year, AIESL signed SGHAs (Standard Ground Handling Agreements) with new International Airlines namely- Bhutan Airlines, Thai Smile, Malaysian Airlines Berhad, Mahan Air of Iran and ANA of Japan for their Line maintenance.

Your company had approval from 8 foreign Civil Aviation authorities namely Qatar, Kuwait, GACA (UAE), CAA Singapore, CAA Srilanka, CAA Nepal, CAA Thailand and CAA Bhutan and in 2018-2019; we submitted our application to 4 more foreign Civil Aviation authorities, viz. CAA of Seychelles, PACA Oman , CAA of Bangladesh and CAA Malaysia.

Overseas operations

AIESL, has firmed up plans to open an MRO unit in Kathmandu in Nepal and Colombo in Sri Lanka, Dubai and Abu Dhabi etc. where it expects to generate substantial revenue.

The Dubai & Abu Dhabi facility will be a part of AIESL's overseas expansion plan under which it first opened an international branch in Sharjah, United Arab Emirates. Based on the experience and backed by cost-benefit analysis, the opportunity to expand to other international stations will also be explored. At present, the report for Dubai, Kathmandu, Colombo and Abu Dhabi has been prepared to start AIESL line maintenance operations and achieve profitability.

CORPORATE GOVERNANCE

Your company always strives to attain highest standards of Corporate Governance practices. The company is complying with guidelines on Corporate Governance framed by Department of Public Enterprises (DPE) for CPSEs in letter and spirit, wherever applicable.

The evaluation of various parameters viz. Financial as well Technical was also done in terms of targets set out in the Memorandum of Understanding entered into by the company. The periodic return on compliance of Corporate Governance guidelines, were filed with the authorities concerned.

Your company is continuously working for the optimum benefit of all its stakeholders and has thus its corporate conduct to fulfill these responsibilities. The company has established systems and procedures to ensure that its Board of Directors is well informed about the policies of the company to enable them to discharge their responsibilities and to enhance the overall value of all stakeholders.

ACKNOWLEDGEMENT

I take this opportunity to thank Air India Limited, Airline Allied Services Ltd., Air India Charters Limited, Ministry of Civil Aviation and vendors for their unstinted support. I also acknowledge the support extended by all other authorities including Banks and regulatory agencies. I would like to thank my colleagues on the Board for their valuable guidance.

I would like to thank all employees of the company for their continued support in steering the Company towards profitability in the future.

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

Sd/-
(Ashwani Lohani)
Chairman

The statements on Vision and Mission of the company are as under:

Vision:

To provide best in class and timely quality services to the customers by maintaining highest standards of regulatory and safety compliance.

Mission:

Customer:

- Maintaining all aircraft of the captive work load of the fleet of Air India in a continuous state of airworthiness by the system of preventive and corrective maintenance to secure a high level of safety.
- Provide a “One Stop” solution to the customer.
- Faster Turn Around Time.
- To capture maximum Third Party work from in and around India.

Process

- To get DGCA approval under CAR 147 approval.
- To obtain FAA and EASA approval for all its establishment and facilities.
- Aggressive Marketing policy for more and more third party work.
- It needs to Department centric so, every Departmental Heads need to be responsible for the deliverables so as to fulfill the overall vision.
- Continuous monitoring of Quality through quality audit etc.
- Constant endeavor to upgrade the services, delivering highest customer satisfaction in terms of Quality, Service and Cost effective and ensuring long term strategic relationship.
- All-out effort to be the world class MRO without compromising the quality standard.
- Updating and enhancing the capability through training of the personnel and equipment of latest technology.
- Multiskilling of the personnel through cross training to enhance the productivity.
- Optimising operational cost.

BOARD'S REPORT

To,
The Members,
Air India Engineering Services Ltd.

Your Directors have pleasure in presenting their fourteenth Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2019.

1.1. Financial summary and highlights

The Company's financial performance is given hereunder:

(Rs. in crore)

Particulars	Financial Year ended 31.03.2019	Financial Year ended 31.03.2018
Total Revenue	**1206.4**	796.28
Total Expenses	**1387.28**	1291.93
Profit (Loss) before tax	**(180.87)**	(495.65)
Less Provision of Tax	**NIL**	NIL
Profit after tax	**(180.87)**	(495.65)
Other Comprehensive Income	**24.06**	51.22
Total Comprehensive Income	**204.93**	444.44
Balance of profit brought forward from previous year	**(1944.87)**	(1500.43)
Balance carried to Balance Sheet	**(2149.80)**	(1944.87)

1.2. Details of revision of Financial Statements or Board's Report

The Company has not revised its Financial Statements or Board's Report in respect of any of the three preceding financial years as mentioned in Section 131 (1) of the Companies Act, 2013.

1.3. Dividend

The directors are not recommending any dividend as the company has not earned any profits.

1.4. Transfer of unclaimed dividend to Invester Education and Protection Fund

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

1.5. Amount which the Board proposes to carry to reserves

The Board of the company has decided/proposed to carry NIL amounts to its reserves.

1.6. Major events during the year

1.6.1 Fleet details handled by AIESL during 2018-19 on average basis: -

Type of Aircraft	Average No. of Aircraft
A319	22
A320	31.4
A321	20
B787	27
B777	16.5
B747	4
ATR	17.5
B737	23.9

1.6.2 Utilization/ TDR (Technical Dispatch Regularity) achieved:

AIESL maintained the Technical Dispatch Regularity (TDR) and Utilization compared to Global Aviation Standard. The fleet wise TDR and Utilization were as under:

Fleet Type	Daily Utilization (Hrs) on Operating fleet	Daily Utilization (Hrs) on Total fleet	TDR (%)
A319	12.08	9.55	99.30
A320	13.24	12.08	99.35
A321	13.66	9.63	99.16
B787	15.02	12.41	97.34
B777	15.10	10.84	97.22
B747	12.20	3.86	97.34
ATR 42	9.49	8.17	98.83
ATR 72			99.01
B737	14.63	12.90	98.27

1.6.3 The operations of your Company have been divided into various regions/ profit centers. Their performances during the year and future plans are as given below:

I) **NAGPUR MRO:** Nagpur MRO is owned by Air India Ltd. but it is being run by AIESL.

A. <u>Regulatory approvals and work done in MRO, Nagpur can be summarized as under :</u>

- Approval has been obtained for GE-90 and GENX Engine Testing and GENX Engine for Quick Turn (QT) repair. QT repair was carried out on 2 engines. QT on the third engine was in progress.

- Approval was obtained for B787 Line Maintenance. Engine Change was carried out after QT repair.

- In-plant training (IPT) was being provided to students from AME institutes. It is a source of revenue for the MRO.

B. Overview Of Checks Completed during the year were as below :

- Aircraft B-777 – 200LR / 300ER:

‘D’ Check	-	13
‘C’ Check	-	15
‘Phase’ check	-	36
1500 days Check	-	01
Transit’ check	-	01

- Aircraft A320:

‘3A’ Check	-	01

- ATR-72 (Third Party Aircraft):

Maintenance support	-	01

C. Engine Change and Test Flight :

Both engines of aircraft (VT-ALQ) were changed and successful TEST FLIGHT was carried out on 17.08.2018. Subsequently, one Test Flight was carried out on B777 aircraft VT-ALU. Engine change on B787 aircraft VT –ANI was also carried out at Nagpur.

D. Maintenance of Third Party Aircraft –

- ALAFCO:
  Maintenance Services required for de-registration and re-registration was provided on two (2) B737 aircraft belonging to leasing company ALAFCO.
- MCAP:
  Maintenance Services required for de-registration and re-registration was provided on one (1) B737 aircraft belonging to leasing company MCAP.

E. Total Revenue earned for the company was as under:

2017-18: Rs. 31.27 crores
2018-19: Rs. 40.19 crores
2019-20: Rs. 23.25 crores (approx. till July 2019)

F. Revenue earned from Third Party Work :

2017-18: Rs. 0.41 crores
2018-19: Rs. 0.49 crores
2019-20: Rs. 2.52 crores (approx. till July 2019)

G. Revenue earned from in-plant training :

2017-18: Rs. 12 lacs
2018-19: Rs. 34 lacs
2019-20: Rs. 07 lacs (approx. till July 2019)

H. Future operations plan includes :

- Maintenance of A319/A320 series of aircraft for Full MPD Tasks.
- Approvals have been sought and are in process for CMRS, Machine Shop, Welding Section & Heat Treatment, B737 Safety Equipment and B737 Pressure Vessels. .
- Capability is being enhanced to carry out Quick Turn (QT) Repair on 3 GENX engines simultaneously.
- Construction is in progress for Engine Overhaul Workshop of GENX and GE 90 Engines.
- Development of calibration shop.
- Capability enhancement for on A320 Neo aircraft up to 4A Check is being planned.

II) HYDERABAD BASE (SOUTHERN REGION)

The performance of Southern Region during the period was as under:

1) Technical Certification provided to Client Airlines and revenue earned :

- Engineering Certification of Client Airlines Aircraft (A320 family A/c) of M/s Silk Air, M/s Qatar Airways, M/s Kuwait Airways, M/s Etihad Airways, M/s Air Vistara, M/s Nepal Airways as well as (for A330 A/c) to M/s Qatar Airways & M/s Kuwait Airways are provided at various Stations in Southern Region as given under :

Client Airlines	**APRIL 2018 to MARCH, 2019 (No. of Flights)**								
	MAA	**HYD**	**BLR**	**CCJ**	**CJB**	**COK**	**TRV**	**VTZ**	**Total**
Silk Air	164	15	168	--	166	110	277	157	1057
Etihad Airways	1042	853	910	--	--	--	544	--	3349
Qatar Airways	276	--	--	365	--	--	379	--	1020
Kuwait Airways	262	--	129	--	--	--	319	--	710
Air Vistara	2	583	--	--	--	902	--	--	1487
Nepal Airlines	--	--	122	--	--	--	--	--	122
Air Asia	1	--	--	--	--	--	--	1055	1056
Srilankan Airlines	--	--	--	--	--	--	--	102	102
TOTAL	**1747**	**1451**	**1329**	**365**	**166**	**1012**	**1519**	**1314**	**8903**

Note: On an average of INR 69 per USD is considered for revenue calculations.

- At the above stations, we had provided Engineering Certification earning revenue of approx. Rs.1789 Lacs during April 2018 to March 2019.
- By way of providing Engineering Hangar facilities for outside parties Aircrafts at Chennai, revenue of approx. Rs.94 Lacs was generated during April, 2018 to March, 2019.

- We had earned revenue of approx. Rs.29 Lacs during April, 2018 to March, 2019, through aircraft component servicing of outside parties at Hyderabad.

2) Major Check activity at MRO Complex, RGIA, Shamshabad:

At MRO, RGIA, Shamshabad "43" Major Checks, viz., "24" Major Checks (1A, 2A, 4A & Packages) for A320 family and "19" Major Checks (A, C, 4 yearly etc.,) on ATR were carried out during the period from April 2018 to March 2019.

3) Engineering Training School, CTE, Hyderabad :

We have earned a revenue of approx. Rs.9 Lacs during the period April 2018 to March, 2019 by providing training facilities to outside agencies at Maintenance Training Organisation (MTO), Hyderabad.

4) Revenue from AME Trainees/Inplant Trainees/Project Work :

During the period April, 2018 to March, 2019, we earned a revenue of approx. Rs.56 Lacs by intake of AME trainees/On Job Trainees (6 months & 1 month On Job Training).

5) Revenue from AASL (Component Servicing/LM/Major Maintenance):

During the period from April, 2018 to March, 2019, we earned a revenue of Rs.1691.16 lacs from AASL (Alliance Air) through Component Servicing/Major Checks/LM handling of ATR A/c.

6) Significant revenue was also earned by servicing of AI-A320 Family Aircrafts (Component Servicing/LM/Major Maintenance) in Southern Region. During April 2018 to March 2019 we serviced approx. 35880 Flts, 1890 Components and "24" Major Checks of AI-A320 Family Aircrafts in Southern Region.

7) Proposed marketing initiatives for additional revenue generation:

   i) Mandatory Structural OJT (On Job Training): Company signed MOE (Maintenance Organisation Exposition) with Fly Tech Aviation, Telangana Aviation Academy, Rajiv Gandhi Aviation Academy, Hyderabad and Utkal Aviation Academy from Bhuvaneshwar for Structural OJT as per DGCA, for training school approval.

   ii) Aircraft Familiarization OJT (On Job Training): VT-ESI at Begumpet is being utilized by MTO (Cabin Crew Training/BCAS/NSG). Thus, generating additional revenue.

   ii) We are continuously upgrading Hyderabad Capability and recent addition being : -

      a) 8C/12 Yrs/20 Yrs/OOP Tasks for A320 fly A5 Engines.

      b) A320 fly CFM leap 1A enhanced upto 4 'Ä' Check / P1, P2, includes modifications and structural repairs.

      c) ATR72 enhance to full scope approval at Hyderabad.

   iv) Southern Region obtained Major Checks approval from DGCA upto and including 4A Check inspection on A320 family (CFM56, IAE V2500 Engines). Accordingly, one Airbus

A/c underwent Major Check in Chennai. Also obtained DGCA approval upto and including 400 FH check inspection on A320 (CFM LEAP 1A Engines) at Chennai.

III) MUMBAI BASE (WESTERN REGION)

The performance of Western Region during the period was as under:

A. Under Carriage Section:

1) Air force aircraft VT-DXT (B707) Landing Gear Overhaul

- Capability enhancement done to carry out overhaul of B707 Landing gear as there was very poor response from all over word MROs to carry out the same.
- Overhaul of LH Main Landing gear (P/N 65-22113-63, S/N CPM 94998), RH Main Landing gear (P/N 65-22113-64, S/N CPM 9502863), Nose Landing gear (P/N 65-27501-3, S/N 0092735) had been successfully carried out.

2) B737 (Air India Express)

- Quantity 4 Main Landing gear and Quantity 2 Nose Landing gear overhaul completed in this year. RH Main Landing gear(P/N 161A1100-54 , S/N Y2782,Y2612), LH Main Landing gear (P/N 161A1100-53 , S/N Y2612, Y2672), Nose Landing gear (P/N 162A1100-13, S/N Y2672, Y2612),

3) B747-400 Body Landing gear RH Overhaul completed in this year (P/N 63B10471-462, S/N BL410)

4) Contribution given in AI Express incident aircraft VT-AYD recovery.

B. System and Control Surfaces section

1) Application forwarded to DGCA for capability enhancement of B777 condenser re-heater P/N 810210-2. Awaiting approval temporary authorization sought from AIESL QC and Quantity 2 (S/N 2017112067 and S/N 2009060739) Units certified in this year.

C. Structures

1) VT-ESP (B747-400): RH wing front spar web crack was found for first time on AI aircraft. This complex repair was carried out by COD structure team without any hold up or setbacks and within short time.

2) VT-ANB Lightning strike repair with titanium doubler was carried out first time at AIESL within limited time. There was very limited access from inside of the fuselage to carry out this repair.

3) Many structural repairs and SBs were carried out by structure group on Jet Airways aircraft VT-JEH which had come for check C in this year.

4) COD structure team played a major role in recovery of AI Express incident aircraft VT-AYD and VT-AYA in this year. The repair of fan cowl, Nose cowl, Fan T/R was extensive and challenging.

5) Air force aircraft VT-DXT (B707) visited AIESL facility for check 8C. There were extensive

corrosion findings on this aircraft. Most of them were repaired by COD structural team in this year.

D. Cabin Safety and Structural Section

1) Repairs of cockpit chairs at simulator in Operation Dept. (Air India) were carried out many times in this year.

2) Overhaul and changing of many Navy oxygen bottles carried out during the year.

3) The components certified in this year for Indian Navy were mainly from Pressure vessel section & Chair section.

E. Quality Control COD Capability List consists of 1201 Components.

1) Applications were forwarded to DGCA through Quality Dept. for capability enhancement of quantity 34 more new components of B777 and B787 aircraft.

IV) DELHI BASE (NORTHERN REGION)

The performance of Northern Region during the period was as under:

1) With the existing resources, NR was able to carry out multiple major checks on different 3rd party customers, resulting in extra revenue generation along with increase in productivity.

2) Northern Region achieved the distinction of reducing the time (TAT) taken for ‘A’ Check & its multiple checks carried out on A320 family a/c from 2 days to 1 day along with increased 3rd party workload. Reduction of TAT results into extra day of revenue flight after every ‘A’ & its multiple checks.

3) During the FY, numbers of components added in capability list as capability enhacement programme for different Overhaul Shops. The numbers added in capability are as follows:

- Accy OH Shop - 4 nos. of components with different part numbers
- Radio OH Shop – 2 nos. of Components
- Electrical OH Shop – 2 nos. of Components with different part numbers
- Instrument OH Shop – 4 nos. of components with different part numbers

Apart from it, 16 nos. of components in various OH Shops were to be added in short period of time. Approval is pending at DGCA end.

4) Availability of Oxygen Bottles for B777 & B787 was increased after carrying out activity in Instrument OH Shop, New Delhi.

V) KOLKATA BASE (Eastern Region)

The performance of Eastern Region during the period was as under:

1) Commissioning of aircraft air conditioning system heat exchangers cleaning & testing (that used

to be done aboard) leading to a foreign exchange saving of nearly USD5 lakh: DGCA approval granted for servicing heat exchangers P/N 753*, 754*,755*, 756*. The effective cleaning and servicing of Heat Exchangers have significantly improved reliability of ATA21 (Air-condition & Pressurization) system on aircraft.

