AIR INDIA EXPRESS LIMITED

BOARD OF DIRECTORS (AS ON 14.10.2019)

Shri Ashwani Lohani	Chairman
Shri V. Hejmadi	
Shri Angshumali Rastogi	
Shri Pranjol Chandra	

CHIEF EXECUTIVE OFFICER

Shri Shyam Sundar

CHIEF FINANCIAL OFFICER

Shri M. Manoharan

COMPANY SECRETARY

Smt. Aditi Khandekar

AUDITORS

M/s. M. A. Parikh & Co.
Chartered Accountants
Mumbai.

LEGAL ADVISORS

M/s. Kini & Co.

BANKERS

ICICI Bank
HDFC Bank
State Bank of India
Bank of Baroda
Dena Bank
Bank of India
Citi Bank

REGISTERED OFFICE

1st Floor, Old Operations Building
Air India Complex, Old Airport
Santacruz (East)
Mumbai 400 029.

CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me immense pleasure to present to you the 48th Annual Report of the Company for the year 2018-19.

I am happy to apprise you that in a year that was extremely challenging in terms of increased fuel costs and intense competition, Air India Express has turned in net profits for the fourth consecutive year in FY 2018-19. The Net profit for the financial year was Rs. 161.58 Crore. During the year, the Company's revenues grew by about 16.11% going up from Rs. 3618.47 Crore in FY 2017-18 to Rs. 4201.52 Crore in FY 2018-19.

The commendable outcome was enabled by greater utilization of assets / resources in terms of aircraft, materials and manpower.

During the FY 2018-19, Air India Express carried about 4.16 Million passengers on its international sectors out of the total of 4.36 Million passengers flown by the Airline during the period. In comparison to this, the Airline's international passenger carriage in FY 2017-18 was 3.76 Million out of a total of 3.89 Million passengers carried during that year. The growth of 12% achieved in the Airline's passenger carriage was thanks to increase in the capacity offered which in turn was enabled by increase in the average utilization of aircraft (from 12.7 hours / day to 13.3 hours/ day) and induction of two more aircraft on dry lease one each in September and October 2018.

As the Airline's international carriage grew by about 10.6% during FY 2018-19 as against industry growth on international routes of 5.2% , the Airline's share of the traffic carried from / to India increased to about 6.5% during the year.

I wish to now present the Civil Aviation scenario in India in order to provide a brief background of the market and circumstances in which the Company operated and what appears to be the future outlook for the industry as at this time.

CIVIL AVIATION SCENARIO

Indian air market continues to be the world's fastest-growing one as per IATA. It has been projected that the Country's air market would become the third largest in the world by 2025.

As per data published by DGCA, the Indian domestic air market is estimated to have grown at about 13.7% to reach the level of 140.64 Million passengers in FY 2019 compared to 123.69 Million passengers in FY 2018.

The rate of growth in the International air market represented by the total number of passengers carried to and from India was not quite as high as that of the domestic market. The international segment, as mentioned earlier is estimated to have grown at about 5.2% to reach the level of 63.76 Million passengers in FY 2019, as per DGCA. The most significant piece of statistics from the point of view of Air India Express was that the passenger traffic recorded between India and UAE continued to form the single largest block of the total international traffic to and from India, which augurs well for the Airline that continues to deploy nearly 60-65% of its capacity on routes connecting India and UAE.

One of the most significant / disturbing developments during the year was the gradual decline and near closure of one of the largest Indian private carriers towards the end of the financial year. The capacity and slots vacated by the carrier on domestic / regional international routes are being gradually taken over by other Indian Carriers including Air India. It is expected that full restoration of the withdrawn capacity would take quite a few months into 2019 even as some players in the industry are hard pressed to cope with challenges of capacity augmentation on short / medium haul routes posed by supply side setbacks affecting the induction of new narrow body jets that are typically deployed for such missions. As such the growth in overall capacity in the Indian air market during FY 2019-20 is expected to be quite muted. The gap between the capacity withdrawn and that inducted has provided the opportunity for all the carriers to improve revenue earnings on the affected routes. Air India Express too has also been beneficiary of this development during the first quarter of FY 2019-20.

CHALLENGES BEING FACED BY THE INDUSTRY

The imminent collapse of one of the largest carriers in the Country has once again served to underline the fragility of the Indian airline industry to adequately cope with the unsustainably high cost structure that is inextricably tied up to volatile ATF rates and depreciating Indian Rupee on the one hand and an extremely price sensitive market on the other. Under the circumstances, the Indian carriers will need to redouble their focus on improving productivity and increasing asset utilization. I am glad to observe that at least in short / medium term Air India Express is relatively insulated from the tough environment in which other Indian carriers operate in view of the 'niche market' strategy adopted by the Airline of deploying bulk of its capacity on international routes to countries in the Gulf with negligible involvement in the Indian domestic market. Consequently, more than 50% of the Airline's revenue is earned in currencies of countries in the Gulf region that are pegged against the US Dollar at near-constant rates, even while the Airline is not subject to the high rates of taxes applied on ATF uplifted for domestic flights. However, the Airline may well be required to examine greater engagement in the domestic aviation market in the longer term keeping in view the large size and the widely-acknowledged growth projections for this market over the next 10-15 years.

MAJOR PROJECTS / ACHIEVEMENTS

As mentioned earlier, during FY 2018-19, Air India Express increased its fleet strength from 23 to 25 B 737-800 NG aircraft. The two additional (new) aircraft joined the fleet in September and October 2018 respectively. With the induction of these two aircraft, Air India Express expanded its network to three new Indian stations- Bengaluru (effective 29 October 2018), Kannur (effective 9 December 2018) and Surat (effective 16 February 2019). Consequently, the number of destinations served by Air India Express increased to 33 in all - 20 Indian and 13 International.

I am happy to state that Air India Express earned the double distinction of being the first scheduled operator from Kannur International Airport as well as the first carrier to operate international flights to / from Surat Airport. Air India Express operated the inaugural flight from Kannur Airport on 9 December 2018 – the service was operated from Kannur to Sharjah while the inaugural international flight from Surat was operated on 17 February 2019 on the Surat – Sharjah sector.

The cabin refurbishment program involving the change of seats, carpets and curtains on all but one of the 17 aircraft that are owned by the Airline was completed during the year 2018-19. The refurbishment of the 17th aircraft was completed in April 2019. The cabin refurbishment project has significantly improved the cabin ambience and passenger comfort / convenience. Equally importantly, the refurbishment program has resulted in the empty weight of the aircraft reducing by about 800 Kilos due to the lighter weight of the new seats, resulting in the gain of additional traffic payload and revenue earning capability to that extent on every flight.

Air India Express successfully renewed its IATA Operational Safety Audit (IOSA) certification and the fresh certificate was handed over to the Airline by Director General IATA, at Global Aviation Meet held in Mumbai on 16 January 2019. The IOSA program is an internationally recognized and accepted evaluation system for quality of services and service assurance, designed to assess the operational management and control systems of an airline.

The plans to expand the Airline's fleet and network in line with the ten-year vision document developed for the purpose and approved by the Board, were placed on hold in view of the on-going disinvestment process of the Airline.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board has constituted a CSR Committee and laid down the CSR Policy with the objective of making positive contribution to the society through high impact, sustainable programs. During the year the Company spent Rs. 57 Lakhs towards the CSR projects from the budget approved for the year 2017-18. However, in view of the decision of the Government of India to disinvest our parent company Air India and its subsidiaries, the CSR Committee and the Board had taken a decision to keep the spend on CSR activities on hold during FY 2018-19. However keeping in view the guidelines for CSR expenditure of CPSEs issued by the Department of Public Enterprises AIXL has amended its CSR Policy to include 'Heath Care' under CSR focus area projects/programs/activities and also approved upgradation of major facilities including upgradation of emergency & trauma care at the Govt. General Hospital, Ernakulam at an approx. cost of Rs. 86.30 Lakhs.

The 'Care India Express - Simply Cleanliness' project in Kozhikode has received an award from the World Malayalee Council for the best Model in end-to-end Waste Management through public participation.

A detailed report on the CSR activities forms part of the Directors' Report.

During the year, the provisions of Section 198 of the Companies Act, 2013 have been amended effective 19 September 2018, whereby, while computing the average net profits, the “excess of expenditure over income” incurred before 1 April 2014 as against such reduction post 1 April 2014 pre amendment, has to be reduced. Consequently, the losses incurred prior to 1 April 2014 are deductible in computing the “net profits”, which in the case of the Company has resulted into negative net profits for the year computed under the said Section 198 of the Companies Act 2013. Accordingly, the Company is not required to incur the expenditure towards Corporate Social Responsibility u/s 135 of the Companies Act, 2013.

ACKNOWLEDGEMENT

I take this opportunity to thank my colleagues on the Board for their valuable guidance. I would like to congratulate the Management Team and to thank all the employees of Air India Express Limited for the exemplary efforts taken by them displaying to all stakeholders the strength and resilience of our team spirit in pursuit of excellence. I want to thank each one of our employees for contributing their mite whether it be the employees in marketing, sales and other support departments, the front-liners at the airports, the cabin crew, the pilots or the engineers, for having risen up to the occasion and helping to uphold and enhance the image of Air India Express Limited.

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

Sd/-
(Ashwani Lohani)
Chairman

VISION

- Become India's most efficient and preferred LCC on regional international & domestic routes and extending the Airline's reach to other potential markets over the long term;
- Constantly exceeding passenger expectations in terms of quality, convenience and comfort.

MISSION

- Offer the best flight schedules at the most competitive fares having clients' needs at the core of all corporate / strategic decisions;
- Pay paramount attention to safety, punctuality and convenience of services;
- Constantly embrace technological advancements to upgrade services, systems and processes and increase value proposition to passengers, employees, travel partners, vendors and owners;
- Benchmark work practices / methods against best in industry and achieve the greatest levels of productivity from all assets;
- Develop and maintain adequate pool of competent and motivated employees;
- Grow and expand operations with focus on improving productivity & profitability complementing the parent company's operations.

DIRECTORS' REPORT

To
The Shareholders,

The Directors take pleasure in presenting the 48th Annual Report of the Company together with the Audited Statement of Accounts, Auditor's Report and the Report of the Comptroller & Auditor General of India for the year ended 31 March 2019.

REVIEW OF PERFORMANCE

SUMMARISED FINANCIAL PERFORMANCE (FY 2018-19):

	Rupees in Crore
Operating Revenue	4171.56
Operating Expenses	3737.80
Operating Profit	433.76
Total Revenue	4201.52
Total Expenses	4032.94
Profit before taxation & Exceptional Items	168.58
Provision for Taxation	4.20
Other Comprehensive Income	2.80
Net Profit	161.58
Balance brought forward from previous years	(1788.74)
Net Loss carried forward	(1628.64)
Cash Profit for FY 2018-19	429.37

SUMMARISED PHYSICAL / REVENUE PERFORMANCE (FY 2018-19 Vs. FY 2017-18)

	FY 2018-19	FY 2017-18	Variance
ASK (million)	14,173	13,195	7%
Carriage (million)	4.36	3.89	12%
RPK (million)	11,277	10,051	12%
Load Factor (%)	79.6	76.2	4 %
Operating Revenue (Rs. Cr.)	4,171.56	3544.43	17.69 %
Yield/RPK (Rs)	3.57	3.37	5.93 %
RASK (Rs.)	2.84	2.57	10.52 %
*Block Hours	115,279	106,878	8%

*Source –IOCC Reports

*Yield per RPK – Pax revenue + EBG/ RPK

*RASK – Pax revenue + EBG/ ASK

SHARE CAPITAL

Authorized Share Capital

As on 31 March 2019 the Authorized Share Capital of the Company was Rs.1,000 Crore divided into 10 Crore Equity Shares of Rs.100 each.

Issued, Subscribed and Paid up Share Capital

As on 31 March 2019, the Issued, Subscribed and Paid up Share Capital of the Company was s.780 Crore divided into 7.8 Crore Equity Shares of Rs.100 each.

CHANGES IN THE SHARE CAPITAL, IF ANY

During the year there was no change in the paid up share capital of the Company.