2) A320 Family Air Cycle Machine (ACM) Level 1 testing: approval granted by DGCA to enhance capability of the same (P/N 1263* and 1814*). Entails a considerable foreign exchange saving.

3) Capability has been enhanced to carryout servicing the following new components:-

- Hot Cup, Part No. JD034006
- Hot Jug, Part No. JA003028
- Aircraft Convection Oven, Part No. 3G900-9999-000/ 3G900-9999-001

4) Fully Automatic New Test Bench has been commissioned to carryout testing of various D C Motors (Starter Motor), used in A320 classic, A320 Family Aircraft, APU and also used in jet Air Starter.

5) Identification of root cause of TAPRV and effort to minimize removals leading to more reliable hot air circuit of air conditioning system of aircraft; less faults related to hot sir system.

6) We are in the process of adopting APU 131-9A (A319 a/c) on the Test Cell designed for GTCP36-300A (A320 Classic a/c) at APU centre, AIESL, Kolkata. This will save a lot of out go for the company if final commissioning is successful. Progressively, we are preparing to place our demand before DGCA for their approval of testing capability on 3131-9A.

7) The up gradation project of high Flow Pneumatic section has been executed and the whole project is completed, awaiting tools/equipments. It will be able to test high pressure & temperature aircraft pneumatic valves that are being presently sent aboard for repairs enabling a considerable amount of foreign exchange savings.

8) APU centre, IDG section is now ready for testing and certification of 737-800 (CFM56-7B) IDGS and other similar IDG.

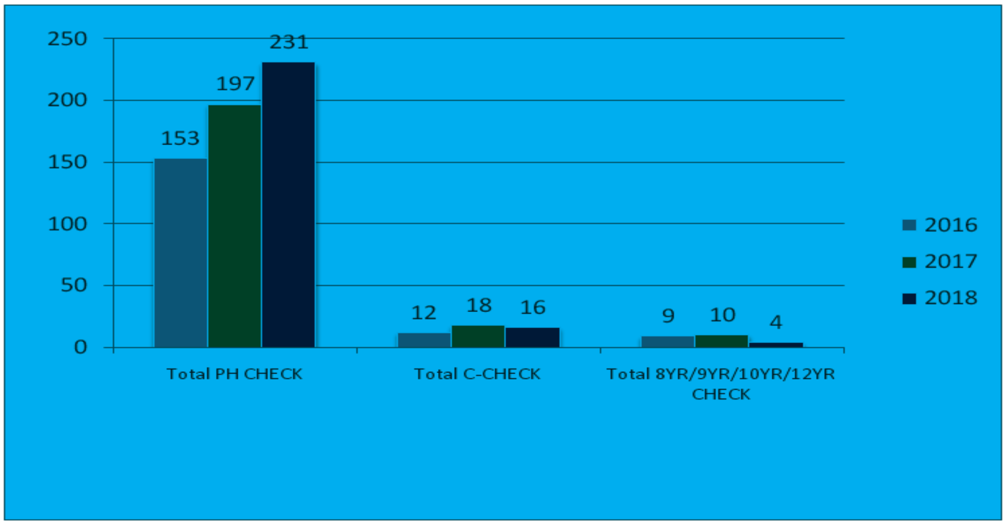
9) Engg. Training School, ER, Kolkata has earned Rs. 52.27 lacs revenue during Apr'18-Mar'19 by imparting vocational & on job training. The expected revenue till end of this year i.e. Dec'19 is 5 Crore by imparting such trainings.

VI) TRIVANDRUM BASE : The performance statistics were as under :

1.	Type of Aircraft in fleet	:	B 737-800 NG fitted with CFM 56-7B engine
2.	No. of aircraft	:	25
3.	Av. Utilization of aircraft	:	13.10 hrs/day
4.	No. of flight / week	:	610
5.	No. of station (International)	:	13
6.	No. of station (Domestic)	:	20
7.	Dispatch Reliability (TDR)	:	98.27

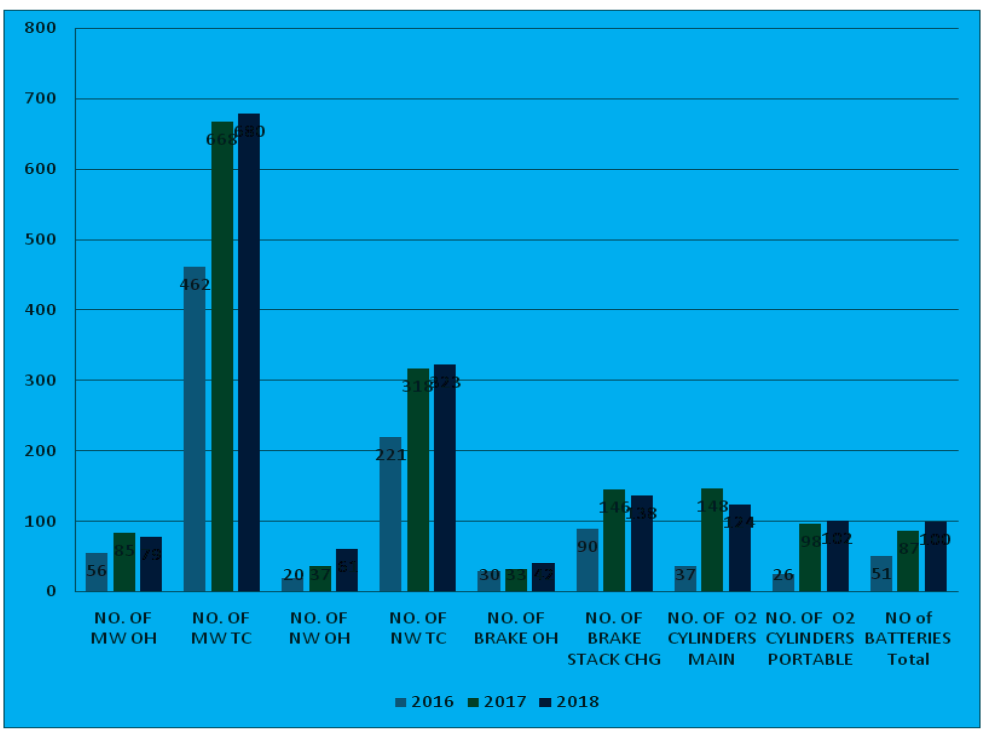
Trivandrum Base Maintenance Data Yr. 2018

1. Number of Phase checks : 231
2. Number of C – checks : 16
3. Number of Monthly checks : 155
4. Number of Yearly checks (08/09/10/12) : 4



COD Production Statistics Yr. 2018

- No. of Aircraft Main wheel : 763
- No. of Aircraft Nose wheel : 392
- No. of Aircraft Brakes : 181
- No. of Oxygen cylinders : 232
- No. of Aircraft Batteries : 100



Revenue Summary Till Yr. 2018-19

Financial year	2015 - 2016	2016-2017	2017-2018	2018-19
Total amount (in crores)	INR 39.54	INR 49.07	INR 71.48	INR 80.56

*NOTE: The above figure is inclusive of BASE, LINE, COD, MAJOR COMPONENTS, BORESCOPE, SNAGS, TC & ETC of Air India Express Fleet.

- In addition the total revenue for handling Silk Air was approx. 3 Crores INR.
- Revenue generated by MTO TRV in year 2018 was 3.5 Crores INR approx.
- The total Revenue was thus Rs. 87 Crores approx.
- Compared to this the total Annual Expenditure including MTO and all Line B737 Stations (19) was 40 Crores (Approx.).
- Total Profit earned for the company during this period was Rs. 47 Crores.

VII. JEOC (Jet Engine Overhaul Complex) : The performance of JEOC during the year was as under :

1. Capability Enhancement:

   a. LEAP Engine - BSI.
   b. LEAP Engine - TGB replacement.
   c. LEAP Engine - Bore Blending of HPC Blade.
   d. Maintenance of Air Asia - V2500-A5 Engine.

2. Type Wise Engine production :

   During the year various types of engines produced were as under :

Year	JT8D	V-2500	CFM	TOTAL
April 2018 to March 2019	2	0	18	20

3. The process for getting ISO-9001-2015 certification during the year was completed and the certification is awaited.

1.6.2 IMPLEMENTATION OF OFFICIAL LANGUAGE:

AIESL does not have a defined structure for implementation of Official Language Policy of its own, the same is done in AIESL in consultation with the Rajbhasha Section of Air India.

1.6.3 INDUSTRIAL RELATIONS

Industrial Relations were peaceful with no loss of man hours during the year.

No. of employees under various categories were as under:

	Permanent	Contract	Retired	Total
Executive	428	38	5	471
Staff	3077	1976	244	5297
Total	3505	2014	249	5768

Technical out of the above: 4965 (3191 Permanent + 1774 Contract)

Employees on deputation from Air India and other subsidiaries: 555

Employees on deputation to other companies: 245

1.6.4 IMPLEMENTATION OF RESERVATION POLICY

Recruitment in the company was done only on the FTE (fixed term employment) basis and the applicable guidelines of Government of India on Reservation policy were followed in this regard.

1.6.5 COMPLIANCE WITH RTI ACT, 2005

In compliance with provisions of the RTI act 2005, CPIO have been appointed in the company. The details of applications during the year are as under :

No. of RTI Applications received: 86

No. of RTI Applications disposed of: 86

No. of RTI Applications Pending: 0

1.6.6 DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

In compliance of requirement of the act, the committees have been formed across all regions for "Prevention of Sexual Harassment of Women at Workplace".

During the period FY 2018-19, only one (1) complaint was received i.e. in April 2018. The matter was referred to ICC (Internal Complaints Committee). After investigation, within the time limits, the committee concluded that the charges were false and baseless.

2. GENERAL INFORMATION

The Board of Directors of Air India Limited, the parent company, at its meeting held on 7th August, 2010 had approved the hiving off of Air India Engineering Services Limited (AIESL) as wholly owned subsidiary of Air India and a separate Profit Centre to cater the services towards Maintenance, Repair and Overhaul (MRO) activities of the captive load of Air India and it's other subsidiaries besides the workload from third Party customer of domestic and international market.

Accordingly Cabinet Approval was obtained on 6th September, 2012 for operationalisation of AIESL. After complying with, the requirements of various statutory and regulatory authorities, the approval was obtained from DGCA (Director General of Civil Aviation) to operate as an independent MRO under CAR 145, on January, 2015.

3. CAPITAL STRUCTURE - Details of equity shares issued

The authorised Share Capital of the company during the year was Rs. 1000 crores divided in to 100 crore equity shares of Rs. 10 each.

The Paid-Up Share Capital of the company during the year was 166,66,65,000 divided in to 166,66,65,00 equity shares of Rs. 10 each.

4. MANAGEMENT

4.1 Directors and Key Managerial Personnel

The following changes were occurred in the composition of directors of the company during the FY 2018-19:

S.No	Name	Designation	Date of appoint-ment	Date of cessation
1.	Shri Pradeep Singh Kharola	Chairman	12.12.2017	14.02.2019
2.	Shri Ashwani Lohani	Chairman	14.02.2019	-
3.	Smt Gargi Kaul	Govt. Nominee Director	06.05.2015	24.01.2019
4.	Shri Arun Kumar	Govt. Nominee Director	24.01.2019	10.07.2019

* Shri Praveen Garg was appointed as Govt Nominee Director on board w.e.f. 21.08.2019 in place of Shri Arun Kumar.

4.2 Number of Meetings of the Board of Directors

During the Financial Year 2018-19, the Company held four meetings of the Board of Directors in compliance with the requirements of Section 173 of Companies Act, 2013, which are summarized below.

S No. of meeting	Date of Meeting	Board Strength	No. of Directors Present
52 nd	07.06.2018	4	4
53 rd	03.10.2018	4	4
54 th	26.12.2018	4	3
55 th	18.03.2019	4	4

4.3 Composition of Committees and details of changes, if any

Audit Committee

The constitution of Audit Committee as required under the Companies Act, 2013 was approved by the Board of Directors in its 42nd Meeting held on 31st March 2016 in compliance of provisions of the Act and Guidelines on Corporate Governance for CPSEs. Following were the members of Audit Committee as on 31st March, 2019:

1) Govt. Nominee (* Shri Arun Kumar)	Chairperson
2) Govt. Nominee (Shri Satyendra Kumar Mishra)	Member
3) Nominee of Holding Co. (Sh Vinod Hejmadi)	Member
4) CMD, Air India (Shri Ashwani Lohani)	Permanent Invitee

* Shri Arun Kumar ceased to be Chairman Audit Committee w.e.f 10-07-2019. Shri Praveen Garg was appointed as director w.e.f. 21-08-2019 in place of Shri Arun Kumar

Subsequently, the constitution of Audit Committee under section 177 and the Nomination & Remuneration Committee under section 178 of Companies Act 2013 have been exempted for the wholly owned subsidiary companies vide notification no. GSR 880(E), dated 13-07-2017. AIESL being wholly owned subsidiary company of Air India thus got exempted from these provisions.

4.4 Company's Policy on Director's appointment and remuneration

Appointment Policy:

AIESL is a wholly owned Subsidiary of Air India Limited. As per the provisions of 97 Article of the Articles of Association of the Company, the number of Directors of the Company shall not be less than three and not more than fifteen all of whom shall be appointed by Air India Limited, who will prescribe the period for which they will hold office as director and may remove them and appoint others in their places and fill in any vacancy that may occur.

Remuneration Policy

Section 197 in respect of remuneration to directors of the Company is not applicable to AIESL being a Government Company, vide Notification No.G.S.R.463(E) dated 5th June, 2015.

4.5 Board Evaluation

It is not applicable to AIESL being a Government Company vide Notification No.G.S.R.463(E) dated 5th June, 2015.

4.6 Remuneration received by Managing / Whole time Director from holding or subsidiary company

There was no whole time director on the Board of the company during FY 2018-19.

4.7 Directors' Responsibility Statement

The Board of Directors of the Company confirm:-

(a) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

(b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) The Directors have prepared the Annual Accounts on a going concern basis;

(e) Company being unlisted sub clause (e) of section 134(3) is not applicable.

(f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

4.8 Internal financial controls

The Company has adequate internal financial controls for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies; the safeguarding of its assets; the prevention and detection of frauds and errors; the accuracy and completeness of the accounting records; and the timely preparation of reliable financial information, which is commensurate with the operations of the Company.

The Company had appointed M/S Sanjay Gupta & Associates as Internal Auditors for the financial year 2018-19. The Internal Auditor carried out an extensive audit, of internal financial controls and had submitted its report.

The statutory auditors are also required to issue the Independent Auditor's Report on the Internal Financial Controls of the Company under Clause (i) of Sub-Section 3 of Section 143 of the Companies Act 2013 from the current financial year. The report issued thereupon has been attached along with the Financial Statements of the company.

4.9 Disclosure regarding frauds

There were no frauds reported by the Auditor to the Audit Committee or to the Board, as per requirements under section 143 (12) of the Companies Act read with Rule 13 of the Companies (Audit and Auditor) Amendment Rules 2015.

5. DISCLOSURES RELATING TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Company does not have any Subsidiary, Joint venture or Associate Company.

6. DETAILS OF DEPOSITS

The Company has not accepted any public deposit during the year ended 31st March, 2019 as covered under the provisions of Section 76 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

7. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Particulars of loans, guarantees and investment have been disclosed in the financial statements.

8. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts/arrangements/transactions entered by the Company during the financial year with the related parties were in the ordinary course of business and on arm's length basis. The omnibus approval of Audit Committee and Board was taken for entering into contract with Air India Group companies (Air India, AASL, AIXL etc) for providing MRO related services upto the specified limits during FY 2018-19.

9. DISCLOSURES PERTAINING TO CORPORATE SOCIAL RESPONSIBILITY

Provisions of Section 135 of Companies Act, 2013 relating to Corporate Social Responsibility were not applicable to the Company as the company has not earned any profits during the relevant year (s).

10. DETAILS OF REMUNERATION OF EMPLOYEES

Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial

Personnel) Rules, 2014 in respect of employees of the Company is not applicable to AIESL being a Government Company Vide Notification No. G.S.R.463(E) Dated 5th June, 2015.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

(A) The company has made all efforts wherever possible for conservation of non renewable sources of energy and utilizing the alternative sources of energy.

(B) Foreign exchange earnings and Outgo

	(Amount)
Earnings	INR 5,65,82,930.00
Outgo	INR 16,84,07,099.00

12. RISK MANAGEMENT

The Company does not have any Risk Management Policy, at present. Therefore, the process of framing a risk management policy for the company has been initiated.

13. MATERIAL ORDERS OF REGULATORS

No significant and material orders were passed by the regulators or courts or Tribunals impacting the going concern status and company's operation in future during the year.

14. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM

Provisions of Section 177(9) relating to establishment of Vigil Mechanism for directors and employees, to report a genuine concern, are not applicable to the Company.

However, the holding company i.e. Air India has a separate Vigilance Department which covers the activities of its subsidiaries i.e. AIESL also.

15. AUDITORS

Statutory Auditors

The Comptroller & Auditor General of India (CAG) had appointed M/s Prakash Chandra Jain & Co, Chartered Accountants as Statutory Auditors of the Company for FY 2018-19.

Qualifications or adverse remarks in the Auditors' Report which require any clarification/ explanation along with reply of management thereto are **attached.**

The Notes on financial statements are self-explanatory, and needs no further explanation.

Comments of Comptroller and Auditor General of India

The comments dated 07-10-2019 of the Comptroller and Auditor General of India (C&AG) under Section 143(6)(b) of the Companies Act, 2013 on the accounts of the Company for the year ended 31st March 2017 along with reply of management thereto is attached.

16. SECRETARIAL AUDIT

The company had appointed M/s SGS Associates as Secretarial Auditor to conduct the Secretarial Audit for FY 2018-19.

Secretarial Audit Report (Form No. MR.3) forms part of Annual Report of the Company.

The explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report are attached and forms part of Annual Report.

17. COMPLIANCE WITH SECRETARIAL STANDARDS

The Secretarial Standards issued by ICSI under Section 118(10) of Companies Act, 2013 were compiled with by the company during the period. The compliance with Secretarial Standards was reviewed by the Secretarial Auditor also during the course of his audit for FY 2018-19

18. EXTRACT OF ANNUAL RETURN

In compliance with the provisions of 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 forms part of Annual Report of the company.

19. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of guidelines of Department of Public Enterprises for Public Sector Enterprises, a detailed Management Discussion and Analysis Report (MDAR) forms part of the Annual Report of the company.

Cautionary Statement

Statements in the Management Discussion and Analysis Report (MDAR) describing company's projections and estimates may be 'forward looking' statements within the meaning of applicable regulations. Actual results may differ materially from those expressed or implied.

20. CORPORATE GOVERNANCE REPORT

In terms of guidelines of Department of Public Enterprises for Public Sector Enterprises, a report on Corporate Governance for the period ended 31-03-2019 forms part of Annual report of the company.

21. ACKNOWLEDGEMENTS

The Board places on record its sincere appreciation and sincerely acknowledges the support and cooperation received from the holding company i.e. Air India, Ministry of Civil Aviation, Director General of Civil Aviation, Comptroller and Auditor General of India, Ministry of Corporate Affairs and other related agencies.

Your Directors are also thankful for the committed services by company Executives, Staff and Workers for their continued support in the endeavors of the company.

For and on behalf of the Board of Directors
Air India Engineering Services Limited

Sd/-
Chairman

Place: New Delhi
Date: 08-11-2019

MANAGEMENT DISCUSSION & ANALYSIS REPORT (2018-19)

1. Analysis of Financial Performance

Revenue :

- Total revenue earned during 2018-19 was Rs. 1206.4 Crores as against 796.28 Crores during 2017-18. (approx. 51.5%)

- Third party revenue increased from Rs. 95.02 Crores in 2017-18 to Rs. 106.38 Crores in 2018-19 (approx. 11.59%)

Expenditure :

- The total expendituren incurred during the year 2018-19 was Rs. 1387.27 Crores as compared to the previous year's figure of Rs 1291.93 Crores. (approx. 7.37%)

2. Marketing Initiatives:

AIESL's marketing team is in touch with various airlines and we are hopeful to sign up with new operators like AirAsia Berhad, Biman Bangladesh, Scoot Airlines, Malindo Air, JAL, EGYPT Air, Air Kanbawza, Jazeera Airways, Rawanda Air, Air Seychelles, Oman Air, Sri Lankan Airlines and Malaysian Airlines for additional stations in India.

In order to increase its business, following promotional activities were done by the company:

- AIESL became the only service provider in India with one-stop solution for all MRO activities and the same was highlighted by an online brochure on AIR INDIA website.
- The brochure of the company was brought out, highlighting the capabilities at:-
  a) Delhi (Northern Region & Jet Engine Overhaul Complex)
  b) Mumbai (Wide Body aircraft & Narrow Body aircraft)
  c) Hyderabad & Thiruvananthapuram (TRV)
  d) Kolkata (Narrow Body aircraft)

Following further initiatives are planned to be undertaken by the company:

- Updating of Airline Database of all International Airlines flying to India.
- Introducing AIESL along with services and capabilities to potential customers.
- Tracking the tenders of MRO Business for AIESL
- Representation by AIESL at various Air Shows and Exhibitions of aviation sector.
- Renewing the existing agreements with different airlines and exploring additional requirement with them.
- Establishing MRO setup at foreign stations to save cost and improve quality of service and to reduce SAFA findings.
- Listing the services of AIESL on various website to increase the visibility.
- Creating short films (2 to 3 Minutes), highlighting the capabilities of AIESL for international marketing through online and social media.

- Creation of micro websites and linking the same to the URL of Govt. of India, Ministry of Civil Aviation, Make in India & Incredible India.
- Creation of social media platform and promoting AIESL through same

With the above initiatives, AIESL operations along with financials would continue to achieve higher trajectory growth in the coming years.

3. Business Environment Analysis

(A) Global MRO Industry

The global Aircraft MRO is a multi-billion dollar industry growing at a robust rate year-on-year; however the Indian MRO market is yet to catch up.

Aircraft MRO is the overhaul, repair, inspection or modification of an aircraft or aircraft component to keep it operational and air worthy. MRO has become an indispensable activity in the aviation industry. The global MRO market is estimated to be around $61 billion in annual revenue growing at a CAGR of 3.80 percent over the period 2012-2020.

Market Segmentation.

The market for the Aircraft MRO sector is typically divided into four major segments, which include Airframe heavy maintenance and modification, Engine maintenance, Line maintenance and Component maintenance. As per estimates, Engine maintenance makes up the largest proportion of the global market (approx 39%), followed by component (approx 22%) and airframe heavy maintenance (approx 17%). Line maintenance / modifications account for just over one-fifth of the global market (approx 22%). Most major providers cater only for commercial customers with the minority offering services to government and defense clients.

Scenario in Asian Region

For decades, the commercial aircraft MRO market in Southeast Asia had been controlled by leading players in Singapore, which was the regional aviation hub. Singapore-based companies were providing maintenance services for airlines both in and outside the region.

As per estimation by Boeing and Airbus, the carriers in the Asia-Pacific region would require around 16,000 new aircraft, valued at approx. $2.5 trillion, by 2036. This implies huge opportunities for MRO service providers, as commercial aircraft must be inspected and maintained after defined no. of flights and overhauled every few years.

India, with its growing aircraft fleet, strategic location, pool of engineering expertise and comparatively lower labor costs, have great potential to to become a regional MRO hub.

The Indian MROs would serve India's fast-growing commercial aviation market and are expected to take FAA, European Aviation Safety Agency (EASA) certificates in addition to Directorate General of Civil Aviation (DGCA) certifications.

B) Indian Aviation MRO

Market Overview

The Indian MRO Market is in its growth stage. Due to lack of proper MRO facilities and high taxes being imposed on the provision of MRO services in India, 90% of the Indian MRO work is outsourced to countries like Singapore, Dubai, UAE, Sri Lanka and others. There are 8 major players in the Indian market namely, AIESL, Air Works, Indamer Private Limited, Deccan Charter, Taj Air, Bird ExecuJet, GMR Aero Technic Limited and Max MRO Private Limited.

Presently, the market is concentrated with these players capturing more than half of market revenue. Increase in the number of air passengers, drastic expansion of commercial fleet size, government initiatives and entry of low cost carriers have been major push factors for the growing market. India Aviation MRO Market growth was driven mainly by the rapid expansion of the aviation industry in India which was valued at USD 16 billion in FY'16. The air passenger traffic of scheduled airlines grew from 103.7 million in 2013 to 178.8 million in 2017. This increase along with growth in airline fleet sizes has increased demand for MRO services.

Growth Drivers and Restraints

Availability of low-cost manpower has given India an added advantage from the rest of the MRO hubs in the world such as USA, Europe, Singapore and others. Increase in the Indian commercial and business fleet size has been another major factor driving the demand for MRO services in the country. The current Indian Commercial Fleet size consists of more than 500 aircrafts and is expected to double by 2020. One of the biggest growth restraints for the market has been high taxes and custom duties levied on the MRO sector which has made them comparatively costlier in India than abroad. This has resulted in domestic and international airlines preferring to avail MRO services from outside India. As a result there is a loss of opportunity, employment and growth for the Indian economy.

Policy Challenges in India

Recently, the new policy to give a push to the maintenance, repair and overhaul (MRO) sector was announced in India.

A big change that occurred was that aircraft were allowed to come to India for 180 days without any permission. Prior to that, it could not come into the country for more than 15 days without a cumbersome approval process, which often took 30 days, from the Directorate General of Civil Aviation (DGCA). As a result, most airlines chose Malaysia, Dubai, Jordan, Sri Lanka, Singapore, and Hong Kong over India, even though India had the technical capability and could provide competitive rates. But the policy set this right and that helped.

Secondly, aircraft are now allowed to come in with passengers, ensuring no revenue is lost. Earlier, that too was not permitted, which meant a loss to the airline each time it flew empty.

But while some of the proposals did happen, there were others that failed to take off. A 19 per cent import duty on tools and spares that the new policy had proposed to remove remains as of now. So does the 13 per cent royalty charged on such work at the airports.

It is expected that at Delhi and Mumbai airports it may not happen since GMR and GVK, the two private players involved, have protested against this. The Delhi airport continues to charge a 20 per cent royalty. However, Cochin airport, also a private facility, is not charging any royalty. As a result, some private players have in fact taken hangars at Cochin for MRO work.

Then, the 14 per cent service tax has been replaced by the goods and services tax (GST), which is higher at 27 per cent. Earlier the tax that was paid on labour cost, could not be set off against the tax that was being paid by airlines, but now the full GST can be set off. Industry sources said this would be better for airlines as their overall tax liability would come down.

The MRO industry wants the Airport Authority of India (AAI) to allow MRO work to happen at its airports across the country. Although this is permitted at their airports, detailed rules and regulations makes it practically impossible. The space needs to be made available at reasonable rents and procedures simplified for MRO work to be carried out.

Further, the rentals at the two main airports of Delhi and Mumbai need to be rationalized. Rents charged at Delhi and Mumbai airports are approximately 50-100 per cent higher than that charged at equivalent facilities in Europe and Turkey. The revenue share amounts promised at these two facilities enables the two private players to charge as much as possible from the services providers like MROs.

Another issue for the MRO sector is poor training infrastructure. This is, however, expected to be addressed to some extent with the recent changes made in CAR 147 Basic regulations.

4. Future Outlook

India's current MRO market is estimated to be around $700-900 million and the estimates from local authorities in India value it at the higher end of this range. It is forecasted to grow at an expected 5 year CAGR of close to 10% by 2023. The market is estimated to grow at an expected CAGR of 12% in the longer run. As per another forecast from Boeing, the market would grow at a 7% compound annual growth rate (CAGR) and is expected to reach as much as $1.2 billion by 2020.

Union Budget 2019-20's focus on the Maintenance, Repair and Overhaul (MRO) industry has been welcomed by the industry. In her speech, the Finance Minister mentioned that the government will leverage India's engineering advantage and potential to achieve self-reliance in this vital aviation segment by adopting suitable policy interventions for the development of the industry.

With over 1,000 aircraft on order, India is poised to become the third largest buyer of commercial passenger planes in the world, with only the US and China ahead of it. Having received huge orders from Indian carriers, it is understood that aircraft manufacturers such as Airbus plan to build MRO facilities in India. However, the Indian business aviation market is complex from a maintenance perspective as it has over 60 different aircraft types operating in a total of about 500 aircraft (business jets, turboprops and helicopters). Therefore, the industry is highly fragmented and hence has its own challenges to counter.

Despite all the odds, India has the potential to transform into a MRO hub in this region. As the saying goes 'even eagles need a push'. This push for the MRO sector would result in that the government's 'Make in India' program would get a chance of becoming a reality. The multiplier effect of such MRO businesses would also have a far reaching positive impact on the Made in India program and would encourage aircraft operators in this part of the world to send their aircraft to India for major repairs. This would also contribute to better employment opportunities besides significantly contributing to the country's GDP.

5. RISK MITIGATION STRATEGIES

The Company continuously monitors the risk perceptions and undertakes preventive action, as may be required from time to time, for mitigation of risks on various fronts. In furtherance to its objective of mitigating the risks threatening the business or operations of the company, both financial and non financial, the company has initiated the process of forming a Risk Management Policy with clearly defined objectives and procedures.

6. INTERNAL CONTROL SYSTEMS

Company has adequate internal controls for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies; the safeguarding of its assets; the prevention and detection of frauds and errors; the accuracy and completeness of the accounting records; and the timely preparation of reliable financial information, which is commensurate with the size and nature of operations of the Company.

Further, M/S Sanjay Gupta & Associates were appointed by the company in its board meeting, as the Internal Auditors for FY 2018-19. The Internal Auditor had carried out an extensive audit of internal financial controls and had given its report.

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The company firmly believes in and has consistently practiced good Corporate Governance. The company's essential character is shaped by the values of transparency, professionalism and accountability. The company is committed to attain the highest standard of Corporate Governance. The philosophy of the company in relation to Corporate Governance is to ensure transparency in all its operations, make disclosures and enhance all stakeholders' value within the framework of laws and regulations.

2. Board of Directors

a. Composition of Board of Directors

Air India Engineering Services is a public sector undertaking and wholly owned subsidiary of Air India Ltd. Its Directors are appointed by holding company / administrative ministry. As per Articles of Association of the Company, the number of Directors shall not be less than three and not more than fifteen all of whom shall be appointed by Air India Ltd.

b. Board of Directors as on 31-03-2019

The composition of Board as on 31-03-2019 was as under:

i)	Shri Ashwani Lohani CMD, Air India Ltd.	-	Chairman
ii)	Shri Vinod Hejmadi, Director Finance, Air India Ltd.	-	Nominee Director of Holding Company
iii)	Shri Arun Kumar, AS&FA, MOCA	-	Govt. Nominee Director
iv)	Shri Satyendra Kumar Mishra, JS, MOCA	-	Govt. Nominee Director

Shri Ashwani Lohani, CMD, AI was appointed as Chairman on the Board of AIESL, w.e.f. 14.02.2019 in place of Shri Pradeep Singh Kharola.

Shri Arun Kumar, ASFA, MOCA was appointed as Govt. Nominee Director on the Board of AIESL, w.e.f. 24.01.2019 in place of Smt Gargi Kaul. Shri Arun Kumar ceased to be on Board of the company w.e.f. 10.07.2019 and Shri Praveen Garg, ASFA MOCA was appointed by the ministry as Govt nominee director in place of Shri Arun Kumar w.e.f. 21.08.2019.

The Board placed on record its appreciation of the valuable services rendered by Shri Pradeep Singh Kharola, Smt Gargi Kaul and Shri Arun Kumar, during their tenure on the Board of the company.

During the year, all Meetings of the Board and the Annual General Meeting were chaired by the CMD, Air India.

c. Board Meetings

During the Financial Year 2018-19, four meetings of the Board of Directors were held in terms of requirement of Section 173 of Companies Act, 2013. The details of the meeting are as under:

S No.	Number of Meeting	Date of Meeting	Board Strength	No. of Directors Present
1	52nd	07.06.2018	4	4
2	53rd	03.10.2018	4	4
3	54th	26.12.2018	4	3
4	55th	18.03.2019	4	4

d. Attendance of Directors at the Board/Shareholders' Meetings and number of other directorships

Name of the Director	Attendance Particulars		Details of other Companies	
	Board Meetings	Last AGM held on 26/12/2018	Directorships in other companies	Memberships held other Committees
Shri Ashwani Lohani, Chairman	1	No	Chairman: 7 Director: 3	Chairman: 3 Permanent Invitee:3 Member: 6
Shri Pradeep Singh Kharola, Chairman	3	Yes	Chairman: 5 Director: 4	Chairman:1 Member: 3
Shri Arun Kumar, Director	1	No	Government Nominee Director: 8	Member: 6 Chairperson: 3
Smt Gargi Kaul, Director	2	No	Government Nominee Director: 8	Member: 6 Chairperson: 3
Shri Vinod Hejmadi, Director	4	Yes	Director: 8	Chairman: 1 Member: 7 Special Invitee: 1 Co-opted Member: 1
Shri Satyendra Kumar Mishra, Director	4	Yes	Government Nominee Director: 5	Member: 8

e. Board Procedures

The meetings of the Board are generally held at the Company's Registered Office in New Delhi. The meetings are generally scheduled well in advance. In case of exigencies or urgency, resolutions are passed by circulation. The agenda for the meeting is prepared by concerned officials / CEO and approved by Chairman of the company. Board papers are generally circulated in advance to Board members. The members of Board have access to all information and are free to recommend inclusion of any matter in the agenda for discussion. Senior executives are invited to attend the Board Meetings and provide clarification as and when required.