CHANGE IN NATURE OF BUSINESS

During the year there was no change in the nature of business of the Company.

CREDIT RATING FOR THE COMPANY

During the year, the Company got the Credit rating done through an External Credit rating agency and the rating obtained is 'A3'.

DIVIDEND

In terms of Section 123 of the Companies Act, 2013 the dividend could not be considered due to accumulated losses.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND_PROTECTION FUND

Since there was no unpaid/unclaimed Dividend for the past years, the provisions of Section 125 of the Companies Act, 2013 did not apply.

AMOUNT TRANSFERRED TO RESERVES

In view of the accumulated losses, the Board of Directors have decided not to transfer any amount to reserves during the year.

AIRCRAFT FINANCING :

As on 31 March 2019, the position of foreign currency borrowing for Aircraft was as under:

	Rupees in Crore
Total Loan due as on 1 April 2018	734.03
Less: Amount repaid during April 2018 to March 2019	394.25
Add: Exchange adjustments due to revision in rates of currencies	47.49
Balance as on 31 March 2019	387.27

IMPLEMENTATION OF RESERVATION POLICY:

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

SC/ST/OBC – Number of employees as on 31 March 2019

Total No. of employees	Total No. of SC employees	% of SC employees	Total No. of ST employees	% of ST employees	Total No. of OBC employees	% of OBC employees
1348	236	17.50	66	4.89	320	23.73

IMPLEMENTATION OF OFFICIAL LANGUAGE

The Company is taking effective steps for the implementation of the provisions of the Official Language Act and Rules framed under the Act.

VIGILANCE

Air India Express Limited is controlled directly by the Air India Vigilance Mechanism which strives to build a corruption free work environment. The ultimate objective of Vigilance Department in a PSU is to empower the organization to do business within the extent framework of systems, rules and procedures more efficiently, effectively, ethically and profitably by optimum utilization of productive resources. In doing so the Vigilance Department ensures transparency with a 'stakeholder centric approach'.

Vigilance Department has undertaken various preventive activities specific to the subsidiary. A number of station inspections, surprise checks and periodical checks have been conducted in areas like crew pilferage, cabin cleaning, Cargo, Excess baggage, Catering uplift, procurement of entertainment systems etc. Vigilance recommendations made based on the observations have resulted in systemic reforms and setting up of SOPs to strengthen the already existing procedures.

With a vision to enhance vigilance awareness and encourage probity and righteousness among all its employees Air India and its subsidiaries celebrated the Vigilance Awareness Week 2018 with the theme ***'Eradicate Corruption- Build a New India'.*** A week long program had several activities designed to sensitize the employees, promote integrity and eradicate corruption with active support of its employees and wholehearted public participation.

COMPLIANCE WITH THE RTI ACT, 2005

As required under the provisions of section 4 of the Right To Information (RTI) Act 2005, the Company has displayed essential information on its website under the head RTI. Management has also notified CPIO and the Appellate Authority in compliance with the requirements of the RTI Act.

During the year a total of 50 applications were received and 49 applications were disposed off by providing requisite information.

INFORMATION ABOUT SUBSIDIARY/JV/ASSOCIATE COMPANY

The Company does not have any Subsidiary, Joint Venture or Associate Company.

MATERIAL CHANGES AND COMMITMENTS

In terms of the provisions of Section 134(3)(1), no major changes have occurred which have affected the financial position of the Company between 31 March 2019 and the date of Board's Report.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A detailed Management Discussion and Analysis Report is given separately.

MEETINGS OF THE BOARD OF DIRECTORS

As required under Section 173 of the Companies Act, 2013, 5 meetings of the Board of Directors of the Company were held during the Financial Year 2018-19 as detailed below:

Sr No.	Date of Meeting	Board Strength	No. of Directors Present
1	23 April 2018	4	3
2	8 August 2018	4	4
3	31 August 2018	4	3
4	6 November 2018	4	3
5	30 January 2019	4	3

DIRECTORS' RESPONSIBILITY STATEMENT

(i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;

(ii) 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 or loss of the Company for that period;

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) The Directors have prepared the Annual Accounts on a 'going concern' basis.

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

AUDIT COMMITTEE

The Audit Committee comprised of 3 Directors. In the absence of Independent Directors on the Board of the Company, the Audit Committee is chaired by the Government Director. During the year 2018-19 following were the members of the Audit Committee:

Name of the Director	Position held in the Committee	Category of the Director
Shri Angshumali Rastogi	Chairman	Government Director
Dr Shefali Juneja (ceased w.e.f 31.8.2018)	Member	Government Director
Shri Pranjol Chandra (appointed w.e.f. 31.8.2018)	Member	Government Director
Shri Vinod Hejmadi	Member	Nominee Director - AI

AUDITORS

The Comptroller & Auditor General of India has appointed M/s M A Parikh & Company, Chartered Accountants, Mumbai as Statutory Auditors of the Company for the financial year 2018-19. Management clarification/explanation to the qualifications or adverse remarks in the Auditors' Report is annexed to this Report.

COMMENTS OF COMPTROLLER AND AUDITOR GENERAL OF INDIA

The Comments of the Comptroller & Auditor General of India under Section 143(6) of the Companies Act, 2013 on the accounts of the Company for the year ended 31 March 2019 are annexed to this report.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 the Board has appointed M/s Dholakia & Associates, Practicing Company Secretaries, Mumbai, to conduct Secretarial Audit for the financial year 2018-19.

The Secretarial Audit Report and Managements' Comments thereon for the financial year ended 31 March 2019 are Annexed to this Report.

LOANS, GUARANTEES AND INVESTMENTS

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the provisions of Section 186 are not applicable to the Company.

CONSERVATION OF ENERGY

Conservation of energy and Technology absorption

The particulars as required under the provisions of Section 134(3) (m) of the Companies Act, 2013 in respect of conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the Company during the year under review.

DEPOSITS

The Company has not accepted any deposits during the year.

SIGNIFICANT & MATERIAL ORDERS

During the year no significant and material orders were passed by the regulators or courts or Tribunals impacting the going concern status and Company's operations in future.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has constituted Corporate Social Responsibility (CSR) Committee as under, in compliance with the provisions of Section 135 of the Companies Act, 2013, the Rules made thereunder and the guidelines formulated by the Department of Public Enterprises;

(i)	Shri V Hejmadi	:	Chairman
(ii)	Shri Angshumali Rastogi	:	Member
(iii)	* Dr. Shefali Juneja	:	Member
(iv)	* Shri Pranjol Chandra	:	Member
(v)	Shri K Shyam Sundar	:	Member / Convenor

*Dr Shefali Juneja ceased to be a member of the CSR Committee effective 31 August 2018 upon her cessation as a Director on the Board of the Company and Shri Pranjol Chandra was appointed as a Member of the CSR Committee in her place.

The Board in its meeting held on 17 January 2018 approved an expenditure of Rs.3.98 Crore to be spent on CSR activities for the year 2017-18. Accordingly, the following CSR activities which were approved during the last year continued in FY 2018-19:

- Ente Edakkad / 'Care India Express- Simply cleanliness' is a CSR initiative by Air India Express which is being implemented through Mathrubhumi Printing & Publishing Company Ltd. in Kerala. The project aims at creating a demonstration project for solving the Municipal waste management challenges in the State of Kerala. Edakkad ward in Kozhikode Corporation is hosting the pilot project. The project was inaugurated on 19 May 2018. The total cost of the project is Rs. 47 Lakhs.

- Sanctioned 4 Mobile Palliative Care vehicles along with medical equipment for the Govt. Primary Health Centres at Calicut, Cochin and Trivandrum. Primary Health Centres are identified and the handing over is in the pipeline. The Total cost involved is Rs. 30 Lakhs.

- Sponsorship: Sponsored education of 8 students of B.Voc- in Travel and Tourism course of three years, conducted by M/s. Kuttukaran Foundation, Kochi & Fair Mont Academy, Thiruvananthapuram. The project is coordinated through TISS. Total cost involved is Rs. 1.92 Lakhs p.a. totalling to Rs. 5.76 Lakhs.

- Tree Plantation: The project is to develop 4 acres of land at “Tetavli Village” at Rabale, Navi Mumbai. The Project is implemented through M/s. International Association for Human Values (IAHV) at a cost of Rs. 10 Lakhs.

- Infrastructure Support to Government School: Identified one Lower Primary School at Puari khurd Villlage, Varanasi for upgradation. The project include providing Benches, Water Tank, Computer Room, E- Learning facilities, Library set-up, renovation of toilets etc. The Project is being implemented through IAHV at a cost of Rs. 14.46 Lakhs.

- Skill Development for underprivileged youth – The project is to train 750 underprivileged youth in Varanasi, UP, specifically in Puari Khurd & the neighbouring villages across six months. The Project is being implemented through 'Yuva Parivartan', Mumbai at a cost of Rs. 15 Lakhs.

- Reducing malnutrition in Tribal Area - The purpose of the project is to explore the possibility of rapid reduction in severe and acute malnutrition among young children in two blocks of Akkalkua and Dhadgaon, Tribal districts of Nandurbar, Maharashtra, using support of the civil society and medium sized private hospital to help the efforts of the district administration in reducing malnutrition and mortality in the district. The Project is being implemented through CITARA, IIT Mumbai at a total cost of Rs.7.50 Lakhs p.a. for 2 years i.e. Rs. 15 Lakhs.

The DPE has issued guidelines for CSR expenditure of CPSEs on 10 December 2018 whereby the CPSEs are required to undertake 'school education & health care' for focused intervention for which 60% of the annual budget is required to be spent. Aspirational Districts as identified in the OM are required to be given preference and Niti Aayog has been given responsibility to pilot the programme. The Board has accordingly amended the CSR Policy to include 'Heath Care' under CSR focus area projects/programs/activities and also approved upgradation of major facilities including upgradation of emergency & trauma care at the Govt. General Hospital, Ernakulam at an approx. cost of Rs. 86.30 Lakhs. The Company is further exploring various projects in 'Health care and Education' in the Aspirational districts in Maharashtra and Kerala.

COMPLIANCE WITH THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

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

One Sexual Harassment case pertaining to the year 2015-16 is pending with the High Court of Kerala. During the year 2018-19 one new case was registered with ICC. The case was dismissed as ICC had concluded that the complainant has failed to prove the allegations of sexual harassment against the respondent.

CORPORATE GOVERNANCE

The Company has complied with the requirements of Corporate Governance with the exception of appointment of Independent Directors/ Women Director on the Board. This matter is being pursued with the Administrative Ministry through Air India.

A report on Corporate Governance is annexed at **Annexure A.**

RELATED PARTY TRNSACTIONS

All Related Party transactions that were entered into during the financial year were on an arm's length basis and in the ordinary course of business. There were no materially significant Related Party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. Exemption from the first and second proviso to sub-section (1) of Section 188 with regard to obtaining approval of the Company in General Meeting, has been provided to a Government Company in respect of contracts or arrangements entered into by it with any other Government Company. The Company has obtained approval of the Board in its 218th Meeting held on 30 July 2019 to enter into contracts with Air India Ltd, Airline Allied Services Ltd., Air India Air Transport Services Ltd, Air India Engineering Services Ltd, Hotel Corporation of India Ltd and AISATS Airport Services Pvt. Ltd. for an amount of Rs. 407.34 Crore, Rs. 0.05 Crore, Rs. 34.64 Crore, Rs. 98.15 Crore, Rs. 0.09 Crore and Rs. 17.69 Crore respectively during FY 2018-19.

RISK MANAGEMENT

The Company is in the process of formulating the Risk Management Policy with the following objectives:

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

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of Annual Return in form MGT 9 is uploaded on the website of the Company i.e. www.airindiaexpress.in.

DECLARATION OF INDEPENDENCE

As per Article 117 of the Articles of Association of the Company, all the Directors on the Board are appointed by Air India Limited, our holding Company in consultation with the Government of India. Air India has requested the Ministry of Civil Aviation to nominate at least two Independent Directors on the Board of AIXL including one Women Director and appointments are awaited.