3. BOARD COMMITTEES

a. Audit Committee

In compliance with the provisions of the Companies Act, 2013, and as part of requirement of DPE Guidelines on Corporate Governance, applicable to CPSEs, the company constituted Audit Committee of the Board in its 47th Board Meeting held on 26th April 2017 and subsequently reconstituted in its 50th Meeting held on 17th January 2018.

b. Composition

Following were the members of the committee, in their ex-officio capacity, as on 31-03-2019:

Govt Nominee Director, ASFA (Shri Arun Kumar)	-	Chairman
Govt Nominee Director, JS (Shri S.K. Mishra)	-	Member
Nominee of Holding company (Shri Vinod Hejmadi)	-	Member
CMD, Air India (Shri Ashwani Lohani)	-	Permanent Invitee

c. Terms of reference

The terms of reference of the Committee are as under:

i. To recommend for appointment, remuneration and terms of appointment of auditors of the company;

ii. To review and monitor the auditor's independence and performance, and effectiveness of audit process;

iii. To examine the financial statement and the auditors' report thereon;

iv. To approve or any subsequent modification of transactions of the company with related parties;

v. To scrutiny of inter-corporate loans and investments;

vi. Valuation of undertakings or assets of the company, wherever it is necessary;

vii. To evaluate of internal financial controls and risk management systems;

viii. To monitor the end use of funds raised through public offers and related matters.

d. Committee Meetings

Following Audit Committee Meetings were held during the FY 2018-19

S No.	Meeting Number	Date of the Meeting	No. of directors present
1	7th	07.06.2018	3
2	8th	03.10.2018	3
3	9th	26.12.2018	2
4	10th	18.03.2019	3

4. Annual General Meeting / Extra ordinary General Meeting : Annual General Meetings (AGM) /Extraordinary General Meeting (EGM) held during the last three years are as under:

AGM / EGM	Date and time of the Meeting	Venue of the meeting	Special Resolution
13th AGM	26.12.2018 at 1730 Hrs	Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No
12th Adjourned AGM	19.03.2018 at 1100 Hrs	Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No
12th AGM	20.09.2017 at 1600 Hrs	Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No
EGM	04.07.2017 at 11.15 Hrs	Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	Yes
11th Adjourned AGM	04.07.2017 at 11.00 Hrs	Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No

CODE OF CONDUCT

DECLARATION
(FY 2018-19)

I hereby declare that all the Board Members & Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors for the year ended 31 March 2019.

Sd/-
(H.R. Jagannath)
Chief Operating Officer
Air India Engineering Services Limited

Place : New Delhi
Date : 08-11-2019

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2019
(Pursuant to Section 204 (1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
Air - India Engineering Services Limited
Airlines House, 113, Gurudwara Rakab Ganj Road,
New Delhi – 110001.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Air - India Engineering Services Limited** (CIN:U74210DL2004GOI125114) (hereinafter called the Company or AIESL). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the **Air - India Engineering Services Limited's** books, papers, minute books, forms and returns led and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit and as per the explanations given to me and the representations made by the Management, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2019 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

A. I have examined the books, papers, minute books, forms and returns filed and other records made available to me and maintained by the company for the financial year ended on 31st March 2019 according to the applicable provisions of:

   i. The Companies Act, 2013 ('the Act') and the rules made there under;

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

      a) There were few instances of delay in filing of e-forms under the Act and the rules made there under, but they were regularized by payment of additional fees under the Act.

      b) Company has needs to appoint a woman director in compliance to Section 149 (1) and Rule 3 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 w.e.f. 24th January 2019.

      c) Risk Management Policy:

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

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

It has been clarified that the Company is under process of development of Risk Management Policy.

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

Queries raised by Statutory auditors of the company in Audit Observations in relation to compliance of Companies Act, 2013 which has been replied by the Management in Directors Report have not been reproduced here.

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; (Not applicable to the company)

(iii) The Depositories Act, 1996 and the Regulations and Byelaws framed thereunder; (Not applicable to the company)

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (Not applicable to the company)

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011; (Not applicable to the company)

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the company)

d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; (Not applicable to the company)

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the company)

f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (Not applicable to the company)

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the company) and

h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the company)

(vi) In aviation sector, following laws are specifically applicable to the Company:

- Aircraft Act, 1934
- Civil Aviation Requirements issued by DGCA

AIESL is approved by the DGCA under CAR 145, and CAR 147, both issued by the DGCA. Both these regulations have been issued under Rule 133B of Indian Aircraft Rule 1937. Besides that, any person certifying the aircraft needs to hold a license issued under the provision of CAR 66, which is a regulation under Rule 61.

For the compliance of the mentioned Regulations,

a) AIESL had made the policy documents called “Maintenance Organization Exposition (MOE)” and “Maintenance Training Organization Exposition (MTOE)”. These Documents are approved by the DGCA. Any amendment also needs to be approved by the DGCA.

b) AIESL Quality system needs to carry out frequent internal audits to ensure that each of the sections is in compliance of the regulations and the provision of MOE/MTOE.

c) DGCA conducts yearly scheduled audits. DGCA also carries out spot-checks, and other surprise audits.

d) AIESL is audited by agencies getting work done by AIESL, like the Air India and a number of other airlines.

e) AIESL is also subject to audits by foreign regulators, where AIESL is certifying the aircraft registered in their respective countries.

f) AIESL is also approved by many foreign regulators like EASA and FAA, who carry out surveillance audits.

DGCA has issued Civil Aviation Requirements (CAR) under section 4 of Aircraft Act, 1934 read with Rule 133A of Aircraft Rules, 1937 and the company is required to comply such requirements under DGCA check systems. While the broad principles of law are contained in the Aircraft Rules, 1937, Civil Aviation Requirements are issued to specify the detailed requirements and compliance procedures.

I further report, that the company is generally regular in compliance of aforesaid CAR under aviation laws and the compliance by the Company of such aviation laws have not been reviewed in this Audit which have been subject to review by DGCA and other designated professionals/authorities.

I have also examined compliance with the applicable clauses of the following:

a) Secretarial Standards issued by The Institute of Company Secretaries of India.

b) Guidelines on Corporate Governance for Central Public Sector Enterprises as stipulated in the

O.M. No. 18(8)/2005-GM dated 14th May, 2010 of the Ministry of Heavy Industries and Public Enterprises, Government of India.

c) Being unlisted company, company was not required to enter into any listing agreements with Stock exchange(s).

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

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

The Company contributes to Air India and its subsidiary airlines Employees Provident Fund Trusts under the Provident Fund Act, which governs the Provident Fund Plans for eligible employees.

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

In connection with aforesaid laws, adequate systems and processes are in place to monitor and ensure compliance with such laws.

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

a) To establish Corporate Compliance Committee and designate a Chief Compliance officer and to maintain centralized mechanism to ensure compliance with all applicable laws;

b) To establish and maintain effective co-ordination of functional units and the compliance department under the overall supervision of the Board;

c) To establish mechanisms to prevent, detect, report and to respond to non-compliances;

d) To present Quarterly compliance Report to the Board;

e) Identification and classification of various compliance risks;

f) Organization of compliance Check list, Audit, feedback, remedies.

I further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.

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

I further report that:

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

Adequate notice is given to all directors to schedule the Board Meetings at least seven days in advance and where the Board meetings are called at shorter notice ,presence of at least one Nominee director is ensured, agenda and detailed notes on agenda were sent and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting

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

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

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

I) During the financial year, there are no specific events having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

For SGS Associates Company Secretaries

Sd/-
FCS D.P.Gupta
Proprietor FCS No: 2411
CP No: 1509

Place : New Delhi
Date : 29th July 2019

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

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

‘Annexure A’

To,
The Members,
Air India Engineering Services Limited
Airlines House, 113, Gurudwara Rakab Ganj Road, New Delhi – 110001

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

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

For SGS Associates Company Secretaries

Sd/-
FCS D.P.Gupta
Proprietor FCS No: 2411
CP No: 1509

Place : New Delhi
Date : 29th July 2019

REPLY TO OBSERVATIONS OF SECRETARIAL AUDITOR

	Audit Observations	Management Reply
a	There were few instance of delay in filing of e-forms under the Act and the rules made there under, but they were regularised by payment of additional fees under the Act.	Statement of Fact
b	Company needs to appoint a woman director in compliance to Section 149(1) and Rule 3 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 w.e.f. 24th January 2019.	The company (AIESL) was in compliance of these provisions of Companies Act 2013 upto January 2019, as Smt. Gargi Kaul, Govt. Nominee Director was the Woman Director on the Board of company. Subsequent to cessation of Smt. Gargi Kaul on Board of the company in her ex-officio capacity, there is no Woman Director on the Board. Board of company was constituted by Ministry of Civil Aviation vide its order dated 26-12-2012. In terms of Article of Association of the company, directors on Board of company can be appointed by Air India Ltd. Ministry of Civil Aviation, therefore, has been requested by Air India to consider appointment of a Woman Director on Board of AIESL in compliance of statutory provisions.
c	Risk Management Policy: Provisions of Section 134(3)(n) of Companies Act, 2013 provides that there shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include- a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company. It has been clarified that the Company is under process of development of Risk Management Policy.	The process for framing a policy on Risk Management in compliance of provisions of Companies Act and DPE guidelines has been initiated.

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

Annexure to Directors' Report for the year 2018-19

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2019

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

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U74210DL2004GOI125114
2.	Registration Date	11/03/2004
3.	Name of the Company	AIR-INDIA ENGINEERING SERVICES LIMITED (AIESL)
4.	Category/Sub-category of the Company	Company Limited by shares/Union Government Company
5.	Address of the Registered office & contact details	AIRLINES HOUSE, 113 GURUDWARA RAKABGANJ ROAD ,NEW DELHI – 110001, Ph.No : 011-23422109
6	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	C-101, 247 Park, LBS Marg, Vikroli (West), Mumbai - 400039

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

Sr No	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Technical Handling, MRO and Other Services	9987	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:

Sr. No.	Name and Address of the Company	CIN/GIN	Holding / Subsidiary / Associate	% of Shares	Applicable Section
1	Air India Limited Airlines House, 113,Gurudwara Rakabganj Road, New Delhi, 110 001.	U62200DL2007GOI161431	Holding	100%	2 (46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity):

A) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2017]				No. of Shares held at the end of the year [As on 31-03-2018]				% Change during the year
	Demat	Physical	**during the year**	**% of Total Shares**	**De-mat**	Physical	**Total**	**% of Total Shares**	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	-	-	-	-	-	-	-	
b) Central Govt	-	-	-	-	-	-	-	-	
c) State Govt(s)	-	-	-	-	-	-	-	-	
d) Bodies Corp.	-	166,666,500	166,666,500	100	-	166,666,500	166,666,500	100	0.00
e) Banks / FI	-	-	-	-	-	-	-	-	
f) Any other	-	-	-	-	-	-	-	-	
Total shareholding of Promoter (A)		166,666,500	166,666,500	100	-	166,666,500	166,666,500	100	0.00
B. Public Shareholding	**Not Applicable**								
1. Institutions									
a) Mutual Funds/ UTI	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify) Foreign Banks	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions	**Not Applicable**								
a) Bodies Corp. (Market Maker + LLP)									
i) I Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-

c) Others (specify)									
i) Non Resident Indians	-	-	-	-	-	-	-	-	-
ii) Non Resident Indians - Non Re-patriable	-	-	-	-	-	-	-	-	-
iii)Office Bearers	-	-	-	-	-	-	-	-	-
iv)Directors	-	-	-	-	-	-	-	-	-
v)HUF	-	-	-	-	-	-	-	-	-
vi)Overseas Corpo-rate Bodies	-	-	-	-	-	-	-	-	-
vi)Foreign Nationals	-	-	-	-	-	-	-	-	-
vii)Clearing Mem-bers	-	-	-	-	-	-	-	-	-
viii)Trusts	-	-	-	-	-	-	-	-	-
ix)Foreign Bodies - D R	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B) = (B)(1)+ (B)(2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)		**166,666,500**	**166,666,500**	**100**	**-**	**166,666,500**	**166,666,500**	**100**	**0.00**

B) Shareholding of Promoter-

Sr No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Air India Limited along with its nominees	166,666,500	100	NIL	166,666,500	100	NIL	0.00

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

Sr No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
	Air India Limited	166,666,500	100%		
	At the end of the year				
	Air India Limited			166,666,500	100%

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

Sr No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	NOT APPLICABLE				
2					

E) Shareholding of Directors and Key Managerial Personnel:

S. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	NIL				
	(Note : Equity Shares are held by Nominees of Air India only, which includes directors also)				
	Total				

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

(In Rs Crore)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year				

* Addition	-	-	-	-
* Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(figures In Rs.)

Sr No	**Particulars of Remuneration**	**Name of MD/WTD/ Manager**	**Total Amount**				
	There were no Managing, Whole Time Directors in the Company. During the year 2018-19 except CEO. The details of CEO have been provided under KMP.	NIL					
1	Gross salary	-	-	-	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961						
	(b)Value of perquisites u/s 17(2) Income-tax Act, 1961						
	(c)Profits in lieu of salary under section 17(3) Income- tax Act, 1961						
2	Stock Option						
3	Sweat Equity						
4	Commission as % of profit others, specify.						
5	Others : (PF, DCS, House Perks tax etc)						
	Total (A)						
	Ceiling as per the Act						

B. Remuneration to other directors – Not Applicable

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

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

(figures in Rs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	**CS**	**CFO**	**Total**
1	Gross salary	29,95,200	Nil	22,76,256	52,71,456
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	32,400	-	-	32,400
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	Others, specify.	-	-	-	-
5	Others: (PF, DCS, House Perks tax etc)	-	-	-	-
	Total	30,27,600	NIL	22,76,256	53,03,856

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

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

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 ENGINEERING SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2019.

The preparation of financial statements of **AIR INDIA ENGINEERING SERVICES LIMITED** for the year ended 31 March 2019 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 appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is 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 05 August 2019.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **AIR INDIA ENGINEERING SERVICES LIMITED** for the year ended 31 March 2019 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor 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:

A. Comment on Financial Position

Assets

Non-current Assets

Other Intangible Asset (Note 2) - ₹ 271.38 crore

In 2014-15, the Company has capitalised assets under the head “Other Intangible Assets” for an amount of 271.38 crore incurred during the period October to December 2014 on payment of payroll expenses, staff expenses, gratuity/leave salary expenses and other general expenses to obtain Civil Aviation Requirements (CAR) 145 (License from DGCA for carrying out MRO services). Capitalisation of these expenses under “Other Intangible Assets” was not in accordance with accounting standards, basic accounting assumptions and principles and accordingly qualified by the Statutory Auditors in their Auditor’s Report for the period 2014-15, 2015-16, 2016-17 and commented by the C&AG for the period 2017-18.

This is also in contravention to Ind AS 38 and the basic accounting principles. These expenses could not be said to be directly attributable to create the asset as these employees were performing their duties in the normal course of business. This has resulted in overstatement of Other Intangible Assets and understatement of Other Equity (Debit balance of Statement of Profit and Loss) by ₹ 271.38 crore.

B. Comment on Disclosure

The company has neither recognised the Deferred Tax Assets and nor made the disclosure for not recognizing the same which is in non compliance to Indian Accounting Standard (Ind AS) 12 relating to Income Taxes.

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

Sd/-
(Prachi Pandey)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-I, New Delhi

Place: New Delhi
Date : 07 October 2019

Management's replies to the comments of Comptroller and Auditor General of India on the Financial Statements of Air India Engineering Services Limited for the year ended on 31st March, 2019

Sr. No.	Comment	Management's Reply
A.	**Assets** **Non-current Assets**	
	Other Intangible Assets (Note-2) –Rs. 271.38 crore In 2014-15, the Company has capitalised assets under the head "Other Intangible Assets" for an amount of Rs. 271.38 Crore incurred during the period October to December 2014 on payment of payroll expenses, staff expenses, gratuity/leave salary expenses and other general expenses to obtain Civil Aviation Requirements (CAR) 145 (Licence from DGCA for carrying out MRO services). Capitalisation of these expenses under "Other Intangible Assets" was not in accordance with accounting standards, basic accounting assumptions and principles and accordingly qualified by the Statutory Auditors in their Auditor's Report for the period 2014-15,2015-16,2016-17 and commented by the C&AG for the period 2017-18. This is also in contravention to Ind AS38 and the basic accounting principles. These expenses could not be said to be directly attributable to create the asset as these employees were performing their duties in the normal course of business. This has resulted in overstatement of Other Intangible Assets and understatement of Other Equity (Debit balance of Statement of Profit and Loss) by Rs. 271.38 Crore.	The expenditure so capitalized were in the nature of pre-operation expenditure. This is also a fact the expenditure are pertaining to the period October ~ December 2014 and the company could obtain the required DGCA License CAR 145 only on 1st January 2015, which is a mandatory requirement for running a MRO. The company started the process of obtaining the DGCA License CAR-145 in October 2014 and it was mandatory requirement to have the working manpower working under its payroll and have the hangers in working condition under its administrative control. It is pertinent to note that without demonstrating the working condition of company's hangers by its own staff, the company would not have been in a position to obtain the said license. In view of above, the company is of the opinion that the expenditure so incurred prior to commencement of its operation, were directly attributable for creation of intangible assets and since keeping the hanger in working condition was a precondition to obtain DGCA Licence, it can not be said that they were working in the normal course of business, as the company could commence its normal business only after obtaining necessary DGCA Licence in its name i.e. on 1st Jan 2015, whereas said expenditure is pertaining to the period OCT~DEC 2014. In view of above, the company is of the opinion that there is no overstatement of Other intangible Assets and understatement of Other Equity.

B.	Comment on Disclosure	
	The Company has neither recognised the Deferred Tax Assets and nor made the disclosure for not recognizing the same which is in non-compliance to Indian Accounting Standard (Ind AS) 12 relating to Income Taxes.	As per IndAS12 there needs to be a probability that the company will make a sufficient taxable income and the tax losses/ credits will be set-off against the same to recognize deferred tax assets in the financial statements. The company has been incurring cash losses since commencement of operation and thus deferred tax assets are not recognized due to low probability of future profits, offsetting the current tax losses/credits. The company has filed income tax returns using provisional financial statements. The amount of tax loss, unabsorbed depreciation and credits allowed to be carried forward under the Income Tax Act and its Rules are yet to be confirmed. Even though the company had disclosed the reasons for not recognizing the deferred tax assets in the previous years, as per IndAS with the non-availability of information pertaining to quantum of tax losses/credits and its expiry dates, the disclosure would be incomplete; as such discloser in this regard could not be made. However, in view of this comment, this aspect will be again looked into in the next financial year.

INDEPENDENT AUDITOR'S REPORT

To the Members of
Air-India Engineering Services Limited
Report on the Audit of the Standalone Financial Statements
Opinion

We have audited the standalone financial statements of Air-India Engineering Services Limited ("the Company"), which comprise the balance sheet as at 31st March 2019, the statement of Profit and Loss, the statement of changes in equity and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its loss, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

1. Company has not complied certain provisions of The Companies Act 2013, as stated below:

   (i) Second provison of section 149 (1) relating to appointment of women director

   (ii) Section 149 (4) relating to appointment of Independent Directors

2. As per para 9 of Ind-AS 2 on **Inventories**

   Inventories shall be measured at the cost and net realizable value.

   The Company has valued the inventories during the year at weighted average cost. Valuation of inventories was not done as per Ind-AS 2 at year end. Hence we are unable to comment on the impact of the same.

3. The Company has not deducted Income tax at source while accounting for certain expenses and provision for expenses. The impact of such non-compliance has not been ascertained.

4. The Company is calculating Interest Payable/Receivable on average balance of Inter Companies. The Company has not calculated Interest as per MOU with various Inter Companies. Hence we are unable to comment on the impact of the same.

Our Opinion is not qualified in respect of these matters.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of other information. The other information comprises the information included in the Board's Report including Annexure to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of notdetecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the ***Annexure-A*** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of Changes in Equity and the Statement of Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   (e) The company, being a government company, is exempt from the provisions of section 164 (2) of the Companies Act, 2013 vide Notification no GSR 463 (E) dated 05-06-2015 from Ministry of Corporate Affairs.

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in ***"Annexure B".*** Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

   In our opinion and to the best of our information and according to the explanations given to us, The Company has not paid/provided the remuneration to its directors during the year.

   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – **Refer Note 26 to notes to financial statements**;

ii. The Company does not foresee any material losses on long term contracts including derivatives contracts; hence no provision for the same has been made.

iii. There is no amount required to be transferred to the Investor Education and Protection Fund by the Company.

3. As required by section 143(5) of the Act and in pursuance of directions issued by the Office of the Comptroller and Auditor General of India for the year ended March 31, 2019, we report that:

a) Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.

Yes, the company has the system in place to process all the accounting transactions through IT system except as stated below:-

(i) The Company did not have an effective interface between various functional software relating to Sales/Revenue with the accounting software resulting in accounting entries being made manually on periodical basis.

(ii) The company uses the information systems partially for maintenance and processing of payroll.

(iii) The Company has no system of calculation of Interest on outstanding of Inter Company balances. The same has been done manually.

b) Whether there is any restructuring of an existing loan or cases of waiver/write off of debts /loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated.

On the basis of information and explanation given to us, company has not availed any loans. Hence there is no restructuring, waiver / write off of debts/ loans/ interest etc. made by the lender to the company during the year.

c) Whether funds received/receivable for specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.

On the basis of information and explanation given to us, no funds have been received /receivable for specific schemes from central / state agencies.

For Prakash Chandra Jain & Co
Chartered Accountants
FRN-002438C

Sd/-
(Altaf Hussain)
Partner
Mo. - 411031

Place: New Delhi
Date- 05.08.19

ANNEXURE – A TO THE AUDITOR'S REPORT

Referred to in paragraph 1 under "Report on other legal and regulatory requirements" of our report of even date

i **(a)** The Company is in the process of updating its records of fixed assets with respective quantitative details and location thereof.

(b) As explained to us, the Company has a policy of verification of fixed assets on bi-annual basis. As per the information and explanation provided to us, all the tools and equipment capitalized have been physically verified for the years 2016-18. We are unable to comment whether necessary accounting action has been taken on it during FY 2018-19. As regard to other fixed assets (i.e. other than tools and equipment), physical verification has not been carried out by the management during the year.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not own any immovable property.

ii The Company has policy of physical verification of Inventories on bi-annual basis. The Company has conducted physical verification of Inventories of only tools for the years 2016-18. We are unable to comment whether necessary accounting action has been taken on it during FY 2018-19.

iii. As per the information and explanation given to us, the Company has not granted loans, secured or unsecured to companies, firms, Limited Liability Partnerships or parties covered in the register maintained under section 189 of the Act. Accordingly, provisions of clause 3(iii) (a), (b) and (c) are not applicable to the Company

iv. In our opinion and according to the information and explanation given to us, the Company has not given any loans, guarantees & Security to any party covered by the provisions of section 185 of the Act.

The Company has complied with provisions of Section 186 of the Act in respect of investments made or loans or guarantee or security provided to the parties covered under Section 186.

v. The Company has not accepted any deposits during the year from the public within the meaning of the provisions of sections 73 to 76 or any other relevant provisions of the Act and rules made there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable.

vi. According to the information and explanations given to us, the Central Government has not specified maintenance of cost records under Section (1) section 148 of the Act. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

vii. (a) According to the information and explanations given to us and based on the records examined by us, the Company is not regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, goods and service tax, value added tax, cess and other statutory dues with the appropriate authorities. Arrears of outstanding statutory dues as on the last day of the financial year 31st March 2019 of more than six months from the date they became payable are as below:

Nature of Statutory Dues	Amount Outstanding for more than 6 months as on 31 March 2019
Goods and Service Tax	15,67,64,721.00
PF	1,08,74,507.00
ESIC	13,02,791.00

Statutory dues, if any, in respect of foreign business area not covered during the audit, since the record are maintained at the respective business areas which were not available for verification, we are unable to comment whether the dues have been deposited on a time basis.

(b) According to the information and explanations given to us and based on the records examined by us, there are no dues of Income tax, Wealth tax, sales tax, service tax, duty of customs, duty of excise, goods and service tax and value added tax which have not been deposited on account of any dispute.

viii. According to the information and explanations provided to us and based on the records examined by us, The Company does not have any loans or borrowings from any financial institution, banks, and government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.

ix. According to information and explanation given to us and based on the records examined by us, The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

x. According to the information and explanations provided to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of the audit.

xi. According to information and explanation provided to us and based on the records examined by us, the Company has not paid/provided for managerial remuneration during the year. Therefore the provisions of clause 3(xi) of the Order are not applicable to the company.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

xiii. According to the information and explanation provided to us and based on our examination of records of the Company, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.(Refer Note No 33.)

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of clause 3(xiv) of the Order are not applicable.

xv. According to the information and explanation provided to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the directors or persons connected with them. Accordingly, provisions of clause 3(xv) of the Order are not applicable.

xvi. The Company is not required to be registered under section45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

For Prakash Chandra Jain & Co
Chartered Accountants
FRN-002438C

Sd/-
(Altaf Hussain)
Partner
Mo. - 411031

Place: New Delhi
Date- 05.08.19

ANNEXURE – B TO THE AUDITOR'S REPORT

Referred to in paragraph 2(f) under "Report on other legal and regulatory requirements" of our report of even date

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

We have audited the internal financial controls over financial reporting of Air-India Engineering Services Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

According to the information and explanations given to us and based on our audit, the following weaknesses have been identified as at March 31, 2019:

(i) The Company did not have an effective internal control system for deduction, timely deposit, filing return and reconciliation of statutory dues.

ii) The Company is deducting tax at source (TDS) on GST as per Goods and Service Tax Act, 2017 without obtaining registration of deductor of tax in GST since last 11 month.

iii) The Company did not have an effective system for timely accounting of entries, to prevent duplicate accounting entry and maker checker process.

iv) The Company did not have effective system of reconciliation of balance with other parties.

v) The company has Internal Audit on yearly basis. It shall be on Monthly/Quarterly basis.

MATERIAL WEAKNESS

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

OPINION

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2019 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of March 31, 2019 standalone financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone financial statements of the Company.

For Prakash Chandra Jain & Co
Chartered Accountants
FRN-002438C

Sd/-
(Altaf Hussain)
Partner
Mo. - 411031

Place: New Delhi
Date- 05.08.19

COMPLIANCE CERTIFICATE

We have conducted the audit of accounts of Air India Engineering Services Limited for the year ended 31st March, 2019 in accordance with the directions/sub- issued by the Comptroller & Auditor General of India under section 143 (5) of the Companies Act,2013 and certify that we directions have complied with all the Directions/Sub-directions issued to us.

For Prakash Chandra Jain & Co
Chartered Accountants
FRN-002438C

Sd/-
(Altaf Hussain)
Partner
Mo. - 411031

Place: New Delhi
Date- 05.08.19

MANAGEMENT'S COMMENTS ON STATUTORY AUDITORS' REPORT FOR FY 2018-19

Emphasis of Matter	
Company has not complied certain provisions of The Companies Act, 2013 as stated below:	
(i) Second provision of section 149(1) relating to appointment of women director.	The matter has been taken up with MOCA for necessary action in the matter.
(ii) Section 149(4) relating to appointment of Independent Directors.	The exemption has been granted by Ministry of Corporate Affairs for appointment of Independent Director for a wholly owned subsidiary.
As per para 9 of Ind-AS 2 on Inventories	
Inventories shall be measured at the cost and net realizable value.	This is statement of fact.
The Company has valued the inventories during the year at weighted average cost. Valuation of inventories was not done as per Ind-AS 2 at year end. Hence we are unable to comment on the impact of the same.	This is statement of fact.
The Company has not deducted Income tax at source while accounting for certain expenses and provision for expenses. The impact of such non-compliance has not been ascertained.	This is mainly due to entries related to inter-company transactions, which have been received in last minute. The company is taking suitable action for accounting these entries on month to month basis.
The Company is calculating Interest Payable/ Receivable on average balance of Inter Companies. The Company has not calculated Interest as per MOU With various Inter Companies. Hence we are unable to comment on the impact of the same.	This is as per decision taken by Holding Company along with all other subsidiary companies of Air India.

Annexure-A to the Independent Auditors' Report	
The Company is in the process of updating its records of fixed assets with respective quantitative details and location thereof.	This is statement of fact.

As explained to us, the Company has a policy of verification of fixed assets on bi-annual basis. As per the information and explanation provided to us, all the tools and equipment capitalized have been physically verified for the years 2016-18. We are unable to comment whether necessary accounting action has been taken on it during FY 2018-19. As regard to other fixed assets (i.e. other than tools and equipment), physical verification has not been carried out by the management during the year.	The necessary action has been taken in the books of accounts. However, since the Physical Verification has been carried out for the group of companies, the details could not be provided individually. This aspect will be taken care during forth coming biennial Physical Verification.
According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not own any immovable property.	This is statement of fact.
The Company has policy of Physical Verification of Inventories on Bi-annual basis. The Company has conducted physical verification of Inventories of only tools for the years 2016-18. We are unable to comment whether necessary accounting action has been take on it during FY 2018-19.	The necessary action has been taken in the books of accounts. However, since the Physical Verification has been carried out for the group of companies, the details could not be provided individually. This aspect will be taken care during forth coming biennial Physical Verification.

iii. (a) According to the information and explanations given to us and based on the records examined by us, the Company is not regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, goods and service tax, value added taxes and other outstanding statutory dues as on the last day of the financial year 31st March 2019 of more than six months from the date they became payable are as below:	This is due to shortage of enough cash with the company, which is mainly due to non releasing dues from inter-company billing. The matter will be taken up with all the group companies for settlement of dues on timely basis.
Nature of Statutory Dues	
Amount Outstanding for more than 6 months as on 31st March 2019	
Goods and Service Tax- 15,67,64,721.00	
PF- 1,08,74,507.00	
ESIC- 13,02,791.00	

BALANCE SHEET AS AT 31 MARCH 2019

(Amount in Million)

	Particulars	Note No.	As at March 31, 2019		As at March 31, 2018	
	ASSETS :					
1)	**Non-current Assets**					
	(i) Property, Plant & Equipment	**2**	**680.35**		859.82	
	(ii) Other Intangible Asset	**2**	**2,713.83**		2,713.83	
	(iii) Financial Assets:					
	a) Loans		**-**		-	
	b) Others	**3**	**0.06**		0.06	
	iv) Income Tax Assets					
	v) Other Non-Current Assets	**4**	**0.20**		156.94	
2)	**Current Assets**			**3,394.44**		**3,730.64**
	i) Inventories	**5**	**632.39**		415.59	
	ii) Financial Assets:				0.00	
	a) Trade Receivables	**6**	**14,085.35**		7,725.74	
	b) Cash and Cash Equivalents	**7**	**53.67**		14.92	
	c) Bank Balance other than (b) above	**8**	**25.11**		16.32	
	c) Loans	**9**	**3.08**		0.81	
	d) Others					
	iii) Current Tax Assets	**10**	**715.66**		411.27	
	iv) Other Current Assets	**11**	**127.19**		1,388.78	
				15,642.45		**9,973.44**
	Total			**19,036.88**		**13,704.08**
	EQUITY AND LIABILITIES :					
1	Equity					
	i) Equity Share Capital	**12**	**1,666.67**		1,666.67	
	ii) Other Equity	**13**	**(21,498.07)**		(19,448.70)	
				(19,831.40)		**(17,782.04)**
2	Liabilities:					
	Non Current Liabilities					
	a) Financial Liabilities					
	b) Provisions	**14**	**6,328.17**		6,306.39	
	c) Other Liabilities					
				6,328.17		**6,306.39**
	Current Liabilities					
	a) Financial Liabilities					
	i) Trade Payables					
	- MSME	**15**	**-**		-	
	- Other than MSME	**15**	**659.55**		1,992.41	
	ii) Other	**16**	**27,532.64**		20,919.41	
	b) Provisions	**17**	**1,561.71**		895.41	
	c) Other Non Financial Current Liabilities	**18**	**2,786.21**		1,372.51	
				32,540.11		**25,179.73**
	Total			**19,036.88**		**13,704.08**
	Significant Accounting Policies and	**1**				
	Notes forming part of the Financial Statement	**2-42**				

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

For and on Behalf of

Prakash Chandra Jain & Co
Chartered Accountants
FRN : 002438C
Sd/-
CA Altaf Hussain
Partner
M.No. 411031

Place : New Delhi
Date : 5th August, 2019

For and on Behalf of the Board

Sd/-
Ashwani Lohani
Chairman
DIN: 01023747

Sd/-
H.R. Jagannath
Chief Executive Officer

Sd/-
V.S. Hejmadi
Director
DIN: 07346490
Sd/-
Kapil Aseri
Chief Financial Officer
Sd/-
Gagan Batra
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

(Amount in Million)

	Particulars	Note No.	2018-19	2017-18
	Revenue			
I	Revenue from Operations	19	**11,919.66**	7,851.07
II	Other Income	20	**144.34**	111.71
III	**Total Reveune (I+II)**		**12,064.00**	**7,962.78**
IV	**Expenses**			
	Employee Benefit Expenses	21	**8,960.06**	9,815.99
	Finance Costs	22	**1,454.97**	1,100.60
	Depreciation and Amortization Expense	23	**193.93**	232.69
	Other Expenses	24	**3,263.81**	1,770.06
	Total Expenditure		**13,872.77**	**12,919.34**
	Prior Period Adjustments (Net)		**-**	-
	Total Expenditure After Prior Period Adj		**13,872.77**	**12,919.34**
V	**Profit/ (Loss) before Exceptional Items and Tax (III-IV)**		**(1,808.77)**	**(4,956.56)**
VI	Exceptional Items		**-**	-
VII	**Profit/ (Loss) before Extraordinary Items and Tax (V+VI)**		**(1,808.77)**	**(4,956.56)**
VIII	Tax Expenses :			
	i) Current Tax		**-**	-
	ii) Tax Adjustment relating to earlier year		**-**	-
	iii) Deferred Tax		**-**	-
IX	**Profit/ (Loss) after Tax for the period (IX-X)**		**(1,808.77)**	**(4,956.56)**
X	**Other Comprehensive Income**			
	Acturial Gain/(Loss) on Defined benefit obligation		**(240.60)**	512.20
	Total Comprehensive Income		**(2,049.37)**	**(4,444.36)**
XI	**Earning per Share (Face Value of Rs. 10 each)**			
	Basic	25	**(10.85)**	**(29.74)**
	Diluted	25	**(10.85)**	**(29.74)**
	Significant Accounting Policies	1		
	Notes forming part of the Financial Statement	2-42		

As per our report of even date attached
For and on Behalf of

Prakash Chandra Jain & Co
Chartered Accountants
FRN : 002438C
Sd/-
CA Altaf Hussain
Partner
M.No. 411031

Place : New Delhi
Date : 5th August, 2019

For and on Behalf of the Board

Sd/-
Ashwani Lohani
Chairman
DIN: 01023747

Sd/-
H.R. Jagannath
Chief Executive Officer

Sd/-
V.S. Hejmadi
Director
DIN: 07346490
Sd/-
Kapil Aseri
Chief Financial Officer
Sd/-
Gagan Batra
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

(Amount in Million)

	Particulars	As at March 31, 2019		As at March 31, 2018	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net (Loss) / Profit Before Taxes:		**(1,808.77)**		(4,956.56)
	Adjustment for :				
	Depreciation and amortisation	**193.93**		232.69	
	Net Loss / (Profit) from sale of Assets	**(0.14)**		0.03	
	Provisions For Employees Benefits	**-**		492.42	
	Interest Expense	**1,454.97**		1,098.59	
	Other Adjustments	**(240.60)**	**1,408.16**	(111.71)	1,712.03
	Change in Assets & Liabilities				
	Trade and Other Receivables	**(6,359.61)**		(6,437.15)	
	Trade and Other Payables	**(1,332.86)**		10,751.91	
	Other Financial Assets & Other Assets	**729.35**			
	Other Financial Liabilities & Other Liabilities	**8,715.02**	**1,751.91**		4,314.76
	Net Cash Flow (used in)/ from Operating Activities		**1,351.31**		**1,070.22**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Acquisition of fixed assets	**(14.32)**		(116.84)	
	Acquisition of other non current assets	**156.74**		(69.25)	
	Interest Income	**-**		111.71	
	Net Cash Flow used in Investing Activities		**142.42**		**(74.39)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Interest Expense	**(1,454.97)**		(1,098.59)	
	Net Cash Flow from/(used in) Financing Activities		**(1,454.97)**		**(1,098.59)**
	Net increase/ (Decrease) in Cash and Cash equivalents		**38.75**		**(102.76)**
	Cash and Cash equivalents (Opening balance)		**14.92**		**117.67**
	Cash and Cash equivalents (Closing balance)		**53.67**		**14.92**

Notes

1. The Cash Flow Statement has been prepared under the “Indirect Method” as set out in the Ind AS 7 on “Statement of Cash Flow” and present cash flows by operating, investing and financing actvities.