DIRECTORs and KMPs

During the financial year 2018-19 the following changes have occurred in the constitution of Directors of the Company:

Sr. No	Name	Designation	Date of appointment	Date of cessation	Mode of Cessation
1	Dr Shefali Juneja	Director, MOCA	18 December 2017	31 August 2018	Ceased to be Director
2	Shri Pranjol Chandra	Director, MOCA	31 August 2018	-	Appointed as Director
3	Shri Pradeep Singh Kharola	CMD, AIL	12 December 2017	14 February 2019	Ceased to be Director
4	Shri Ashwani Lohani	CMD, AIL	14 February 2019	-	Appointed as Director

Details of Key Managerial Personnel of the Company:

Sr.No	Name	Designation	Date of appointment
1	Shri K Shyam Sundar	CEO	27 March 2015
2	Shri M Manoharan	CFO	27 March 2015
3	Smt. Aditi Khandekar	Company Secretary	27 March 2015

During the financial year 2018-19 there was no change in the KMPs of the Company.

In view of the exemption granted vide Notification dated 5 June 2015 of the Ministry of Corporate Affairs, information on the following points has not been given:

i. Performance Evaluation of Board, its Committees and individuals.

ii. Policy for selection and appointment of Directors and their remuneration.

iii. Remuneration Policy - Remuneration to Executive Directors and Non Executive Directors.

ACKNOWLEDGEMENTS

The Board sincerely appreciates the Company's valued customers in India and abroad for using the services of Air India Express and looks forward to their continued support and confidence.

The Board also gratefully acknowledges the support and guidance received from Air India Ltd., Air India Engineering Services Ltd., Air India Air Transport Services Ltd., Air India SATS Airport Services Pvt. Ltd, Ministry of Civil Aviation and various Ministries of the Government of India, to the Company's operations and development plans. The Board expresses their grateful thanks also to the DGCA, Comptroller and Auditor General of India, the Ministry of Corporate Affairs, the Statutory Auditors, Secretarial Auditor, Internal Auditors, Airports Authority of India, other Govt. Departments, airlines, agents, Indian Financial Institutions and banks including the EXIM bank of USA.

For & On Behalf Of The Board

Sd/-
Ashwani Lohani
Chairman

Place : Delhi
Dated : 30 July 2019

MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. AIR INDIA EXPRESS OPERATIONS

Fleet Size

During FY 2018-19, Air India Express increased its fleet strength from 23 to 25 B 737-800 NG aircraft. The two new aircraft joined the fleet in September and October 2018 respectively. Thus as on 31 March 2019, the Airline's fleet strength was 25 B 737-800 NG aircraft.

Operations

Air India Express commenced the Summer Schedule 2018 with 577 departures per week. By end of Winter 2018 Schedule, the number of weekly departures had increased to 615.

Highlights of Schedule Changes in FY 2018-19

New links / additional flights introduced during the year:

<u>New Services from Kannur</u>

The new commissioned integrated international airport at Kannur was thrown open for Scheduled International and Domestic air operations on 9 December 2018. Air India Express' service from Kannur to Abu Dhabi was the inaugural service from Kannur International Airport.

Effective 9 December 2018, Air India Express commenced the operation of scheduled services from / to Kannur as detailed below:

- Kannur-Abu Dhabi vv : 3 weekly flights
- Kannur-Riyadh vv : 3 weekly flights
- Kannur-Sharjah vv : 4 weekly flights
- Kannur-Doha vv : 4 weekly flights

<u>Bengaluru - Singapore vv and Kochi - Singapore vv</u>

Air India Express introduced non-stop flight connections between Bangalore and Singapore through the launch of four flights per week on the Kochi – Bangalore – Singapore and vv route with effect from 29 October 2018. With the introduction of these services, the frequency of one-stop flight connections between Kochi and Bangalore rose from three to seven (daily) as the Airline was already operating thrice weekly services between Kochi and Singapore via Madurai.

<u>Surat - Sharjah vv</u>

Air India Express also became the first airline to launch direct International flights from / to Surat with the introduction of 2 weekly flights on Surat - Sharjah route with effect from 16 February 2019. The frequency of services on this route was later increased to 3 from the start of the Summer 19 Schedule.

Temporary withdrawal of flights during the year:

Mumbai - Vijayawada vv

In view of NOTAM issued at Mumbai due to the runway closure, the flights between Mumbai and Vijayawada were temporarily curtailed between 9 February 2019 and 30 March 2019 from 3 weekly flights to weekly one operation (Wednesday).

Highlights of Winter 2018 Schedule (Effective 28 October 2018)

The route-wise breakup of the flights operated by the Airline in 2018-19 Schedule was as under:

Sr. No.	Sector	Frequency/ week	
		Summer 2018	Winter 2018
1	India- Dubai	80	80
2	India- Abu Dhabi	32	35
3	India- Sharjah	44	50
4	India- Muscat	24	24
5	India- Dammam	7	7
6	India- Bahrain	7	7
7	India- Doha	21	25
8	India- Al Ain	2	2
9	India- Ras Al Khaimah	2	2
10	India- Salalah	2	2
11	India- Bahrain- Kuwait	3	3
12	India- Singapore	28	28
13	India- Riyadh	5	7
14	India- Kuwait	5	5
15	Domestic	12	12
	Total	**274**	**289**

Online Stations

As on 31 March 2019 the online stations were as under:

India: Kozhikode, Kochi, Thiruvananthapuram, Kannur, Bengaluru, Mangalore, Chennai, Tiruchirappalli, Vijayawada, Mumbai, Pune, Delhi, Amritsar, Lucknow, Chandigarh, Jaipur, Varanasi, Madurai, Coimbatore and Surat.

International: Dubai, Abu Dhabi, Sharjah, Ras-Al-Khaimah, Al Ain, Muscat, Salalah, Bahrain, Doha, Kuwait, Dammam, Riyadh and Singapore.

Capacity offered, PLF, Yields and Revenues

The Airline continued to improve the aircraft utilization. In FY 2018-19, daily average aircraft utilization went up from 12.7 hours recorded in 2017-18 to 13.3 hours per day per aircraft with a fleet of 25 aircraft taking the total block hours to 115,279.

The capacity offered by the Airline in terms of ASK in FY 2018-19 grew by 7% from 13,195 Million in FY 2017-18 to 14,173 Million. However, on the strength of increase in Passenger Load Factor from 76.2% to 79.6%, the Airline was able to record a much higher growth amounting to 12.2% in RPK terms with the RPK rising from 10,051 Million in FY 2017-18 to 11,277 Million in FY 2018-19. There was also commensurate growth in the number of passengers carried by the Airline which grew from 3.89 Million in FY 2017-18 to 4.36 Million in FY 2018-19.

The Airline's Operating Revenue grew by 17.7 % from Rs. 3,544.43 Crore to Rs. 4,171.56 Crore. The Yield per RPKM has increased by 5.93 % from Rs. 3.37 to Rs. 3.57 while Revenue per ASKM also increased by 10.5% from Rs. 2.57 in FY 2017-18 to Rs. 2.84 achieved in FY 2018-19.

On Time Performance

The On Time Performance (OTP) achieved in FY 2018-19 was 80.4% while the schedule reliability was more than 99%.

Aircraft Dispatch Reliability

The aircraft dispatch reliability for FY 2018-19 was 98.28 %.

Code Sharing with Air India

The Code Sharing arrangement between Air India and Air India Express continued in FY 2018–19 as well and was further extended to Mumbai – Vijayawada – Mumbai sector.

The expanded code share arrangement covers the following sectors:

a) Mumbai - Doha - Mumbai
b) Delhi - Abu Dhabi - Delhi
c) Coimbatore - Singapore - Coimbatore
d) Delhi - Madurai - Delhi
e) Delhi - Coimbatore - Delhi
f) Mumbai - Vijayawada - Mumbai

2. FUTURE OUTLOOK

The Airline's performance in the first quarter of FY 2019-20 has been much better than expected with remarkable growth against all KPIs. This was partially due to the withdrawal of services by one of the Indian carriers from some of the routes operated by Air India Express. Even otherwise, the outlook for the short to medium term future looks reasonably bright with distinct softening in global ATF rates and relative hardening of the Indian Rupee. On the supply side, the competitive scenario remains more or less constant owing to the fact that there has not been significant increase in the exchange of bilateral entitlements with the countries that represent the core markets of the Airline thus limiting the opportunity for foreign or Indian carriers to mount additional capacity on these routes. On the demand front, the Indian out-bound market continues to flourish and grow along with the sustained / healthy rate of growth witnessed in the Indian economy. The growth in the out-bound market to the destinations served by the Airline has served to offset the reduced intake of Indian manpower in these markets. It is expected that the liberal visa regulations introduced by most of the Gulf States for attracting Indian visitors in larger numbers is likely to remain in place and could perhaps get further liberalized. The key to success would as always be the extent to which the Airline is able to reduce the costs that are within its control and increase the revenues through adopting dynamic capacity / price management tactics.

3. GOING CONCERN

Due to the various measures taken by the Company towards improving operating and financial position *viz* increasing capacity, intense asset/resource utilization, greater operational efficiency etc and also due to the increase in revenues, good demand and average ATF cost, the financial condition of the Company has improved. The Company has been consistently earning Net profits for the last four years. The same trend is expected to be maintained in FY 2019-20 with improved load factors and yield. In the first quarter of FY 2019-20 the Company has shown a remarkable growth in terms of capacity, PLF, yields and revenues. Accordingly, it is estimated that in FY 2019-20 the Airline will comfortably surpass the results of FY 2018-19 on all the key performance indicators.

4. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The staff strength as on 31 March 2019 was 1348.

Staff strength of 1348 includes 54 employees (Pilots and Ground Staff) on deputation from the holding Company, Air India Limited and 9 Expat Pilots.

As on 31 March 2019 there was one employee with disabilities, in the services of the Company.

Relations with the work force continued to be cordial during the year 2018-19.

HR Initiatives during the year 2018-19

- Group Medical/ Health Insurance policy for Air India Express Ltd. employees was renewed from February, 2019 for 1 year.
- Introduced new method of ultimate utilization of office space and storage.
- Under Swachh Bharat Scheme, action plan was initiated to upkeep cleanliness of premises and office.
- During the floods in Kerala in August, 2018, we had extended our support to the flood affected passengers to manage their travel plans due to the closing of Cochin International Airport for 10 days.
- We had extended our support to the victims of flood affected local inhabitants by way of providing drinking water, food items, clothes etc.

5. INFORMATION & TECHNOLOGY

Major achievements during the year were as follows:

- Implemented a more user friendly website
- Successfully implemented the new Mobile App android version for better booking Experience to passenger

6. RISK MITIGATION STRATEGIES

The Company continuously monitors the risk perceptions and takes preventive action for mitigation of risks on various fronts.

7. INTERNAL CONTROL SYSTEMS

The Company has appointed M/s H P Bhalekar & Associates as Internal auditors for the year 2018-19 to carry out various internal audit assignments and special reviews such as compliance of accounting standards, CENVAT credit, Inventory accounting etc.

Annexure A

REPORT ON CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS

As per the Articles of Association of the Company, the number of Directors shall not be less than three and not more than fifteen.

Board of Directors as on 31 March 2019

Shri Ashwani Lohani	CMD- Air India Ltd.	Chairman
Shri Angshumali Rastogi	Director, Ministry of Civil Aviation	
Shri Pranjol Chandra	Director, Ministry of Civil Aviation	
Shri Vinod Hejmadi	Director (Finance), Air India Ltd.	