As per our report of even date attached
For and on Behalf of

Prakash Chandra Jain & Co
Chartered Accountants
FRN : 002438C
Sd/-
CA Altaf Hussain
Partner
M.No. 411031

Place : New Delhi
Date : 5th August, 2019

For and on Behalf of the Board

Sd/-
Ashwani Lohani
Chairman
DIN: 01023747

Sd/-
H.R. Jagannath
Chief Executive Officer

Sd/-
V.S. Hejmadi
Director
DIN: 07346490
Sd/-
Kapil Aseri
Chief Financial Officer
Sd/-
Gagan Batra
Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

(Amount in Million)

A. Equity Share Capital	As at 31.03.2019		As at 31.03.2018	
			No. of Share	Amount
Balance at the beginning of the reporting period	**166,666,500**	**1,666.67**	166,666,500	1,666.67
Changes in equity share capital during the year				
Add: Equity Shares alloted during the year	-		-	-
Less:	-		-	-
Balance at the end of reporting period	**166,666,500**	**1,666.67**	**166,666,500**	**1,666.67**

Particulars	Equity Share Capital (refer above note)	Other Equity						
		Reserves and Surplus			Other comprehensive income - Reserve			
		General reserve	Deferred Employee Compensation reserve	Retained Earnings	Revaluation Surplus	Equity Instruments through Other Comprehensive Income	Remeasurement of defined benefit plans	Total equity attributable to equity Holders of the company
Opening Balance as at 1 April 2018	**1,666.67**	**-**	**-**	**(14,934.24)**	**-**	**-**	**(70.10)**	**(15,004.34)**
Profit/(Loss) for the period	-	-	-	(4,956.56)	-	-	-	(4,956.56)
Other Comprehensive Income/(loss)	-	-	-	-	-	-	512.20	512.20
Remeasurement of defined benefit plans	-	-	-	-	-	-	-	-
Income tax to items of other comprehensive income	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Transfer from retained earnings	-	-	-	-	-	-	-	-
Deferred Employee Compensation expense	-	-	-	-	-	-	-	-
Transfer to retained earnings on vesting of options	-	-	-	-	-	-	-	-
Balance as at 31 March 2019	**1,666.67**	**-**	**-**	**(19,890.80)**	**-**	**-**	**442.10**	**(19,448.70)**
Profit/(Loss) for the period	-	-	-	(1,808.77)	-	-	-	(1,808.77)
Other Comprehensive Income/(loss)	-	-	-	-	-	-	(240.60)	(240.60)
Remeasurement of defined benefit plans	-	-	-	-	-	-	-	-
Income tax to items of other comprehensive income	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Transfer from retained earnings	-	-	-	-	-	-	-	-
Deferred Employee Compensation expense	-	-	-	-	-	-	-	-
Transfer to retained earnings on vesting of options	-	-	-	-	-	-	-	-
Balance as at 31 March 2019	**1,666.67**	**-**	**-**	**(21,699.57)**	**-**	**-**	**201.50**	**(21,498.07)**

As per our report of even date attached
For and on Behalf of

Prakash Chandra Jain & Co
Chartered Accountants
FRN : 002438C
Sd/-
CA Altaf Hussain
Partner
M.No. 411031

Place : New Delhi
Date : 5th August, 2019

For and on Behalf of the Board

Sd/-
Ashwani Lohani
Chairman
DIN: 01023747

Sd/-
H.R. Jagannath
Chief Executive Officer

Sd/-
V.S. Hejmadi
Director
DIN: 07346490
Sd/-
Kapil Aseri
Chief Financial Officer
Sd/-
Gagan Batra
Company Secretary

AIR INDIA ENGINEERING SERVICES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

NOTE "1"

A. CORPORATE INFORMATION

The company secured DGCA approval for providing MRO services effective 01 January 2015. The MOUs entered into by the Company with its parent company, Air India Ltd and subsidiary companies of Air India Ltd, viz. 'Air India Express Ltd' and 'Airline Allied Services Ltd' for rendering their aircraft engineering related services. The company is also providing the Line Maintenance Services and MRO services to Indian and Foreign Third parties, mainly airlines.

B. ACCOUNTING CONVENTION

i. The Financial Statements of the company for the year ended 31st March 2019 have been prepared in accordance with Indian Accounting Standards (Ind AS) pursuant to the notification issued by Ministry of Corporate Affairs dated 16 February 2015, notifying the Companies (Indian Accounting Standards) Rules, 2015, Companies (Indian Accounting Standards) (Amended) Rules, 2016 , Companies (Indian Accounting Standards) (Amended) Rules, 2017 and comply in all material aspects with the relevant provisions of the Companies Act 2013 (the Act) and Companies (Amendment) Act 2017

ii. These financial statements are prepared under historical cost convention on going concern concept on accrual basis and in accordance with the mandatory accounting standards prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Institute of Chartered Accountants of India to the extent applicable.

iii. 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.

iv. 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 Schedule III to the Companies Act 2013.

C. SIGNIFICANT ACCOUNTING POLICIES

1. PROPERTY PLANT & EQUIPMENT

a. Property Plant and Equipment are stated at cost including incidental costs incurred pertaining to the acquisition and bringing them to the location for use and interest on loans borrowed where applicable, upto the date of putting the concerned asset to use.

b. Physical Verification of Assets

Physical Verification of Assets is done on a rotational basis so that every asset is verified in every two years and the discrepancies if observed, are dealt in the books of accounts accordingly.

2. DEPRECIATION / AMORTIZATION

a) Depreciation is provided on all assets on straight-line method over the useful life of assets as provided in Part C of Schedule II of the Companies Act 2013, keeping a residual value of 5% of the original cost.

b) Depreciation on addition to assets provided for the full year of acquisition and no depreciation is provided in the year of disposal.

c) Intangible asset which have a definite useful economic life are amortized over the estimated useful life. Intangible Assets which have an indefinite useful life are tested for impairment.

3. REVENUE RECOGNITION

The Company derives revenue primarily from maintenance, Repair and Overhaul services (MRO Services) and line maintenance (technical handling) of AircraftEngines and other aircraft related services.

a) Revenue from Operations

Revenue is recognised when the entity satisfies a performance obligation by transferring the promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

In the case of contract based on Block Hours flown by Aircraft and Aircraft Engines, the revenue is recognised on the basis of actual Block Hours flown.

In case of other contracts for Line Maintenance services,revenue is being recognised based on number of flights handled.

b) Revenue from the training services is recognised as and when fees are received.

c) Gain or loss arising out of sale/scrap of PPE over the net depreciated value is taken to Statement of Profit & Loss as Non-Operating Revenue or Other Expenses.

4. INVENTORIES

Inventories primarily (include) consists of stores and spares and loose tools. Cost of inventories comprise all costs of purchase after deducting non-refundable rebates and discounts and all other costs incurred in bringing the inventories to their present location and condition and is determined on weighted average basis.

5. EMPLOYEE BENEFITS

a) **Short term employee benefits:**All employee benefits falling due wholly within twelve months of rendering the services are classified as short term employee benefits. The benefits like salaries, wages, and short term compensated absences etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related services.

b) **Post-employment benefits:**

Defined Contribution Plans consist of contributions to Employees Provident Fund and Employees State Insurance Scheme. As regard to the permanent employees of Air India Limited transferred to the company, the PF dues are deposited in the PF trusts created by Air India Limited. As regard to the other employees, PF dues are deposited with the office of EPFO by the company.

ESI dues are regularly deposited with government authorities.

Defined Benefit Plans, which are not funded, consist of Gratuity, Leave Encashment including Sick Leave and other benefits.

The liability for Gratuity, Leave Encashment and medical are actuarially determined under the Projected Unit Credit Method at the end of the financial year.

6. IMPAIRMENT OF ASSETS

At each Balance Sheet date, the carrying amount of assets is tested for impairment in terms of Ind AS-36 so as to determine:

a) the provision for impairment loss, if any; and

b) the reversal of impairment loss recognized in previous periods, if any,

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

7. TAXES ON INCOME

i. Current Tax

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

ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that is probable that future taxable profits will be available against which they can be used. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply to the period when the assets are realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

8. 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.If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. The expense relating to a provision is presented in the statement of profit and loss.

b) Contingent liabilities exceeding Rs.1,00,000/- in each case are disclosed in respect of possible obligations that may arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

c) Contingent assets are possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent asset is disclosed, when an inflow of economic benefits is probable.

9. EARNING PER SHARE

The Company presents basic and diluted earnings/ (loss) per share (EPS) data for its equity shares. Basic earnings per equity share are computed by dividing the net profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing adjusted net profit after tax by the aggregate of weighted average number of equity shares and dilutive potential equity shares during the year.

10. FAIR VALUE MEASUREMENT

The Company measures financial instruments and specific investments (other than subsidiary, joint venture and associates), at fair value at each balance sheet date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as below, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the balance sheet on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

11. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A. Financial Assets

(i) Classification

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through Statement of Profit and Loss on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

(ii) Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through Statement of Profit and Loss, transaction costs that are attributable to the acquisition of the financial asset.

(iii) Subsequent measurement

For purposes of subsequent measurement financial assets are classified in below categories:

(a) **Financial assets carried at amortized cost:** A financial asset other than derivatives and specific investments, is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) **Financial assets at fair value through other comprehensive income:** A financial asset comprising specific investment is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

(c) **Financial assets at fair value through Statement of Profit and Loss:** A financial asset comprising derivatives which is not classified in any of the above categories are subsequently fair valued through profit or loss.

(iv) De-recognition

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset

(v) Impairment of other financial assets

The Company assesses impairment based on expected credit losses (ECL) model for measurement and recognition of impairment loss on the financial assets that are trade receivables or contract revenue receivables etc.

(vi) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

B. Financial Liabilities

(i) Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

(ii) Classification

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through Statement of Profit and Loss. Such liabilities, including derivatives shall be subsequently measured at fair value.

(iii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described be low.

a) **Financial liabilities at amortized cost:**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

b) **Financial liabilities at fair value through Statement of Profit and Loss:**

Financial liabilities at fair value through Statement of Profit and Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through Statement of Profit and Loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category comprises derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

(iv) De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to sell on a net basis, to realize the assets and sell the liabilities simultaneously.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

13. FOREIGN CURRENCY MONETARY ITEMS

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

14. THRESHOLD LIMIT

a. Pre-paid expenses / Liabilities for expenses recognized – Rs10,000/- and above in each case.

b. The prior period expenses/ revenue below Rs. 5 Crore are accounted for in the respective head of income/expenses of the year.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

NOTE "2" : PROPERTY PLANT AND EQUIPMENT

Sr. No.	Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
		As at April 01, 2018	**Additions**	**Other Adjustments**	**Deductions / Adjustments**	**As at March 31, 2019**	**As at April 01, 2018**	**For the year**	**Deductions/ Adjustments**	**Total Upto March 31, 2019**	**As at March 31, 2019**	**As at April 01, 2018**
TANGIBLE ASSETS :												
a)	Land	-										
b)	Buildings	-										
c)	Plant & Equipment	1,402.20	4.13	-	(0.81)	1,405.52	628.86	178.73	(0.77)	**806.83**	598.69	773.34
	Workshop Equipment, Instruments,											
	Machinery and Plants	86.11	5.81	-	(0.71)	91.21	19.93	10.12	(0.60)	**29.46**	61.75	66.18
d)	Furniture & Fixtures	7.41	2.63	-	-	10.04	1.37	0.95	-	**2.32**	7.72	6.04
e)	Electrical Fittings	0.20	0.11	-	-	0.30	0.04	0.03	-	**0.07**	0.24	0.16
f)	Computer System	2.23	2.94	-	-	5.16	1.36	1.64	-	**2.99**	2.17	0.87
g)	Vehicles	10.26	-	-	(2.60)	7.65	1.34	0.91	(0.29)	**1.95**	5.70	8.92
h)	Office Equipment	6.81	1.31	-	-	8.12	2.50	1.55	-	**4.05**	4.07	4.31
TOTAL FOR TANGIBLE ASSETS		1,515.21	16.92	-	-4.12	1,528.02	655.40	193.93	-1.66	**847.67**	680.35	859.82
INTANGIBLE ASSETS :												
a)	Goodwill	-	-	-	-	-	-	-	-	**-**	-	-
b)	Brands/trademarks	-	-	-	-	-	-	-	-	**-**	-	-
c)	Computer Software	-	-	-	-	-	-	-	-	**-**	-	-
d)	Licenses & Franchise	2,713.83	-	-	-	2,713.83	-	-	-	**-**	2,713.83	2,713.83
TOTAL FOR INTANGIBLE ASSETS		2,713.83	-	-	-	2,713.83	-	-	-	**-**	2,713.83	2,713.83
TOTAL		4,229.04	16.92	-	(4.12)	4,241.84	655.40	193.93	(1.66)	**847.67**	3,394.18	3,573.65
PREVIOUS YEAR		4,112.84	116.84	-	(0.64)	4,230.31	423.31	232.69	(0.60)	**655.40**	3,573.65	3,689.53

Note : 1. As per MOU entered between Air India Limited (AIL) & Air India Engineering Services Limited (AIESL) dated 5th April, 2013 Air India Limited shall trasnfer all its movable assets such as machinery, equipment etc. pertaining to MRO unit of AIL to AIESL at a written down value of such moveable assets as on 01-04-2014. It was clarified by MOU that written down value of movable assets trfansferred from AIL to AIESL shall be the cost of these assets transferred and shall form part of initial equity contribution.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

NOTE "2" : PROPERTY PLANT AND EQUIPMENT

Sr. No.	Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
		As at April 01, 2017	Additions	Other Adjustments	Deductions / Adjustments	As at March 31, 2018	As at April 01, 2017	For the year	Deductions/ Adjustments	Total Upto March 31, 2018	As at March 31, 2018	As at April 01, 2017
TANGIBLE ASSETS :												
a)	Land	-										
b)	Buildings	-										
c)	Plant & Equipment Workshop Equipment, Instruments,	1,292.28	110.56	-	0.64	1,402.20	410.61	218.85	0.60	628.86	773.34	881.66
	Machinery and Plants	86.11	-	-	-	86.11	10.07	9.86		19.93	66.18	76.04
d)	Furniture & Fixtures	7.00	0.41	-	-	7.41	0.66	0.70	-	1.37	6.04	6.33
e)	Electrical Fittings	0.01	0.19	-	-	0.20	0.00	0.04	-	0.04	0.16	0.00
f)	Computer System	2.06	0.17	-	-	2.23	0.65	0.71	-	1.36	0.87	1.41
g)	Vehicles	5.75	4.50	-	-	10.26	0.19	1.15	-	1.34	8.92	5.57
h)	Office Equipment	5.80	1.01	-	-	6.81	1.12	1.38	-	2.50	4.31	4.68
TOTAL FOR TANGIBLE ASSETS		1,399.01	116.84	-	0.64	1,515.21	423.31	232.69	0.60	655.40	859.82	975.70
INTANGIBLE ASSETS :												
a)	Goodwill	-	-	-	-	-	-	-	-	-	-	-
b)	Brands/trademarks	-	-	-	-	-	-	-	-	-	-	-
c)	Computer Software	-	-	-	-	-	-	-	-	-	-	-
d)	Licenses & Franchise	2,713.83	-	-	-	2,713.83	-	-	-	-	2,713.83	2,713.83
TOTAL FOR INTANGIBLE ASSETS		2,713.83	-	-	-	2,713.83	-	-	-	-	2,713.83	2,713.83
TOTAL		4,112.84	116.84	-	0.64	4,229.04	423.31	232.69	0.60	655.40	3,573.65	3,689.53
PREVIOUS YEAR		3,935.45	164.38	-	13.01	4,112.84	405.41	17.90	423.31	655.40	3,689.53	3,935.45

Note : 1. As per MOU entered between Air India Limited (AIL) & Air India Engineering Services Limited (AIESL) dated 5th April, 2013 Air India Limited shall trasnfer all its movable assets such as machinery, equipment etc. pertaining to MRO unit of AIL to AIESL at a written down value of such moveable assets as on 01-04-2014. It was clarified by MOU that written down value of movable assets trfansferred from AIL to AIESL shall be the cost of these assets transferred and shall form part of initial equity contribution.