During the year, all meetings of the Board were chaired by the Chairman. The Board met five times during the year to review the performance of the Company and to discuss important issues which *inter alia* included, Evaluation of MOU (2017-18) by DPE, serious incident to B737-800 aircraft VT-AYD, Training Policy for Board members, Shifting of Registered Office of the Company from Nariman Point to Kalina, Santacruz, Related Party Transactions with AI and group companies, MOU/MSA with Air India, dematerialisation of Shares, lease of CFM56-7B engine, change in depreciation policy, leasing of 8 aircraft, revision of gratuity ceiling from Rs. 10 Lakhs to Rs. 20 Lakhs etc

2. BOARD PROCEDURE

The meetings of the Board of Directors are generally held at Air India's Headquarters in New Delhi. The meetings are scheduled well in advance. In case of exigencies or urgency, resolutions are passed by circulation. The Board meets at least once a quarter to review the operating performance of the Company. The agenda for the meetings is prepared by the officials of the concerned departments and approved by the CEO at the first instance and then put up to the Chairman/Board for final approval. The Board papers are circulated to the Directors in advance. The members of the 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 if required. Action Taken Reports are put up to the Board on regular basis. To enable better and more focused attention on the affairs of the Company, the Board delegates certain matters to Committees of the Board set up for the purpose.

Details regarding the Board Meetings, Annual General Meeting, Directors' attendance thereat, Directorships and Committee positions held by the Directors are as under:

Board Meetings :

Board Meetings were held during the financial year 2018-19 on the following dates:

23 April 2018	(212^{th} Meeting)
08 August 2018	(213^{th} Meeting)
31 August 2018	(214^{th} Meeting)
06 November 2018	(215^{th} Meeting)
30 January 2019	(216^{th} Meeting)

Particulars of Directors including their attendance at the Board/Shareholders' Meetings during the financial year 2018-19:

Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
Shri Pradeep Singh Kharola CMD – Air India Ltd. Chairman (Ceased as Chairman eff. 14.2.2019)	Phd. Masters in Development Management	5	Chairman & Managing Director Air India Limited Part-Time Chairman Air India Air Transport Services Ltd Air India Engineering Services Ltd Airline Allied Services Ltd Hotel Corporation of India Ltd. Air India SATS Airport Services Pvt. Ltd. Air India Assets Holding Ltd. Director Air Mauritius Limited Air Mauritius Holdings Limited	AIL Member Nomination & Remuneration Committee AIATSL Chairman Corporate Social Responsibility Committee Member Audit Committee HCI Member Audit Committee
Shri Ashwani Lohani CMD – Air India Ltd. Chairman (appointed as Chairman eff 14.2.2019)	Mechanical Engineer and Fellow of Chartered Institute of Logistic and Transport	-	Chairman & Managing Director Air India Limited Part-Time Chairman Air India Air Transport Services Ltd Air India Engineering Services Ltd Airline Allied Services Ltd Hotel Corporation of India Ltd. Air India SATS Airport Services Pvt. Ltd. Air India Assets Holding Ltd. Director Air Mauritius Limited Air Mauritius Holdings Ltd.	AIL Member Nomination & Remuneration Committee AIATSL Chairman Corporate Social Responsibility Committee Member Audit Committee HCI Member Audit Committee
Shri Angshumali Rastogi Director(Finance), Ministry of Civil Aviation	Fellow, Institution of Mechanical Engineers, London Chartered Engineer (Mechanical Engineering), registered with Engineering Council, London	-	Director Airline Allied Services Ltd AAI Cargo Logistics & Allied Services Company Ltd	Chairman Audit Committee Member CSR Committee AASL Chairman Audit Committee

Shri Vinod Hejmadi Director – Finance Air India Ltd.	B.Com, ACA	5	Director Air India Ltd Air India Air Transport Services Ltd Air India Engineering Services Ltd Airline Allied Services Ltd Hotel Corporation of India Ltd Air India SATS Airport Services Pvt Ltd Air India Assets Holding Ltd.	Chairman CSR Committee Member Audit Committee AIL Member Share Allotment Committee Selection Committee Flight Safety Committee AIATSL Member Corporate Social Responsibility Committee Audit Committee HCI Member Audit Committee AIESL Member Audit Committee AASL Member Audit Committee AISATS Chairman CSR Committee
Dr Shefali Juneja Jt Secretary, Ministry of Civil Aviation (ceased as Director eff 31.8.2018)	M.A M(Phil) Phd.	1	Director Airline Allied Services Ltd	Member Audit Committee CSR Committee AASL Member Audit Committee
Shri Pranjol Chandra Director, Ministry of Civil Aviation (appointed as Director eff 31.8.2018)	B.E. Mechanical	1	Director Airline Allied Services Ltd	Member Audit Committee CSR Committee AASL Member Audit Committee

3. AUDIT COMMITTEE

As part of the Corporate Governance process and in compliance with the provisions of the Companies Act, 2013 and DPE Guidelines, the Audit Committee of the Board has been constituted.

As on 31 March 2019 the following were the members of the Audit Committee :

Shri Angshumali Rastogi	Chairman
Shri Pranjol Chandra	Member
Shri Vinod Hejmadi	Member

The Terms of Reference of the Audit Committee are:

- To recommend for appointment, remuneration and terms of appointment of auditors of the company;
- To review and monitor the auditor's independence and performance and effectiveness of audit process;
- To discuss with the external auditor, before the audit commences, the nature and scope of the audit and to ensure coordination where more than one audit firm is involved;
- To review the Internal Audit program & ensure co-ordination between the Internal & External Auditors as well as determine whether the Internal Audit function is commensurate with the size and nature of the Airlines Business and is provided adequate resources and representation within the company;
- To review/examine the half-yearly and annual financial statements and the auditors' report thereon;
- To discuss problems and reservations arising from the interim and final audits and any matter that the auditor may wish to discuss in the absence of Management where necessary;
- To review the Statutory Auditor's Report, Management's response thereto and to take steps to ensure implementation of the recommendations of the Statutory Auditors ;
- Approval or any subsequent modification of transactions of the company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters;
- To consider other matters as defined by the Board.

The Audit Committee met four times during the year to review various issues including *inter alia* Internal Audit report, Annual Accounts and Related party transactions of the Company for the year before submission to the Board, on the following dates:

23 April 2018	(28th Meeting)
8 August 2018	(29th Meeting)
31 August 2018	(30th Meeting)
6 November 2018	(31st Meeting)

Attendance at the Audit Committee Meetings

Name of the Member	No. of Meetings Attended
Shri Angshumali Rastogi	4
Shri Pranjol Chandra	-
Dr Shefali Juneja	1
Shri Vinod Hejmadi	4

4. ANNUAL GENERAL MEETINGS DURING THE LAST THREE YEARS

The details of these meetings are given below :

	Date and time of the Meeting	Venue
45th Annual General Meeting	24 November 2016 At 1400 hrs	Conference Room, 22nd Floor, Air India Building, Nariman Point, Mumbai-400 021.
46th Annual General Meeting	September 2017 At 1100 hrs	Conference Room, 22nd Floor, Air India Building, Nariman Point, Mumbai-400 021.
47th Annual General Meeting	December 2018 At 12 Noon	1st Floor, Old Operations Building, Air India Complex, Old Airport, Santa Cruz (East), Mumbai 400 029

<u>Special resolutions passed in the previous three AGMs : NIL</u>

Encl :

CODE OF CONDUCT

DECLARATION

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/-
(K Shyam Sundar)
Chief Executive Officer
Air India Express Limited

Place : Delhi
Date : 30 July 2019

Report on CSR Activities for FY 2018-19

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs

- The Board of Directors of the Company have adopted a CSR Policy, which includes implementation of CSR activities such as Education, Skill Development, Women Empowerment, Environment and community development, Health, Drinking Water, sanitation, Rural development/slum development, child care, conservation of natural resources, etc. The Company's Policy is to focus on making positive contribution to the society through high impact, sustainable programs. At least 50% of the CSR budget would be allocated for CSR activities in and around areas of Company's operations. The Company will implement CSR activities to empower weaker, less privileged and marginalized sections of the Society to create social capital.

- The CSR focus area projects / programs / activities are inspired by the National Development Policies and would cover various areas as detailed in the CSR Policy which has been uploaded on Company's website www.airindiaexpress.in. These activities could be undertaken in the proximity of the Company's operation area, BRGF Districts as identified by the Planning Commission and where there was a strategic connect for the Company.

- The CSR projects / programs / activities would be implemented through implementing partners/specialized agencies, the selection of whom would be based on the laid down criteria.

2. The Composition of the CSR Committee

We have a Board Level Sub Committee (CSR Committee) that inter-alia formulates the CSR Policy, recommends CSR Budget for approval of the Board, approve CSR projects with a monetary value of Rs.25 Lakhs and above and monitor CSR policy to ensure that the CSR objectives are met.

As on 31 March 2019 the CSR Committee comprised of :

Shri Vinod Hejmadi	Chairman
Shri Angshumali Rastogi	Member
Shri Pranjol Chandra	Member
Shri K Shyam Sundar	Member

The CSR Working Committee comprised of

Chief of HR	Chairman
Chief of Finance	
Chief of Corporate Communications	
Company Secretary	

This Committee reviews the proposals for CSR Projects/Programmes/activities received from various locations and approve the proposals of value less than Rs.25 Lakhs against approved allocated Budget.

3. Average net profit of the company for last three financial years

N. A. in view of amendment to Section 198 of the Companies Act 2013

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)

N.A. in view of amendment to Section 198 of the Companies Act 2013

5. Details of CSR spent during the financial year:

a) Total amount to be spent for the financial year

Nil

b) Amount unspent, if any

Nil

c) Manner in which the amount spent during the financial year

Amount spent Rs.57.05 Lakhs (From amt carried forward from FY 2017-18). For details see Annexure attached

6. In case company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report

In view of the proposed disinvestment of the Company the Board directed the Management not to enter into new long term project commitments and to keep projects pending for approval, in abeyance. Hence the Board did not sanction any budget for CSR activities for 2018-19.

During the year, the provisions of Section 198 of the Companies Act, 2013 have been amended effective 19.09.2018, whereby, while computing the average net profits, the "excess of expenditure over income" incurred before 01.04.2014 as against such reduction post 01.04.2014 pre amendment, has to be reduced. Consequently, the losses incurred prior to 01.04.2014 are deductible in computing the "net profits", which in the case of the Company has resulted into negative net profits for the year computed under the said Section 198 of the Companies Act 2013. Accordingly, the Company is not required to incur the expenditure towards Corporate Social Responsibility u/s 135 of the Companies Act, 2013.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR Objectives and Policy of the Company

We hereby affirm that the CSR Policy, as approved by the Board, has been implemented and the CSR Committee monitors the implementation of the CSR projects and activities in compliance with our CSR Objectives. However in view of the proposed disinvestment, no new projects were sanctioned from the Budget of FY 2017-18 and for FY 2018-19.

For AIR INDIA EXPRESS LIMITED

Sd/-	Sd/-
(Vinod Hejmadi)	**(K Shyam Sundar)**
Chairman of CSR Committee	**CEO**

Annexure to Project Report On CSR Activities

(Amount in Rs.Lakhs)

S. No.	CSR Project or activity identified	Sector in which the project is covered	Location of the Project or Program	Amount Outlay (Budget) FY 2017-18	Amount spent on the Projects or Progra-ms	Cumul-ative expend-iture up to the report -ing period	Amount spent Direct or through Implemen-ting Agency
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(I)	**Expenditure on Projects / Programs**						
1.	**Mobile Palliative Care Units**: Along with Medical equipment and uniforms for the Primary Health Center	Community Development	Kochi-1 vehicle, TRV-1 vehicle and Kozikhode - 2 vehicles, Kerala	30.00	0.00	0.00	Direct Payment (AIXL Officials)
2.	**TISS Project:** Sponsored Education to 8 students for Degree Level Course-BVoc in Travel & Tourism	Education	Kochi & Thiruvanatha-puram, Kerala	5.76	1.92	3.84	Through Agency (TISS)
3.	**Infrastructure support to Government school:** To improve Infrastructure and Basic facilities for education in ZP Govt. School	Education	Puari Khurd, Varanasi	14.46	7.23	14.46	Through Agency (IAHV)

4.	**Skill Development Project:** Training to 750 underprivileged youth	Education/ Skill Development	Puari Khurd & other Villages, Varanasi	15.00	10.00	12.50	Through Agency (KSWA)
5.	**Community Development** : Reducing Malnutrition in Tribal area	Community Development	Akkalkua & Dhadgaon, Tribal Districts of Nandurbar, Maharashtra	15.00	0.00	3.75	Through Agency (CTARA-IIT Mumbai)
6.	**Afforestation** - Care of plants and Holistic Development of Land	Environment	Tetavli-Rabale, Navi Mumbai, Maharashtra	10.00	5.00	10.00	Through Agency (IAHV)
7.	**Care-India Express - Simply Cleanliness**	Environment	Kozhikode, Kerala	47.00	32.90	32.90	Through Agency (MPPL)

For AIR INDIA EXPRESS LIMITED

Sd/- **(Vinod Hejmadi)** **Chairman of CSR Committee**	**Sd/-** **(K Shyam Sundar)** **CEO**

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

[Issued in pursuance to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 with modifications as deemed necessary, without changing the substance of format given in MR-3]

To,
The Members,
Air India Express Limited
(Erstwhile known as Air India Charters Limited)
1st Floor, Old Operations Building,
Air India Complex, Old Airport,
Santacruz (East),
Mumbai – 400029.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Air India Express Limited (CIN:U62100MH1971GOI 015328) (hereinafter called 'the Company') for the financial year ended 31st March, 2019. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

A. In expressing our opinion, it must be noted that-

i. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

ii. We have followed the audit practices and processes as were appropriate to obtain reasonable assurances 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. We believe that the processes and practices, we followed provide a reasonable basis of our opinion.

iii. We have not verified correctness and appropriateness of financial records and books of accounts of the Company.

iv. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.

v. The compliance and provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.

vi. 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.

B. Based on our verification of the Company's books, papers, minute books, forms and returns filed 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, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes (duly evolved) and compliance-mechanism in place to the extent and as applicable to the Company in the manner and subject to the reporting made hereinafter:

C. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2019 according to the provisions of:

I. The Companies Act, 2013 (the Act) and the rules made thereunder;

II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

IV. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of External Commercial Borrowings. The Company has no Foreign Direct Investment and Overseas Direct Investment.

V. None of the Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') are applicable to the Company except: -

(a) 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;

(b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulation,2008;

VI. Having regard to the compliance system prevailing in the Company and on the basis Management Representation Letter issued by the designated officers of the Company, the Company has complied with the following laws applicable specifically to the Company:

(a) Aircraft Act, 1934 and the Rules made thereunder;

(b) Carriage by Air Act 1972 and the Rules made thereunder;

(c) The Aircraft (Carriage of Dangerous Goods) Rules,2003 and the Rules made thereunder;

(d) Civil Aviation Requirements issued by Directorate General of Civil Aviation.

(e) Acts prescribed under Environmental Protection.

D. We have also examined compliance with the applicable clauses of the following:

I) Secretarial Standards in respect of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India.

ii) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) to extent of Listing 950 Redeemable, Unsecured Non-convertible Debentures of face value of Rs.1 Million each.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. except the following;

(a) The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act,2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and further company has not complied with the provisions of Section 177 (2) and section 178 of the Companies Act,2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules,2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.

(b) The Company did not have woman director for the period 1st September,2018 till 31st March,2019 as required under section 149(1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

(c) The Company is in process of complying with the applicable provisions under Chapter III (Common Obligation of Listed Entity) and Chapter V (Obligations of Listed Entity which has Listed its Non-Convertible Debt securities or Non-convertible Redeemable Preference Shares) under SEBI LODR.

E. We further report that—

I. Subject to what is stated herein above as regards the appointment of Independent Directors and woman Director, 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 provision of the Act.

II. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance, 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.

III. Majority decision is carried through and there was no instance of any director expressing any dissenting views.

F. We further report that there are systems and processes in the Company but require to be strengthened to commensurate with size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

G. We further report that during the audit period none of the following events has taken place-

i. Public/Rights/Preferential Issue of Shares/Debentures/Sweat equity etc.
ii. Redemption of securities.
iii. Major decision taken by the members in pursuance to Section 180 of the Companies Act, 2013.
iv. Merger/Amalgamation/Reconstruction, etc.
v. Foreign Technical Collaborations.

For DHOLAKIA & ASSOCIATES LLP
(Company Secretaries)

Sd/-
CS Bhumitra V. Dholakia
Designated Partner
FCS-977 CP No. 507

Place: Mumbai
Date : 30 July 2019

Management's Comments on the Secretarial Auditors' Report for the Financial Year 31 March 2019

Observations	Management's Comments
(a) The Company has not appointed Independent Directors as required under the provision of Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and further company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board. (b) The Company did not have woman director for the period 1 September 2018 till 31 March 2019 as required under section 149(1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014	Air India Express Limited (AIXL) is a wholly owned Subsidiary of Air India Limited (AIL), a Government Company. Presently, there is no Independent and Woman Director on the Board of AIXL. In terms of Article 117 of the Articles of Association of the Company, Air India has taken up with the Ministry of Civil Aviation for appointment of Independent Directors including Woman Director on the Board of AIXL.
(c) The Company is in process of complying with the applicable provisions under Chapter III (Common Obligation of Listed Entity) and Chapter V (Obligations of Listed Entity which has listed its Non-convertible Debt securities or Non-convertible Redeemable Preference Shares) under SEBI LODR.	The Company is required to file half -yearly financials and other information including the date of payment of interest on debentures to the Stock Exchange. Although hard copies containing majority of the information were submitted to the Stock Exchange, these are required to be uploaded on their website. The information on the above has since been uploaded on the Stock Exchange website.

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 EXPRESS LIMITED FOR THE YEAR ENDED 31 MARCH 2019.

The preparation of financial statements of Air India Express 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 30 July 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 Express 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 working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and the 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 related audit report:

COMMENTS ON FINACIAL POSITION

Current Assets

Other Financial Assets (Note 11) – ₹ 1345.58 million

The above includes ₹ 226.19 million being insurance claim receivable. Vide Note 42, Company disclosed that the company has received ₹ 501.52 million up to 31.03.2019, leaving outstanding net balance recoverable of ₹ 226.19 million. Accounting of the same is a deviation from accounting policy 3 VI (d), which stated that the claim receivable from the insurance company is accounted for on the acceptance by the insurance company on such claims.

As per paragraph 18 of Ind AS 1, an entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policy used or by notes or explanatory material. Further as per paragraph 27 of Ind AS 1, an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

Accounting of unaccrued insurance claim of ₹ 226.19 million in deviation of the accounting policy of the Company is not in compliance with provision of Ind AS 1. This has resulted in overstatement of the insurance claim receivable and the profit of the year by ₹ 226.19 million.

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

Sd/-
(Tanuja Mittal)
Principal Director of Commercial Audit
& ex-officio Member Audit Board-II, Mumbai

Date: 27 September 2019
Place: Mumbai

MANAGEMENT REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(B) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENT OF AIR INDIA EXPRESS LIMITED FOR THE YEAR ENDED 31 MARCH 2019

Sr. No.	Audit Observation	Management Reply
01	**Current Assets** **Other Financial Assets (Note 11)- Rs.1345.58 Million** The above includes Rs. 226.19 million being insurance claim receivable. Vide note 42, Company disclosed that the company has received Rs. 501.52 million up to 31.03.2019, leaving outstanding net balance recoverable of Rs. 226.19 million. Accounting of the same is a deviation from accounting policy 3 VI (d), which stated that the claim receivable from the insurance company is accounted for on the acceptance by the insurance company on such claims. As per paragraph 18 of Ind AS 1, an entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policy used or by notes or explanatory material. Further as per paragraph 27 of Ind As 1, an entity shall prepare Its financial statement, except for cash flow information, using the accrual basis of accounting. Accounting of unaccrued insurance claim of Rs. 226.19 million in deviation of the accounting policy of the Company is not in compliance with provision of Ind AS 1. This has resulted in overstatement of the insurance claim receivable and the profit for the year by Rs. 226.19 million	The accounting policies, including that in respect of Insurance claims, are in line with that of the Holding Company, Air India keeping in the view the CFS requirements. The Company is following up with the Insurance authorities for the recoverable through mails / discussions and periodical review meetings and wherever additional information / clarification on the claims are sought by the Insurance authorities the same are provided. In line with the same, at the end of March 2019, the Insurance authorities have provided a confirmation that the claims are under process and would be cleared in due course of time as per the procedure. The Company is hopeful of recovering the amount in full as reflected and the fact is also made in the disclosure vide note 42 of the Financial Statements of FY 2018-19.

INDEPENDENT AUDITOR'S REPORT

To the Members of Air India Express Limited

1. Qualified Opinion

We have audited the accompanying Ind AS financial statements of Air India Express Limited ("the Company") which comprises the Balance Sheet as at 31st March, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), 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, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Companies (Indian Accounting Standards) Rules, 2015, as amended, (Ind AS) and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2019, and profit, total comprehensive income, the changes in equity and its cash flows for the year ended on that date.

2. Basis for Qualified Opinion

In respect of non-compliance with certain provisions of the Act to the extent stated below:

i. *Section 149(4) relating to appointment of Independent Directors.*

ii. *Section 177(2) and Section 178 relating to composition of Audit Committee and Nomination and Remuneration Committee of the Board.*

iii. *Second proviso of Section 149(1) relating to appointment of woman director since 6th November, 2018.*

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. 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 (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the financial statements.

3. Emphasis of Matter –

We invite attention to the following –

i. In respect of non-compliance with Regulation 52 of Listing Obligation and Disclosures Requirements (Amendment) Regulation, 2017 (LODR) regarding non submission of Half Yearly Financial Results to Bombay Stock Exchange. (Refer Note No. 41).

ii. Note No. 42 regarding accounting of “Insurance Claim Receivable” pending confirmation for acceptance by the Insurance company which is in deviation from the Accounting Policy of the Company.

iii. Note No. 43 regarding penal interest amounting to Rs. 832.47 Million for delayed payment of Guarantee Commission to Government of India.

iv. Non-filling of form 3 CEB for the F. Y. 2012-13 to F.Y. 2015-16 (Refer note no. 54).

v. Cargo Revenue, Flight Interruption Manifest and Code-Share revenue are considered as “Interline Transections” and hence, GST liability in respect of the same is not charged and paid by the Company (Refer note no. 37)

vi. Note No 38 (c) regarding accounting of short booking of consumption of Rs.69.19 Million

vii. Note No 38 (d) regarding accounting of segregation of inventories between group companies resulting into reduction in inventory of Rs. 984.18 Million

viii. Note No 38(h) regarding provision for repairs expenditure of Rs. 56.28 Million

ix. Company had not claimed Input Credit of Service Tax amounting to Rs. 71.9 Million relating to reimbursement of expenses for F.Y. 2012-13 in the service tax return but it had claimed the same in Trans-1 and hence, it continues to be considered as good for recovery.

x. The Company has not deducted income tax at source while making provision for expenses but has deducted the same and paid to the government at the time of making payment of expenses, the impact of such non-compliance has not been ascertained and provided.

Our opinion is not qualified in respect of these matters.

4. Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	**Auditor’s Response**
Passenger Revenue Passenger revenue is not recorded immediately on sale of flight tickets but is deferred to be recorded at a later time as Revenue in the statement of profit and loss when passengers are flown. Such deferred revenue is presented in	Company has appointed outsourced agency for reconciliation and accounting the passenger revenue transactions ascertain as to whether the policy of recognition the revenue is consistently followed. We have verified the data received from the said agency on test check basis and relied also upon the report received from an

the Financial Statement as Forward Sales under Other Liabilities. As a result of the complexity in determining the revenue to be recognized on flight dates, this is a key focus area in our audit.	external chartered accountant opining that the design and effectiveness of controls in respect revenue reconciliation process provide reasonable assurance about their effectiveness.
Leases The Company has to adopt Ind-AS 116 Leases from 1st April, 2019 and is required to disclose the expected impact of adopting Ind-AS 116 in the financial statement for the year ended 31st March, 2020. In new lease accounting standard lessees are required to recognize a right-to-use assets and a lease liability arising from the lease on its balance sheet The adjustments arising from applying Ind-AS 116 are material for the Company and hence it is a key focus area in our audit	As explained to us and disclosed in the financial statements, the Company currently in the process evaluating the Ind-AS 116 on its financial statements for the year ended 31st March, 2020
Provision for Re-delivery Company operated 8 aircraft under operating lease arrangements at 31st March 2019. Under the terms of the operating lease arrangements with the lessors, Company is contractually committed to either return the aircraft and/or engines in a certain condition or to compensate the lessor based on the actual condition of the aircraft and/or engines at the date(s) of return. Accordingly, provision of Rs. 56.56 Million for the costs associated with redelivery of the said aircraft has been made during the lease term and is included under Provisions.	Company has calculated the said provision of redeliver expenses based on the information available from vendor for new aircraft taken on lease by discounting the present value thereof for future liability. We have verified the documents provided to us for cost of contractual commitment and working for calculating the present value of the said liability.
Evaluation of outcome of Indirect Tax Litigation The Company has material Indirect Tax litigated demands	We have obtained the relevant information and reviewed pending litigations regarding indirect tax in terms of legal stand/positions taken by the Company and regulation related the same. We have reviewed the disclosures made in the financial statements in this regard.