NOTE "3" : Other Non Current Financial Asset

Particulars	As at March 31st, 2019	As at March 31st, 2018
Deposits - Others (More than 12 Months)	**0.06**	0.06
TOTAL	**0.06**	0.06

NOTE ''4" : Other Non- Current Assets

Particulars	As at March 31st, 2019	As at March 31st, 2018
Advances Recoverable in Cash or Kind	**-**	89.48
Capital Advances	**-**	2.07
Security deposit with DGCA	**0.20**	0.20
Other	**-**	65.19
TOTAL	**0.20**	**156.94**

NOTE "5" : INVENTORIES **Amount in Million**

Particulars	As at March 31, 2019	As at March 31, 2018
Stores and Spare Parts	**19.06**	4.41
Loose Tools	**399.25**	403.79
Fuel, Gas, Coal, Oil and lubricants	**1.34**	1.01
Non-Aircraft Inventory	**6.38**	6.38
Other Inventory	**206.35**	-
Total	**632.39**	415.59

NOTE “6” : TRADE RECEIVABLES

		Amount in Million
Particulars	**As at March 31, 2019**	**As at March 31, 2018**
Secured, Considered Good		
Unsecured, Considered Good *	**14085.35**	7,725.74
Trade Receivables having significant increase in Credit Risk	**-**	-
Trade Receivables - Credit Impaired	**-**	-
* (Refer Note No. 37)		
Total	**14085.35**	7,725.74

NOTE “7” : CASH AND CASH EQUIVALENTS

		Amount in Million
Particulars	**As at March 31, 2019**	**As at March 31, 2018**
Balances with Banks		
a) In Current Accounts	**53.03**	14.92
b) In Deposit Accounts (Maturity less than12 months)	**-**	-
C) Cash in Hand	**0.63**	-
Cheques, Drafts on Hand	**0.01**	-
TOTAL	**53.67**	**14.92**

NOTE ''8" : Bank Balances other than Cash Equivalents

Amount in Million

Particulars	**As at March 31st, 2019**	**As at March 31st, 2018**
Balance with Banks		
In Margin Money Deposits	**25.11**	16.32
	25.11	16.32

NOTE ''9" :Current Loans

Amount in Million

Particulars	**As at March 31, 2019**	As at March 31, 2018
Advances		
Secured - Considered Good	**-**	-
Unsecured-Considered Good (Inter Company)	**-**	-
Security Deposits	**3.08**	0.81
Total	**3.08**	0.81

NOTE "10" : Current Tax Assets

Amount in Million

Particulars	**As at March 31st, 2019**	**As at March 31st, 2018**
Total Advance payment for Income Tax and TDS	**715.66**	379.27
Balances with Statutory / Govt Authorities	**-**	31.99
TOTAL	**715.66**	411.27

NOTE "11" : Others-Current Asset

Amount in Million

Particulars	**As at March 31st, 2019**	**As at March 31st, 2018**
Prepaid Expenses	**0**	0.24
Advances Recoverable in Cash or Kind	**125.85**	1,279.43
Petty Cash	**-**	0.01
GST Interim Bank Account	**-**	109.01
Interest accrued on investment	**1.34**	0.10
TOTAL	**127.19**	**1,388.78**

NOTE "12" : SHARE CAPITAL

(Amount in Million)

	Particulars	As at March 31, 2019		As at March 31, 2018	
		No. of Shares	Amount	No. of Shares	Amount
a)	**AUTHORISED**				
	1000,000,000 Equity Shares (Previous Year : 10,000,000) of Rs.10 each	**1,000,000,000**	**10,000**	1,000,000,000	10,000
		1,000,000,000	**10,000**	1,000,000,000	10,000
b)	**ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES**				
	1666,66,500 Equity Shares of Rs. 10 each	**166,666,500**	**1,666.67**	166,666,500	1,666.67
		-	**-**	-	-
		-	**-**	-	-
		166,666,500	**1,666.67**	166,666,500	1,666.67
c)	**Reconciliation of number of shares :**				
	Particulars	**As at March 31, 2019**		**As at March 31, 2018**	
		No. of Shares	**Amount**	No. of Shares	Amount
	Equity Shares at the beginning of the year	**166,666,500**	**1,666.67**	166,666,500	1,666.67
	Add : Equity Shares Allotted during the year	**-**	**-**	-	-
	Equity Shares at the end of the year	**166,666,500**	**1,666.67**	166,666,500	1,666.67
d)	Rights Preferences and restriction attached to equity shares The company has single class of shares i.e. Equity Shares having a par value of Rs. 10 per share as per. Each holder of equity shares is entitled to one vote per share In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.				
e)	**Details of Shares held by the Holding Company, Subsidiary & Associates**				
	Particulars	**As at March 31, 2019**		**As at March 31, 2018**	
		No. of Shares	**Amount**	No. of Shares	Amount
	Shares held by Holding Company				
	Air India Limited	**166,666,500**	**1,666.67**	166,666,500	1,666.67
f)	**Details of Shareholders holding more than 5%**				
	Particulars	**As at March 31, 2019**		**As at March 31, 2018**	
		No. of Shares	**Amount**	No. of Shares	Amount
	Air India Limited	**166,666,500**	**1,666.67**	166,666,500	1,666.67
g)	Details of Shares Issued & Allotted as fully paid up pursuant to contract withput payment being received in cash				

Particulars	**As at March 31, 2019**	**-**	**As at March 31, 2018**	**-**
1666,16,500 Equity Shares of Rs. 10 each were allotted towards theWDV of engineering assets transferred by the Holding Company Air India Limited as on 1st April 2014 towards capital infusion in terms of clause 5 (a) MoU entered between Air India Limited & Air India Engineering Services Limited dated 05th April, 2013)	-	-	-	-

NOTE "13" : Other Equity

(Amount in Million)

Particulars	As at March 31, 2019	As at March 31, 2018
Surplus / (Deficit) as per Statement of Profit & Loss		
Opening Balance	**(19,448.70)**	(15,004.34)
Profit / (Loss) for the year	**(2,049.37)**	(4,444.36)
Closing Balance	**(21,498.07)**	**(19,448.70)**
TOTAL	**(21,498.07)**	**(19,448.70)**

NOTE "14" : NON CURRENT PROVISIONS

(Amount in Million)

Particulars	As at March 31, 2019	As at March 31, 2018
Provision for Employee Benefits		
a) Gratuity	**2,624.90**	2,759.14
b) Leave Encashment	**1,796.37**	1,864.59
c) Medical	**1,906.90**	1,682.67
TOTAL	**6,328.17**	**6,306.39**

NOTE "15" : TRADE PAYABLES

(Amount in Million)

Particulars	As at March 31, 2019	As at March 31, 2018
Due to Micro and Small Enterprises (Refer Note No. 32)	**-**	-
Others Payables	**659.55**	1,992.41
TOTAL	**659.55**	**1,992.41**

NOTE "16" : Other Current Financial liability

(Amount in Million)

Particulars	As at March 31, 2019	As at March 31, 2018
Security Deposit	**19.66**	8.53
Earnest Money Deposit	**4.17**	4.09
Loan & Advances	**129.84**	-
Payable to Employees	**348.60**	449.33
Holding Company - Air India Limited- Current Account	**-**	9,174.20
Inter company Payable/Receivable	**27,003.84**	11,257.50
Others	**26.52**	25.75
TOTAL	**27,532.64**	**20,919.41**

NOTE "17" : CURRENT PROVISIONS

(Amount in Million)

Particulars	As at March 31, 2019	As at March 31, 2018
Provision		
For employees Benefits		
a) Gratuity	**593.98**	493.41
b) Leave Encashment	**454.57**	390.95
c) Other Benefits	**90.04**	11.04
Other than employees	**423.12**	-
TOTAL	**1,561.71**	**895.41**

NOTE "18" : OTHER CURRENT LIABILITIES

(Amount in Million)

Particulars	As at March 31, 2019	As at March 31, 2018
Other Payables(Net)	**-**	1,116.52
Advance from Customers	**-**	81.17
Forward Sales	**-**	(0.13)
others	**-**	174.94
Statutory Dues	**2,786.21**	-
TOTAL	**2,786.21**	**1,372.51**

'NOTE "19" : REVENUE FROM OPERATION

(Amount in Million)

Sr. No.	Particulars	2018-19	2017-18
1	Sales of Services		
	Technical Handling Services Reveune	**142.38**	52.28
	Other Servicing Revenue	**11,494.27**	7,711.62
		11,636.66	7,763.91
2	Other Operating Revenue		
	Engineering Training Reveune	**43.52**	34.57
		43.52	34.57
3	Incidental Revenue	**239.49**	52.60
		239.49	52.60
	Total reveune from operation**	**11,919.66**	7,851.07
	** (Refer Note No. 29)		

NOTE "20" : OTHER INCOME

(Amount in Million)

Sr. No.	Particulars	2018-19	2017-18
1	Other Income	**1.95**	-
2	Interest Income	**142.26**	111.71
3	Profit on Sale of Fixed Asset (Net)	**0.14**	-
	TOTAL	**144.34**	**111.71**

NOTE "21" : EMPLOYEE BENEFIT EXPENSES

(Amount in Million)

Sr. No.	Particulars	2018-19	2017-18
1	Salaries, Wages & Bonus	**7,593.38**	7,833.60
2	Contribution to Provident and Other Funds	**363.63**	343.16
3	Staff Welfare Expenses	**402.23**	711.92
4	Provision for Gratuity	**323.07**	821.80
5	Provision for Leave Encashment	**277.75**	105.51
	TOTAL	**8,960.06**	**9,815.99**

NOTE "22" : FINANCE COST

(Amount in Million)

Sr. No.	Particulars	2018-19	2017-18
1	Interest Expenses	**1,454.97**	1,100.60
			-
			-
	TOTAL	**1,454.97**	**1,100.60**

NOTE "23" : DEPRECIATION AND AMORTIZATION EXPENSE

(Amount in Million)

Sr. No.	Particulars	2018-19	2017-18
1	Depreciation of Tangible Assets	**193.93**	232.69
	TOTAL	**193.93**	**232.69**

NOTE "24" : OTHER EXPENSES

(Amount in Million)

Sr. No.	Particulars	2018-19	2017-18
1	Insurance Expenses	**0.71**	0.25
2	Material Consumed-Aircraft	**222.01**	42.36
3	Handling Charges	**283.70**	269.13
4	Communication Charges	**8.71**	9.49
5	Travelling Expenses	**152.08**	352.08
6	Rent	**1,156.11**	258.60
7	Rates and Taxes	**40.55**	77.15
8	Repair Maintenance:		
	i) Buildings	**9.46**	35.58
	ii) Others	**340.34**	137.91
9	Hire of Transport	**80.24**	57.57
10	Fees to DGCA	**2.50**	2.11
11	Electricity & Heating Charges	**400.67**	399.54
12	Water Charges	**17.10**	7.95
13	Publicity & Sales Promotion	**0.46**	0.08
14	Printing and Stationery	**14.03**	1.44
15	Professional & Legal Charges	**14.01**	8.87
16	Auditors' Remuneration and Expenses		
	i) Audit Fees	**0.22**	0.40
	ii) Other Expenses	**0.02**	0.02
17	Other Audit Expenses	**0.61**	-

18	Bank Charges	**0.18**	0.08
19	Other Expenses	**235.35**	109.42
20	Loss/ (Profit) on Sale of Assets/Scrap	**-**	0.03
21	Provision for Doubtful Debts	**284.75**	-
	TOTAL	**3,263.81**	**1,770.06**

NOTE "25" : EARNING PER SHARE

Disclosure of Earnings Per Share (EPS) computation as per Indian Accounting Standard -33 of the Institute of Chartered Accountants of India:

(Amount in Million)

Particulars	**2018-19**	**2017-18**
Profit available for appropriation as per Profit & Loss Account	**-1,808,765,775.27**	-4,956,563,690.23
Weighted average No. of equity shares outstanding during the year	**166,666,500**	166,666,500
Basic and Diluted EPS	**-10.85**	-29.74
Face value per equity share	**10.00**	10.00

NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

26. Contingent Liabilities not provided for:

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

Capital Commitments are in respect of estimated amount of contracts remaining to be executed on Capital Account: Nil

27. Confirmations/Reconciliations

The company has obtained the balance confirmation of balances receivables from the holding company and all the subsidiary companies and sister concern of the holding company, which consist of 94.34% (Pervious year 97.00%) of receivables of the company. However, the company have not sought the confirmation of other balances receivables as majority of the same was owed from AIL and sister concern.

28. Internal Control

The Company is in the process of strengthening the internal control process in the company so as to ensure the coverage of all the areas as envisaged and ensure effective internal controls at stations, regional offices, user departments.

29. Revenue Related Matters:

The Total Revenue from Operation during FY 2018-19 is Rs 11919.66 Million as against Rs. 7832.62 Million during FY 2017-18, leading to increase of Rs 4,087.04 Million. The percentage of revenue from group Co. is 91.08% (PY 87.87%) and percentage of revenue from third party is 8.92% (PY 12.13%).Out of the total increase in Operating Revenue is mainly because of increase in revenue from Group Cos. to the tune of Rs 3,973.43 Million. The Mater Service Agreement (MSA) between AIESL and AIL during FY 2017-18 and 2018-19 was based on Block Hour basis, however, Block Hour rate was revised w.e.f. 1st April, 2018. This revision in the MSA has been done to have related party transactions on arms- length price.

30. Segment Reporting :

The company is engaged in MRO (Maintenance, Repair & Overhaul of aircraft, engines & components) services, which is its primary and only reportable business segment.

31. Retirement Benefits

i. Contributions to Defined Contribution Schemes such as Provident Fund are charged to the Profit & Loss Account as follows:

Provident Fund Rs. 304.56 Million (Previous Year Rs. 338.65 Million)

ii. The Company also provides retirement benefits in the form of Gratuity and Leave Encashment on the basis of valuation, as at the Balance Sheet Date, carried out by independent Actuaries, as per IndAS19 issued by the Institute of Chartered Accountants of India.

a. Privilege Leave Encashment is payable to all eligible employees at the time of retirement, which is unfunded. Leave Encashment liability for the current financial year is Rs. 2250.94 Million (Previous Year Rs. 2255.54 Million).

b. Defined Benefit Plan-Gratuity (Unfunded) :

The Company has a defined benefit gratuity plan in India (unfunded). The company's defined benefit gratuity plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund. Gratuity is paid from company as and when it becomes due and is paid as per company scheme for Gratuity. During the year, there were no plan amendments, curtailments and settlements.