5. Responsibilities of Management and those charged with governance for the Ind AS financial statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS 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 other accounting principles generally accepted in India. 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 Ind AS financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

6. Auditor's Responsibilities for the Audit of Ind AS Financial Statement

Our objectives are to obtain reasonable assurance about whether the Ind AS 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 Ind AS 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 not detecting 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)

(i) of the Companies Act, 2013, 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

7. Report on Other Legal and Regulatory Requirements

A. 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 Act, we give in the **Annexure "A"** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

B. As required under Section 143(5) of the Act, we enclose herewith, as per **Annexure "B"**, our report on the directions issued by the Comptroller & Auditor General of India.

C. 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 and returns adequate for the purposes of our audit.

c) The Balance Sheet, the Statement of Profit and Loss (Including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in equity read with Notes to Accounts dealt with by this Report are in agreement with the books of account and with the returns received from Business Areas which were not visited by us.

d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

e) The Company being a Government Company as defined in section 2(45) of the Companies Act, 2013 is exempted from the applicability of the provision of the section 164 (2) of the said Act, vide Circular No.G.S.R.463(E) dated 5th June 2015 issued by the 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 "C"**; and

g) The Company being a Government Company as defined in section 2(45) of the Companies Act, 2013 is exempted from the applicability of the provision of the section 197 of the said Act, vide Circular No.G.S.R.463(E) dated 5th June 2015 issued by the Ministry of Corporate Affairs.

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) Amendment Rules, 2017, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us

i. The company has disclosed the impact of pending litigation on its financial position in its financial statement – Refer to Note No. 32

ii. The Company does not have any long-term contracts including derivative contracts for which there could be any material foreseeable losses and hence, the question of making provision for such losses does not arise.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For M.A. Parikh & Co
Chartered Accountants
Firm Registration No: 107556W

Sd/-
Nalin Shah
Partner
Membership No.: 136978
UDIN :19136978AAAACP3553

Place: Delhi
Date: 30 July 2019

ANNEXURE – A TO THE AUDITOR'S REPORT

As referred to in our Independent Auditor's Report to the members of the Company on the financial statements for the year ended 31st March 2019, we report that :

I. In respect of the Property, Plant and Equipment

a. *The Company is in the process of updating its Property, Plant and Equipment register with respect to quantitative details and location thereof.*

b. The Company has a program of Physical Verification of Property, Plant and Equipment on rotational basis so that every asset is verified once every four years which in our opinion is adequate. As informed to us, physical verification of Property, Plant and Equipment, has been conducted by the management and an independent agency during the year and discrepancies noticed during the verification were rectified.

c. According to the information and explanations given to us and on the basis of examination of the records of the Company, there are no immovable properties in the name of the Company.

II. According to the information and explanations given to us, during the year physical verification of inventory except inventory lying with third parties, has been conducted by the Management and an independent agency and discrepancies noticed during the verification were rectified (Refer Note No. 38). *However, in respect of inventory lying with third parties, discrepancies, if any, may have remained undetected & unadjusted.*

III. The Company has not granted loans to parties covered in the register maintained under section 189 of the Act. Thus, paragraph 3(iii) of the Order is not applicable.

IV. According to the information and explanations provided to us, the Company has not made any loans, investments, guarantees and securities, within the meaning of section 185 and 186 of the Act, and hence paragraph 3(iv) of the Order is not applicable.

V. According to the information and explanations provided to us, the Company has not accepted deposits within the meaning of Section 73 to 76 or any other relevant provision of the Companies Act, 2013, and hence paragraph 3(v) of the Order is not applicable.

VI. Based on the information & explanation provided to us by the management, maintenance of cost records has not been prescribed by the Central Government under sub-section (1) of section 148 of the Act in respect of the Company's Services.

VII. In respect of statutory dues:

According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues and there were no dues in arrears, as at 31st March, 2019 for a period of more than six months from the date on which they became payable, *except the following:*

a. *Profession Tax: Rs. 1.13 Million including Rs. 1.11 Million on account of pendency of determination of jurisdiction by the concerned authority.*

b. *Provident Fund : Rs. 0.44 Million.*

c. *Payment of Tax Deducted at Source (TDS) u/s 194 C, 194 H, 194 J & 194 I of the Income Tax Act, in respect of:*

   i. *As the Company makes adhoc TDS payments for expenses other than salary every month which are pending reconciliation in absence of proper linkage between deduction and deposit of TDS, we are not in a position to offer any comments, as regards delay if any.*

   ii. *Unascertained amount towards interest and penalty, if any, in respect delayed/unpaid TDS on account of Company's policy of not deducting tax at source while providing for expenses but deducting and paying while payment of expenses.*

d. *Statutory dues, if any, in respect of foreign business areas not covered during our audit, since the records 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 timely basis*.

e. According to the records of the Company and information and explanations given to us, there are no dues outstanding in respect of Income Tax, Wealth Tax, Service Tax, Good and Service Tax, Cess or other statutory dues on account of any dispute except as mentioned below:

Sr. No.	Name of the Statute	Amount ** (Rs. In Million)	Nature and forum where dispute is pending
1	Service Tax for Financial Year 2007-08 to 2014- 15	25.16	Commissioner of Central Excise (Appeal)
2	Service Tax for Financial Year 2007-08 to 2016- 17	852.11	Commissioner of Service Tax
3	Customs Duty	8.16	Commissioner of Central Excise, Customs & Service Tax
4	Employees State Insurance Corporation	5.55	Director of Employees State Insurance Corporation

Note :** Net of amount paid under protest aggregating to Rs. 2.97 Million against the above

VIII. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to its banks and to debenture holders *except, interest of Rs. 0.05 Million payable to a debenture holder due on 30th September, 2018 and which was unpaid on 31st March, 2019*. Since than the same has been paid. Further, no loans or borrowings were taken from financial institution and government.

IX. 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 and hence paragraph 3 (ix) of the Order is not applicable.

X. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officer and employees has been noticed or reported during the year and nor have we been informed of such case by the management.

XI. As per the Notification GSR 463(E) of Ministry of Corporate Affairs, Dated 5th June 2015, Section 197 of the Companies Act 2013 is not applicable to Government Companies. Therefore, the of paragraph 3 (xi) of the Companies (Auditor's Report) Order, 2016 is 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. Thus, paragraph 3(xii) of the Order is not applicable.

XIII. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act and where applicable, the details of such transactions have been disclosed in the financial statements as required by Indian Accounting Standard 24.(Refer Note No. 49)

XIV. According to the information and explanations give to us and based on our examination of the records of the Company, during the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

XV. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him and hence, paragraph 3(xv) of the Order is not applicable.

XVI. According to the information and explanations given to us and based on our examination of the records of the Company it is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For M.A. Parikh & Co
Chartered Accountants
Firm Registration No: 107556W

Sd/-
Nalin Shah
Partner
Membership No.: 136978
UDIN :19136978AAAACP3553

Place: Delhi
Date: 30 July 2019

ANNEXURE - B TO THE INDEPENDENT AUDITOR'S REPORT

As referred to in our Independent Auditor's Report to the members of the Company on the financial statements for the year ended 31st March 2019, we report that :

Based on the information and explanations obtained by us, we furnish our comments on the Directions issued by the Comptroller and Auditor General of India relating to the accounts of the Company for the year ended 31st March, 2019.

Sr. No	Directions/Sub-Directions	Statutory Auditor's Comments
1.	**Whether the Company has system in place to process all the accounting transection through IT system? If yes, the implications of processing of accounting transection outside IT system on integrity of the accounts along with the financial implications, if any, may be stated**	Based on the information and explanations given to us, the Company has a system in place to generally process all the accounting transactions through IT system except to the extent as stated hereunder: (i) The entries being made manually on periodic basis in respect of sales/revenue with the accounting software (SAP) basis reconciliation prepared by an independent outside agency. (ii) Till 31st August, the Company used "RAMCO System" reports for manually recording inventory entries into the SAP. (iii) Payroll records are partially maintained manually. (iv) Depreciation on PPE is computed manually and thereafter, entered into SAP. (v) Cargo revenue, flight interruption manifest and code shade Revenue are accounted manually basis information from the holding company. As per the information and explanations given to us, the above records used from the outside SAP system are verified before entering into SAP system for their appropriate integration therein.

2.	**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**	Based on information and explanation given to us, there were no cases of restructuring of an existing loan or cases of any waiver/write off of debts/loan/interest made by lender.
3.	**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**	Based on information and explanation given to us, company has not received any funds for specific schemes from central/state agencies.

For M.A. Parikh & Co
Chartered Accountants
Firm Registration No: 107556W

Sd/-
Nalin Shah
Partner
Membership No.: 136978
UDIN :19136978AAAACP3553

Place: Delhi
Date: 30 July 2019

ANNEXURE - C TO THE INDEPENDENT AUDITOR'S REPORT

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 Express Limited** ("the Company") as of 31st March 2019 in conjunction with our audit of the 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 ICAI. 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 control 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 authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, material weaknesses have been identified in the Company’s internal financial controls over financial reporting as at 31st March, 2019 in respect of:

a) The company did not have an effective interface between various functional software relating to Revenue, Payroll and Inventory Management with the accounting software resulting in accounting entries being made manually on periodical basis.

b) The company did not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales/Revenue, Inventory and Payroll.

c) Controls over planning and monitoring of financial closing process.

d) Controls over spreadsheets used in financial closing process.

e) The company did not have an appropriate internal control system for deduction, timely deposit and reconciliation of statutory dues.

f) The company did not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables however the same has been done as at the end of the year.

g) The Company did not have an effective internal control system for reconciliation of onboard “Bar Sale” with consumption and realization.

h) The company did not have an effective system for timely accounting of entries.

i) Lack of controls to prevent duplicate accounting and maker checker process.

j) System of verification of reconciliation provided by outsourced agency relating to revenue needs to be strengthened.

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 financial statements will not be prevented or detected on a timely basis.

In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting 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, and *except for effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria*, the Company’s internal financial controls over financial reporting were operating effectively as of 31st March, 2019.

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 the financial statements of the Company for the year ended 31st March, 2019, and these material weaknesses has affected our opinion on the financial statements of the Company and we have issued a qualified opinion on the financial statements.

For M.A. Parikh & Co
Chartered Accountants
Firm Registration No: 107556W

Sd/-
Nalin Shah
Partner
Membership No.: 136978
UDIN :19136978AAAACP3553

Place: Delhi
Date: 30 July 2019

Management Comments to the Independent Auditor's Report of the Statutory Auditors for the Financial Year 2018-19

Sl. No.	Audit Observation	Management Comments
Qualified Opinion		
1.	*Section 149(4) relating to appointment of Independent Directors.*	Air India Express Limited (AIXL) is a wholly owned subsidiary of Air India Ltd (A Government Company) and as per Article 117 of the Articles of Association of the Company, all the Directors of the Company are appointed by Air India Ltd in consultation with the Government of India / Ministry. AIXL has requested AI to nominate at least two independent Directors on its board and the same is awaited.
2.	*Section 177(2) and Section 178 relating to composition of Audit Committee and Nomination and Remuneration Committee of the Board.*	As per the provisions of Section 177 (2) of the Companies Act, Audit Committee shall consist of a minimum of three Directors with independent Directors forming a majority. As required under section 178, the nomination and the remuneration committee should consist of three or more non-Executive Director out of which not less than one half should be independent Directors. At present there is no independent Directors on the Board of AIXL and the matter has been escalated to AI for necessary nomination.
3.	*Second proviso of Section 149(1) relating to appointment of woman director since 6th November, 2018.*	The matter has been referred to Air India (Holding Company) for necessary compliance in this regard.
Emphasis of Matter (not qualified)		
1.	*In respect of non-compliance with Regulation 52 of Listing Obligation and Disclosures Requirements (Amendment) Regulation, 2017 (LODR) regarding non submission of Half Yearly Financial Results to Bombay Stock Exchange. (Refer Note No. 41).*	The Company had filed the unaudited – provisional financials to the BSE manually within the due date. However, as per the regulation under section 52 of LODR, the unaudited financials has to be approved by the Board and signed by the independent

		Chartered Accountant besides filing online. The Company is in process to comply with the regulation for the period up to current financial year through the independent Chartered Accountant.
2.	*Note No. 42 regarding accounting of "Insurance Claim Receivable" pending confirmation for acceptance by the Insurance company which is in deviation from the Accounting Policy of the Company.*	The Company has booked the claim as per the Significant Accounting Policy of Revenue Recognition and per existing practice, the Insurance Companies would provide an acknowledgement to the claims received and during the FY 2018-19 also similar such confirmation was obtained and provided to the Statutory Auditors. It may be mentioned that the claims are lodged net of deductibles and the Company is reasonably certain in realization of the claims from Insurance claim as indicated in the note. Further, the periodical meetings with the Insurance authorities and the minutes of the meeting would also confirm the claims and acceptance of the same by the Insurers.
3.	*Note No. 43 regarding penal interest amounting to Rs. 832.47 Million for delayed payment of Guarantee Commission to Government of India*	The Company has provided the guarantee fees payable to the Government at the rate of 0.5% on the amount of the respective liabilities as outstanding at the end of every financial year. However, since the Company has paid the entire amount of guarantee fees payable in full and since it has represented to the Government for waiver of the penal interest amounting to Rs. 832.47 Million and also the Company had not received any claim from the Government of India for such penal interest as aforesaid, no provision for the same has been made in the financial statements.

4.	*Non-filling of form 3 CEB for the F. Y. 2012-13 to F.Y. 2015-16 (Refer note no. 54).*	The Company had filed the Income Tax returns for the period ending 2016-17 and the acknowledgement of completion of assessment was received from the Department for the period ending 2014-15 during the previous year only. During the years, the Company has not received any such demand in this regard for the assessment period.
5.	*Cargo Revenue, Flight Interruption Manifest and Code-Share revenue are considered as "Interline Transections" and hence, GST liability in respect of the same is not charged and paid by the Company (Refer note no. 37)*	This is a Statement of fact.
6.	*Note No 38 (c) regarding accounting of short booking of consumption of Rs.69.19 Million*	The observation of Audit was reviewed and necessary rectification entry passed in the books of Accounts after due reconciliation with RAMCO. Suitable correction has also been carried out in the RAMCO allocating the erroneous Capital classification to Revenue. Accordingly, the closing inventory balance was reduced as per the revised reconciled details provided by RAMCO.
7.	*Note No 38 (d) regarding accounting of segregation of inventories between group companies resulting into reduction in inventory of Rs. 984.18 Million*	The cut over process of manual entries into enterprise module and direct entries from RAMCO to SAP was streamlined with effect from Sep 2018 onwards. The RAMCO software has also been upgraded to 5.8 version to cater to the advanced needs. The integration issues have also been addressed and resolved as per the reconciliation of RAMCO with SAP balances. Effective 2019-20, the entries would flow without any manual intervention seamlessly into SAP and on real time basis.

8.	*Note No 38(h) regarding provision for repairs expenditure of Rs. 56.28 Million*	Inventories at the yearend includes balance under in-house repairing jobs being carried as Work order suspense – Internal / External which contain material used and repair charges. On these balances the Company creates liability provision as necessary.
9.	*Company had not claimed Input Credit of Service Tax amounting to Rs. 71.9 Million relating to reimbursement of expenses for F.Y. 2012-13 in the service tax return but it had claimed the same in Trans-1 and hence, it continues to be considered as good for recovery.*	The Company has been referring the matter with the concerned authorities repeatedly for the re-imbursement. The EA Audit of 2000 with respect to the Trans 1 provision had also been completed before 31.03.2019. The Audit team had submitted a detailed report to the Jurisdiction officer in April 2019 on the Trans 1 claim by the Company for which detailed submissions were made along with the documentary evidence for the above re-imbursement and the outcome is awaited.
10.	*The Company has not deducted income tax at source while making provision for expenses but has deducted the same and paid to the government at the time of making payment of expenses, the impact of such non-compliance has not been ascertained and provided.*	The Company, as per the practice, while creating the provision in the books of accounts comply with deduction of TDS if such provisions are made before April. For all provisions made beyond April, the Tax is considered accordingly while discharging the liability. Further, as per the section 40 A IA, the TDS paid on such expenses can be allowed to be claimed by the Company in the respective Financial year in which the payments are made and TDS liability is discharged.
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 Act		
1.	*In respect of the Property, Plant and Equipment* *a. The Company is in the process of updating its Property, Plant and Equipment register with respect to quantitative details and location thereof.* *b. The Company has a program of Physical Verification of Property, Plant and Equipment on rotational basis so that every asset is verified once*	The Company has carried out the updation process effective FY 2015-16 and prior period exercise due complexities are in process. Effective FY 2017-18, the Company is adopting the physical verification process on annual basis and the

	every four years which in our opinion is adequate. As informed to us, physical verification of Property, Plant and Equipment, has been conducted by the management and an independent agency during the year and discrepancies noticed during the verification were rectified.	same is undertaken by the external Auditors and the physical verification report is submitted to Auditors.
	c. According to the information and explanations given to us and on the basis of examination of the records of the Company, there are no immovable properties in the name of the Company.	This is a statement of fact.
	ii. According to the information and explanations given to us, during the year physical verification of inventory except inventory lying with third parties, has been conducted by the Management and an independent agency and discrepancies noticed during the verification were rectified (Refer Note No. 38). However, in respect of inventory lying with third parties, discrepancies, if any, may have remained undetected & unadjusted.	Effective FY 2017-18, the Company is adopting the physical verification of Inventory on annual basis and the same is undertaken by the external Auditors and the physical verification report is submitted to Auditors. The current year verification includes Repairable / rotable and in respect of items held with outside parties, the confirmation is obtained from the user department.
	iii. The Company has not granted loans to parties covered in the register maintained under section 189 of the Act. Thus, paragraph 3(iii) of the Order is not applicable.	This is a statement of fact
	iv. According to the information and explanations provided to us, the Company has not made any loans, investments, guarantees and securities, within the meaning of section 185 and 186 of the Act, and hence paragraph 3(iv) of the Order is not applicable.	This is a statement of fact.
	v. According to the information and explanations provided to us, the Company has not accepted deposits within the meaning of Section 73 to 76 or any other relevant provision of the Companies Act, 2013, and hence paragraph 3(v) of the Order is not applicable.	This is a statement of fact.

	vi. Based on the information & explanation provided to us by the management, maintenance of cost records has not been prescribed by the Central Government under sub-section (1) of section 148 of the Act in respect of the Company's Services. *vii. In respect of statutory dues:* *According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues and there were no dues in arrears, as at 31st March, 2019 for a period of more than six months from the date on which they became payable, except the following:*	This is a statement of fact.
	a. Profession Tax: Rs. 1.13 Million including Rs. 1.11 Million on account of pendency of determination of jurisdiction by the concerned authority.	The Company in the past has made several attempts to remit the PF dues to the authorities. Since most of the employees have resigned, the matter was referred to the external consultant to guide us in the matter. Upon receipt of the guidance note appropriate action would be initiated.
	b. Provident Fund : Rs. 0.44 Million.	The UAN number for the respective employees are under process by the PF department and upon confirmation, the UAN number would be validated in the system and the PF dues would be remitted accordingly.
	c. Payment of Tax Deducted at Source (TDS) u/s 194 C, 194 H, 194 J & 194 I of the Income Tax Act, in respect of: *i. As the Company makes adhoc TDS payments for expenses other than salary every month which are pending reconciliation in absence of proper linkage between deduction and deposit of TDS, we are not in a position to offer any comments, as regards delay if any.*	The Company is remitting TDS based on the SAP extracts of monthly liability as per the provisions made. However, the Company remit the adhoc payment of TDS for the month of Mar 2019 to avoid late filing and interest, etc and the same is already mapped with the respective vendors and reconciled. Further, all unconsumed challans list mapped with SAP had been provided to the Auditors along with vendor closing balances and necessary confirmations.

	ii. Unascertained amount towards interest and penalty, if any, in respect delayed/unpaid TDS on account of Company's policy of not deducting tax at source while providing for expenses but deducting and paying while payment of expenses.	The Company does not have any unascertained amount towards interest and penalty. Further, the Company had provided TDS-CPC default statement effective FY 2007-08 onwards till FY 2018-19 and also the above is reflected in the Form 26 AS for FY 2018-19.
	d. Statutory dues, if any, in respect of foreign business areas not covered during our audit, since the records 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 timely basis.	All compliances in respect of Foreign stations are complied with as per the certification / confirmation provided by the respective Foreign stations.
	e. According to the records of the Company and information and explanations given to us, there are no dues outstanding in respect of Income Tax, Wealth Tax, Service Tax, Good and Service Tax, Cess or other statutory dues on account of any dispute except as mentioned below:	This is a Statement of fact.

Sr. No.	Name of the Statute	Amount ** (Rs. In Million)	Nature and forum where dispute is pending
1	Service Tax for Financial Year 2007-08 to 2014- 15	25.16	Commissioner of Central Excise (Appeal)
2	Service Tax for Financial Year 2007-08 to 2016- 17	852.11	Commissioner of Service Tax
3	Customs Duty	8.16	Commissioner of Central Excise, Customs & Service Tax
4	Employees State Insurance Corporation	5.55	Director of Employees State Insurance Corporation

*Note :** Net of amount paid under protest aggregating to Rs. 2.97 Million against the above*

	viii. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to its banks and to debenture holders except, interest of Rs. 0.05 Million payables to a debenture holder due on 30th September, 2018 and which was unpaid on 31st March, 2019. Since than the same has been paid. Further, no loans or borrowings were taken from financial institution and government.	The remittance of interest for one of the Debenture holder could not be done due to mismatch in the recipient bank details. After due process, the correct account number was obtained and remittances were made accordingly and the details submitted to Audit.
	ix. 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 and hence paragraph 3 (ix) of the Order is not applicable.	This is a statement of fact.
	x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officer and employees has been noticed or reported during the year and nor have we been informed of such case by the management.	This is a statement of fact.
	xi. As per the Notification GSR 463(E) of Ministry of Corporate Affairs, Dated 5th June 2015, Section 197 of the Companies Act 2013 is not applicable to Government Companies. Therefore, the of paragraph 3 (xi) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.	This is a Statement of fact.
	xii. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Thus, paragraph 3(xii) of the Order is not applicable.	This is a Statement of fact.
	xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act and where applicable, the details of such transactions have been disclosed in the financial statements as required by Indian Accounting Standard 24.(Refer Note No. 49)	This is a Statement of fact.

	xiv. According to the information and explanations give to us and based on our examination of the records of the Company, during the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. *xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him and hence, paragraph 3(xv) of the Order is not applicable.* *According to the information and explanations given to us and based on our examination of the records of the Company it is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.*	This is a Statement of fact. This is a Statement of fact. This is a Statement of fact.