Movement in net Defined Benefit (Asset) / Liability

Gratuity & Medical

a) Reconciliation of balances of Defined Benefit Obligation:

(Amount in Million)

Particulars	**Gratuity – Unfunded**		**Medical – Unfunded**	
	2018-19	**2017-18**	**2018-19**	**2017-18**
Defined Obligation at the beginning of the year	**3252.5**	2951.1	**1682.7**	1833.6
Interest Cost	**250.8**	209.2	**130.6**	136.6
Current Service Cost	**72.9**	53.9	**28.7**	32.2
Past Service Cost	**-**	597.0	**-**	-
Liability transferred out/Disinvestments	**-**	-	**-**	-
Benefits Paid directly by the employer	**(461.5)**	(352.9)	**(1.5)**	(13.3)
Benefit paid from the fund	**-**	-	**-**	-
Actuarial (Gain) / Losses on obligation				
Demographic Assumptions	**-**	-	**-**	-
Changes in financial Assumptions	**2.5**	(85.1)	**(4.6)**	(70.8)
Experience Adjustments	**101.7**	(120.7)	**(141.0)**	(235.6)
Defined Benefit Obligation at the end of the year	**3218.9**	3252.5	**1976.9**	1682.7

b) Amount recognized in Balance Sheet:

(Amount in Million)

Particulars	**Gratuity – Unfunded**		**Medical – Unfunded**	
	2018-19	**2017-18**	**2018-19**	**2017-18**
Liability at the end of the year	**(3218.9)**	(3252.5)	**(1976.9)**	(1682.7)
Funded Status Surplus/(Deficit)	**(3218.9)**	(3252.5)	**(1976.9)**	(1682.7)
Amount Recognized in the Balance Sheet	**(3218.9)**	(3252.5)	**(1976.9)**	(1682.7)

c) Amount Recognized in Statement of Profit & Loss

(Amount in Million)

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2018-19	2017-18	2018-19	2017-18
Current Service Cost	72.9	53.9	28.7	32.2
Interest Cost	250.8	209.2	130.6	136.6
Past Service Cost	-	597.0	-	-
Interest Income	-	-	-	-
Expenses for the year	323.7	860.1	159.3	168.8

d) Amount Recognized in Other Comprehensive Income

(Amount in Million)

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2018-19	2017-18	2018-19	2017-18
Actuarial (Gains)/Losses on Obligation For the Period	**104.2**	(205.8)	**136.4**	(306.4)
Return on Plan Assets	**-**	-	**-**	-
Total	**104.2**	(205.8)	**136.4**	(306.4)

e) Major Actuarial Assumptions

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2018-19	2017-18	2018-19	2017-18
Discount Rate (%)	**7.69%**	7.71%	**7.78%**	7.76%
Salary Escalation / Inflation (%)	**5.50%**	5.50%	**-**	**-**
Medical Cost Inflation	**-**	**-**	**4.00%**	4.00%
Rate of Employee Turnover	**2.00%**	2.00%	**2.00%**	2.00%
Expected Return on Plan Assets (%)	**-**	-	**-**	**-**

f) Sensitivity Analysis

Sensitivity Analysis for significant actuarial assumptions, showing how the defined benefit obligation would be affected, considering increase / decrease of 1% as at 31 March 2019 and 31 March 2018 is given below:

(Amount in Million)

Particulars	Gratuity		Medical	
	2018-19	**2017-18**	**2018-19**	**2017-18**
+1 % change in rate of Discounting	**(119.9)**	(128.0)	**(209.6)**	(199.5)
-1 % change in rate of Discounting	**130.7**	139.6	**256.5**	246.7
+1 % change in rate of Medical cost Inflation	**-**	-	**264.1**	254.0
-1 % change in rate of Medical Cost Inflation	**-**	-	**(218.3)**	(207.8)
+1 % change in rate of Salary Increase	**96.0**	104.8	**-**	-
-1 % change in rate of Salary Increase	**(95.3)**	(103.4)	**-**	-
+1 % change in rate of Employee Turnover	**18.8**	20.1	**-**	-
-1 % change in rate of Employee Turnover	**(20.1)**	(21.3)	**-**	-

32. The Micro, Small and Medium Enterprises Development Act

The Company is in the process of updating the data related to Micro Small and Medium Enterprises in SAP. However payments (due, if any) 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.

33. Related Party Transactions

Disclosure of the names and designations of the Related Parties as required by Indian Accounting Standard (Ind AS-24) during the year 2018-19.

A. Related party:

In terms of Ind AS 24, following are related parties which are Government Related entities i.e. Significantly controlled and influenced entities (Government of India) :

Sr. No.	Name of Company	Relationship
1	Air India Limited	Holding
2	Hotel Corporation of India Limited (HCI)	Fellow Subsidiary
3	Air India Air Transport Services Limited (AIATSL)	Fellow Subsidiary
4	Air India Express Limited (AIEL)	Fellow Subsidiary
5	Airline Allied Services Limited (AASL)	Fellow Subsidiary
6	Air India SATS Airport Services Private Limited (Other than Government related entities)	Fellow Joint Venture

B. Board of Directors

Sr. No.	Name of Director	Designation	Remark
1	Shri Pradeep Singh Kharola	CMD, Air India Ltd	Chairman (up to 14th Feb. 2019)
	Shri Ashwani Lohani	CMD, Air India Ltd	Chairman (w.e.f. 14th Feb. 2019)
2	Ms Gargi Kaul	AS&FA, MOCA	Government Nominee Director (up to 24th Jan. 2019)
	Shri Arun Kumar	AS&FA, MOCA	Government Nominee Director (w.e.f. 24th Jan. 2019)
3	Shri Satyendra Kumar Mishra	Jt. Secretary, MOCA	Government Nominee Director
4	Shri Vinod Hejmadi	Director (Finance), Air India Limited	Air India Nominee Director

C. Key Managerial Personnel

Sr. No.	Name of Key Managerial Personnel	Designation
1.	Shri H.R. Jagannath	Chief Executive Officer
2.	Shri Kapil Aseri	Chief Financial Officer
3.	Shri Gagan Batra	Company Secretary

D. Related Party Transactions

i. There are no transactions with Key Managerial Personnel except remuneration and perquisites to Chief Executive Officer. During the year 2018-19, an amount of Rs. 3.03 Million (PY Rs. 3.00 Million) has been paid as remuneration to Chief Executive Officer.

ii. Transactions such as providing MRO related services in the normal course of airline business are not included above.

iii. No Loans or Credit Transactions were outstanding with Directors or Officers of the Company or their relatives during the year.

iv. In term of Ind AS 24, following are the disclosure requirements related to transactions with certain Government Related entities i.e. significantly controlled and influenced entities (Government of India) and other than government related parties:

S. No.	Name of the Entities and Nature of transactions	2018-19 (Rs.in Million)	2017-18 (Rs.in Million)
1.	**Air India Ltd (AIL)**		
	Revenue from operation	**9,448.62**	5,687.04
	Expenditure		
	Interest on dues to AI	**1,358.65**	924.29
	Rent Premises	**1,154.05**	254.90
	Electricity & Heating Charges	**351.02**	312.40
	Cost of goods Sold	**170.09**	18.45
	Salaries - Staff / Hire of Man power	**113.76**	595.59
	Staff Medical Expenses	**113.06**	168.89
	Maintenance of IT Equipments	**60.65**	-
	Salaries - Casual Labour	**52.10**	29.62
	Other Expenses	**249.09**	592.14
	Total Expenditure	**3,622.48**	**2,896.08**
	Closing Balance (Payable)	**17,181.66**	14,369.21
	Airline Allied Services Limited		
	Income		
	Revenue from operation	**417.16**	272.33
	Other Income (Interest)	**44.58**	8.38
	Expenditure		
	Total Expenditure	**43.47**	74.08
	Closing Balance (Receivable)	**757.11**	271.64
	Air India Air Transport Services Limited (AIATSL)		
	Revenue from Operation	**77.48**	0.01
	Expenditure		
	Handling Charges	**9.82**	503.65
	Manpower Cost	**23.31**	39.80
	Interest on dues AIATSL	**86.27**	-
	Closing Balance (Payable)	**1003.55**	1000.73
	Air India Express Limited (AIXL)		
	Income		
	Revenue from operation	**912.20**	922.95
	Other Income (Interest)	**96.03**	103.21
	Expenditure		
	Total Expenditure	**43.47**	74.08
	Closing Balance (Receivable)	**1144.89**	1085.17
	Air India SATS Airport Services Private Limited (AISATS)		
	Revenue from operation	**0.39**	0.08
	Expenditure		
	Handling Charges	**239.84**	162.74
	Hire of Manpower on contract	**15.18**	-
	Closing Balance (Payable)	**558.79**	205.62
	Centaur Hotel (HCI)		
	Expenditure		
	Hotel Expenses- Staff on Duty	**36.03**	26.04
	Closing Balance (Payable)	**51.29**	34.98

34. Corporate Compliance

As per Companies Act 2013, Sec 149(4), the Company has not appointed independent director. Consequently, the Audit Committee has no independent director. There is no remuneration committee as per Section 178.

35. Remuneration to Auditors

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

(Rupees in Million)

Particulars	2018-19	2017-18
Statutory Audit Fees - For the Year	**0.22**	0.20
Out of Pocket Expenses	**0.02**	0.02
Total	**0.24**	0.22

36. Fair value measurement and financial instruments

a. Financial instruments – by category and fair value hierarchy

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy.

(i) As on 31 March, 2019

(Rs. In Million)

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others			0.26	0.26	-	-	-
Current							
Trade Receivable*			14.085.35	14.085.35	1,902.00	-	-
Loans			3.08	3.08	-	-	-
Cash & Cash Equivalents*			53.67	53.67	53.67	-	-
Bank Balance other than above			25.11	25.11	25.11	-	-
Total			**14,167.47**	**14,167.47**	**1,980.78**	-	-
Financial liabilities							
Non-Current			-	-	-	-	-
Current							
Trade Payables*			659.55	659.55	-	-	-
Other Financial Liabilities			27,485.23	27,485.23	18,744.00	-	-
Total			**28,144.78**	**28,144.78**	**18,744.00**	-	-

(ii) As on 31 March 2018

(Rs. In Million)

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others			157.00	157.00	-	-	-
Current							
Trade Receivable*			7,725.74	7,725.74	1,356.81	-	-
Cash & Cash Equivalents*			14.92	14.92	-	-	-
Bank Balance other than above			16.32	16.32	-	-	-
Loans			0.81	0.81	-	-	-
Total			**7,914.79**	**7,914.79**	**1,356.81**	-	-
Financial liabilities							
Non-Current			-	-	-	-	-
Current							
Trade Payables*			1,992.41	1,992.41	-	-	-
Other Financial Liabilities			20,919.41	20,919.41	15,575.56	-	-
Total			**22,911.82**	**22,911.82**	**15,575.56**	-	-

The companies' receivable/payable to holding company and its subsidiaries have been contracted at market rate of interest, which resets at regular intervals. Accordingly, the carrying value of such borrowings (including interest accrued) approximates fair value

* The carrying amounts of trade receivables, trade payables, cash and cash equivalents, and other current financial assets, approximates the fair values, due to their short-term nature.

b. Fair Value Hierarchy

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consist of the following three levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs are other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Inputs are not based on observable market data unobservable inputs. Fair value are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

37. Financial Risk Management Objective and Policies:

The company has exposure to following risks arising from financial instruments:

i. Credit Risk
ii. Liquidity Risk
iii. Market Risk – a. Foreign Currency, and

b. Interest Rate

The Company's principal financial liabilities comprise of trade and other payables. The main purpose of these financial liabilities is to finance its operations.

The Company is exposed to credit risk, liquidity risk and market risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which summarized below:

(i) Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

The maximum exposure to the credit at the reporting date is primarily from trade receivables. Trade receivables are typically unsecured are derived from revenue earned from customers. The Company does monitor the economic environment in which it operates. The Company manages its credit risk through credit approval and continuously monitoring credit worthiness of customers to which the Company brands credit terms in the normal course of the business.

On adoption of Ind AS 109, the company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for trade receivable. The provision matrix takes into account available internal credit risk factors such as the Company's historical experience for customers.

Trade receivable as at year end primarily includes Rs. 14,085.35 Million as on 31st March 2019 (Previous Year as on 31st March 2018 Rs. 7725.74 Million) relating to revenue generated from MRO services.

The Companies exposure to credit risk for trade receivables is as follows:

(Rs. In Million)

Particulars	As at 31/03/2019		As at 31/03/2018	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
Debts not due	**0.00**	**0.00**	0.00	0.00
Debts over due	**14,085.35**	**284.75**	7725.74	0.00
	14,085.35	**284.75**	**7725.74**	0.00

Movement in the allowance for impairment in respect of trade receivables:

(Rs. In Million)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Balance at the beginning of the Year	**Nil**	Nil
Movement during the year	**284.75**	Nil
Balance at the end of the Year	**284.75**	Nil

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Company's approach to manage Liquidity is to have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed circumstances, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company believes that its liquidity position, including total cash (including bank deposit lien and excluding interest accrued but not due) anticipated future internally generated funds from operations may enable it to meet its future known obligation in the ordinary course of business.

The Company's liquidity management process as monitored by management includes the following:

- Day to day funding, managed by monitoring future cash flows to ensure that requirement can be met.

- Maintaining rolling forecast of the Company's liquidity position on the basis of expected cash flows.

-Maintaining diversified credit lines.

Exposure to Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting data. The contractual cash flow amount are gross and undiscounted, and includes interest accrued but not due on building.

(Rs. In Million)

As at 31st March 2019	Carrying amount	Contractual Cash Flows				
		Upto 1 year	1-3 Year	3-5 Year	More than 5 years	Total
Current						
Trade Payables	659.55	659.55	-	-	-	659.55
Other Financial Liabilities	27,485.23	27,485.23	-	-	-	27,485.23

(Rs. In Million)

As at 31st March 2018	Carrying amount	Contractual Cash Flows				
		Upto 1 year	1-3 Year	3-5 Year	More than 5 years	Total
Current						
Trade Payables	1,992.41	1,992.41	-	-	-	1,992.41
Other Financial Liabilities	20,919.41	20,919.41	-	-	-	20,919.41

(iii) Market risk

Market risk is that the fair value and future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises two type of risk namely: currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

A. Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to any borrowings.

B. Currency risk

Currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to the effects of fluctuation in the prevailing foreign currency rates on its financial position and cash flows. Exposure arises primarily due to exchange rate fluctuation between the functional currency and other currencies from the company's operating activities.

Exposure to foreign Currency Risk

The summary of quantitative data about the Company's exposure to currency risk, as expressed in Indian Rupees, as at 31 March 2019 and 31 March 2018 are as below:

As at 31st March 2019

Particulars	USD	EUR	GBP	AED	NPR	OMR	SGD	THB	CHF	QAR	AUD
Financial Assets	-										
Trade Receivables	-	-	-	-	-	-	-	-	-	-	-
Cash and Cash equivalents	-	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-
Trade Payables	-	-	-	-	-	-	-	-	-	-	-
Total Financial Liabilities											

As at 31st March 2018

Particulars	USD	EUR	GBP	AED	NPR	OMR	SGD	THB	CHF	QAR	AUD
Financial Assets	-										
Trade Receivables	-	-	-	-	-	-	-	-	-	-	-
Cash and Cash equivalents	-	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-
Trade Payables	-	-	-	-	-	-	-	-	-	-	-
Total Financial Liabilities											

Sensitivity Analysis

A reasonably possible change of **(5 %)** strengthening/(weakening)of the USD against INR at the reporting date would have affected the profit or loss and measurement of financial instruments denominated in US dollars by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in INR (before tax)	Profit or Loss	
For the year ended 31st march 2019	Strengthening	Weakening
0.5% Movement	NIL	NIL
USD	NIL	NIL

Effect in INR (before tax)	Profit or Loss	
For the year ended 31st march 2018	Strengthening	Weakening
0.5% Movement	Nil	Nil
USD	Nil	Nil

38. **DGCA License** – all expenses incurred including man power cost prior to three months from the date of obtaining the License and directly attributable to DGCA License for 'CAR-145 MRO with certification' has been capitalized in FY 2014-15 for Rs. 2,713.8 Million.

As per the company's accounting policy on depreciation/amortization, the Intangible asset which have a definite useful economic life are amortized over the estimated useful life. Intangible Assets which have an indefinite useful life are tested for impairment. However, since the intangible asset so created by the company is the "MRO License" which is valid for infinite period and has financial economic benefits till the company is in operation. Further, without the license, the company cannot operate in the industry. As such, the company has not amortised the intangible assets, in line with the provision as stated in IND AS 38

39. **Disinvestment of AIESL**

In view of the NITI Aayog recommendations on the disinvestment of AI and followed by the recommendations of the Core Group of Secretaries on disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) had given an 'In-Principle' approval for considering the strategic disinvestment of the Air India group in its meeting held on 28th June 2017. CCEA also constituted the Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment. The AISAM in its meetings held on 21st September, 2017 and 5th October. 2017 decided that Four Subsidiaries of Air India, including AIESL be demerged and parked in the newly created Special Purpose Vehicle (SPV) - Air India Assets Holding Company (AIAHL). The Board of Air India in its 82nd Board meeting held on 17 November, 2017 had given in principle approval for transferring the interest of Air India in the subsidiary companies including AIESL to the SPV.

40. **Standards issued but not effective**

A. IND AS 116, Lease Accounting:

The Ministry of Corporate Affairs on 30th March 2019 has notified the IND AS 116 to be effective from 01.04.2019. However. The company do not have any leased assts as on 31st March, 2019.

B. Uncertainty over Income Tax Treatments (Appendix – C to Ind AS 12)

Ind AS 12 Appendix – C, Uncertainty over Income tax treatments: On March 30, 2019 the ministry of corporate affairs has notified Ind AS 12 Appendix – C, Uncertainty over Income tax treatments, which is to be applied while performing the determination of taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments that company have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining tax profits (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

41. IND AS 115: Performance Obligations and remaining Performance Obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of reporting period and an explanation as to when the company expects to recognize these amounts in revenue. Remaining performance obligation estimates are subject to change and are affected by the several factors, including terminations of contract, changes in scope of contracts etc.

The aggregate value of performance obligations that are completely or partially unsatisfied as at 31st March, 2019, is Rs. Nil (Rs. Nil as on 31st March, 2018). The Company expects to recognize the revenue for the same within next one year.

42. Previous Year figures have been re-grouped/re-arranged wherever considered necessary to be compatible with the Schedule III of the Companies Act 2013 and as per requirement specified in IndAS, to the extent of information being available and required for 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

Prakash Chandra Jain & Co
Chartered Accountants
FRN : 002438C

Sd/-
CA Altaf Hussain
Partner
M.No. 411031

Place : New Delhi
Date : 5th August, 2019

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman
DIN: 01023747

Sd/-
V.S. Hejmadi
Director
DIN: 07346490

Sd/-
H.R. Jagannath
Chief Executive Officer

Sd/-
Kapil Aseri
Chief Financial Officer

Sd/-
Gagan Batra
Company Secretary