	1.	Whether the Company has system in place to process all the accounting transaction through IT system? If yes, the implications of processing of accounting transaction outside IT system on integrity of the accounts along with the financial implications, if any, may be stated	Based on the information and explanations given to us, the Company has a system in place to generally process all the accounting transactions through IT system except to the extent as stated hereunder:	
			(i) The entries being made manually on periodic basis in respect of sales/ revenue with the accounting software (SAP) basis reconciliation prepared by an independent outside agency.	This is a Statement of fact.
			(ii) Till 31st August, the Company used "RAMCO System" reports for manually recording inventory entries into the SAP.	This is a Statement of fact.
			(iii) Payroll records are partially maintained manually.	This is a Statement of fact.
			(iv) Depreciation on PPE is computed manually and thereafter, entered into SAP.	This is a Statement of fact.
			(v) Cargo revenue, flight interruption manifest and code shade Revenue are accounted manually basis information from the holding company. As per the information and explanations given to us, the above records used from the outside SAP system are verified before entering into SAP system for their appropriate integration therein.	This is a Statement of fact.
	2.	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	Based on information and explanation given to us, there were no cases of restructuring of an existing loan or cases of any waiver/ write off of debts/loan/interest made by lender.	This is a Statement of fact.

<table>
<tr><td></td><td><table><tr><td>3.</td><td>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</td><td>Based on information and explanation given to us, company has not received any funds for specific schemes from central/state agencies.</td></tr></table></td><td>This is a Statement of fact.</td></tr>
<tr><td colspan="3">Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)</td></tr>
<tr><td></td><td>a) The company did not have an effective interface between various functional software relating to Revenue, Payroll and Inventory Management with the accounting software resulting in accounting entries being made manually on periodical basis.</td><td>This is a Statement of fact.
However, the Company has appointed a consultant to review the SAP processes and guide us further. As on date, complete fuel payments are being linked with SAP on real time basis.</td></tr>
<tr><td></td><td>b) The company did not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales/Revenue, Inventory and Payroll.</td><td>The Company has appointed Internal Auditor on concurrent basis effective FY 2019-20.</td></tr>
<tr><td></td><td>c) Controls over planning and monitoring of financial closing process.</td><td>The Company is in close liaison with SAP experts to address this issue and is taking guidance from the SAP consultant.</td></tr>
<tr><td></td><td>d) Controls over spreadsheets used in financial closing process.</td><td>In order to be in line with the requirement, the SAP team is being requested to augment with provisions to comply with the regulations.</td></tr>
<tr><td></td><td>e) The company did not have an appropriate internal control system for deduction, timely deposit and reconciliation of statutory dues.</td><td>The Company is exercising complete controls on Compliance and Statutory regulation and remittances are made on or before the due dates. The reports from SAP and manual controls are exercised in this regard since SAP is not fully compatible for such auto controls.</td></tr>
<tr><td></td><td>f) The company did not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables however the same has been done as at the end of the year.</td><td>The Company has been following the system of obtaining confirmations from Vendors / Customers through an external Audit firm and the certification is obtained from them on annual basis.</td></tr>
</table>

	g) The Company did not have an effective internal control system for reconciliation of onboard “Bar Sale” with consumption and realization.	Bar Sales are being streamlined and suitable controls are vested with Airport Coordinators, Airport cashiers and station Finance Officers for effective follow up through System.
	h) The company did not have an effective system for timely accounting of entries.	Monthly closing balances are being drawn with effect from FY 2019-20 and with the help of the Concurrent Audit, the delays are minimized.
	i) Lack of controls to prevent duplicate accounting and maker checker process. j) System of verification of reconciliation provided by outsourced agency relating to revenue needs to be strengthened.	With the appointment of the internal auditor on concurrent basis, the issues as highlighted would be avoided to a great extent including real time revenue reconciliation in SAP.

BALANCE SHEET AS AT 31 MARCH 2019

(Rupees in Million)

Particulars	Note No.	As at 31st March 2019		As at 31st March 2018	
ASSETS :					
Non-Current Assets					
(a) Property, Plant and Equipment	4	**28,774.10**		29,535.85	
(b) Intangible Assets	4	**0.04**		0.05	
(c) Capital work in Progess		**95.32**		-	
(d) Financial Assets	5	**161.80**		131.87	
(e) Other Non-Current Assets	6	**60.14**		66.68	
Total Non Current Assets			**29,091.40**		**29,734.45**
Current Assets					
(a) Inventories	7	**2,646.03**		2,717.06	
(b) Financial assets:					
i) Trade Receivables	8	**382.26**		319.81	
ii) Cash and Cash Equivalents	9	**752.30**		775.23	
iii) Bank balances other than (ii) above	10	**218.66**		167.25	
iv) Other Financial Assets	11	**1,345.58**		1,232.04	
(c) Current Tax Assets (Net)	12	**12.00**		9.07	
(d) Other Current Assets	13	**2,871.36**		1,520.94	
(e) Assets held for Sale		**1.40**		-	
Total Current Assets			**8,229.59**		**6,741.40**
Total Assets			**37,320.99**		**36,475.85**
EQUITY AND LIABILITIES :					
Equity					
a) Equity Share Capital	14	**7,800.0**		7,800.00	
b) Other Equity	15	**(16,286.47)**		(17,887.47)	
Total Equity			**(8,486.47)**		**(10,087.47)**
Liabilities :					
(a) Non-Current Liabilities					
i) Financial Liabilities					
- Borrowings	16	**1,778.00**		4,599.84	
-Other Financial Liabilities	17	**5.20**		-	
ii) Provisions	18	**141.89**		63.31	
Total Non-Current Liabilities			**1,925.09**		**4,663.15**
(b) Current Liabilities					
i) Financial Liabilities					
-Borrowings	19	**25,548.59**		23,463.92	
-Trade Payables	20	**9,709.81**		10,302.63	
-Other Financial Liabilities	21	**3,318.84**		4,629.14	
ii) Provisions	22	**770.18**		374.83	
iii) Other Current Liabilities	23	**4,534.95**		3,129.65	
Total Current Liabilities			**43,882.37**		**41,900.17**
Total Equity & Liabilities			**37,320.99**		**36,475.85**
Significant Accounting Policies Notes forming part of the Financial Statement	**1-63**				

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

As per our Report of even date

For M. A. Parikh & Co.

Chartered Accountants
Registration No. – 107556W

Sd/-

Nalin Shah
Partner
M. No.136978

Place : Delhi
Date : 30 July 2019

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman
(DIN :-01023747)

Sd/-
Angshumali Rastogi
Director
(DIN :-06658332)

Sd/-
Vinod Hejmadi
Director
(DIN :-07346490)

Sd/-
K.Shyam Sundar
Chief Executive Officer

Sd/-
M.Manoharan
Chief Financial Officer

Sd/-
Aditi Khandekar
Company Secretary

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

(Rupees in Million)

Particulars	Note No.	Year ending 31st March 2019		Year ending 31st March 2018	
Revenue					
1. Revenue from Operations					
i) Sale of Services	**24**	**40,944.22**		34,471.08	
ii) Other Operating Revenue	**25**	**771.44**		973.25	
Operating Revenue			**41,715.66**		**35,444.33**
Other Income	**26**		**299.63**		740.43
Total Revenue			**42,015.29**		**36,184.76**
Expenses					
1. Aircraft Fuel & Oil			**15,214.58**		10,507.65
2. Operation Expenses	**27**		**14,076.19**		13,354.85
3. Employees Benefit Expenses	**28**		**2,930.86**		2,397.22
4. Finance Cost	**29**		**2,951.34**		2,850.95
5. Depreciation and Amortization Expenses	**30**		**2,607.82**		2,449.94
6. Other Expenses	**31**		**2,548.61**		2,441.25
Total Expenses			**40,329.40**		**34,001.86**
Profit before Tax			**1,685.89**		**2,182.90**
Tax Expenses :					
i) Current Tax			**42.00**		-
ii) Tax Adjustment relating to earlier year					
Profit / (Loss) after Tax for the year			**1,643.89**		**2,182.90**
Other Comprehensive Income					
A (i) Items that will not be reclassified to profit or loss			**(28.01)**		12.90
(ii) Income tax relating to above mentioned items			**-**		-
B (i) Items that will be reclassified to profit or loss					
(ii) Income tax relating to above mentioned items			**-**		-
Total Comprehensive Income for the year			**1,615.88**		**2,195.80**
Earning per Equity Share of Rs.100 Each					
Basic & Diluted	**51**		**21.08**		27.99
Significant Accounting Policies **Notes forming part of the Financial Statement**	**1-63**				

The accompanying notes are an integral part of the Financial Statement
This is the Statement of Profit and Loss referred to in our report of even date

As per our Report of even date

For M. A. Parikh & Co.

Chartered Accountants
Registration No. – 107556W

Sd/-

Nalin Shah
Partner
M. No.136978

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman
(DIN :-01023747)

Sd/-
Angshumali Rastogi
Director
(DIN :-06658332)

Sd/-
Vinod Hejmadi
Director
(DIN :-07346490)

Sd/-
K.Shyam Sundar
Chief Executive Officer

Sd/-
M.Manoharan
Chief Financial Officer

Sd/-
Aditi Khandekar
Company Secretary

Place : Delhi
Date : 30 July 2019

STATEMENT OF CHANGES IN EQUITY AS AT 31ST MARCH 2019

A. Equity Share Capital	As at 31.03.2019		As at 31.03.2018	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting period	**780,000**	**78,000,000**	780,000	78,000,000
Balance at the end of reporting period	**780,000**	**78,000,000**	780,000	78,000,000

(Rupees in Million)

B. Other Equity	Capital Reserve	Retained Earnings	Other Comprehensive Income	Total
Balance as at 31.03.2018	**265.93**	**(18,150.87)**	**(2.53)**	**(17,887.47)**
Transfer to/ from Profit & Loss	14.88	1,643.89	(28.01)	
Balance as at 31.03.2019	**251.05**	**(16,506.98)**	**(30.54)**	**(16,286.47)**
Balance as at 31.03.2017	**280.82**	**(19,806.35)**	**(15.43)**	**(19,540.96)**
Less: Prior Period Adjustment	-	527.42	-	527.42
Balance as at 31.03.2017	**280.82**	**(20,333.77)**	**(15.43)**	**(20,068.38)**
Transfer to/ from Profit & Loss	14.89	2,182.90	12.90	2,210.69
Balance as at 31.03.2018	**265.93**	**(18,150.87)**	**(2.53)**	**(17,887.47)**

As per our Report of even date

For M. A. Parikh & Co.

Chartered Accountants
Registration No. – 107556W

Sd/-

Nalin Shah
Partner
M. No.136978

Place : Delhi
Date : 30 July 2019

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman
(DIN :-01023747)

Sd/-
Angshumali Rastogi
Director
(DIN :-06658332)

Sd/-
Vinod Hejmadi
Director
(DIN :-07346490)

Sd/-
K.Shyam Sundar
Chief Executive Officer

Sd/-
M.Manoharan
Chief Financial Officer

Sd/-
Aditi Khandekar
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

(Rupees in Million)

	Particulars	F.Y. 2018-19		F.Y. 2017-18	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Profit before Exceptional Items and Tax		**1,643.89**		2,182.90
	Adjustments for :				
	Other Comprehensive Income	**(28.01)**		12.90	
	Depreciation and Amortization	**2,607.82**		2,449.94	
	Finance Cost	**2,951.34**		2,850.95	
	(Profit)/Loss on sale of Assets	**31.23**		-	
	Property,Plant and Equipment Scraped	**465.39**		730.36	
	Provision for Doubtful Debts	**0.24**		95.63	
	Interest on Bank Deposits	**(37.77)**	**5,990.24**	(35.05)	6,104.73
	Cash surplus/(-) deficit before variation in Net Working		**7,634.13**		8,287.63
	Changes in Working Capital				
	Increase /(-)Decrease in Current Assets				
	Trade Receivable	**(62.69)**		(53.75)	
	Other Financial Assets	**(112.04)**		(640.21)	
	Other Current Assets	**(1,350.42)**		324.82	
	Other Non Current Assets	**6.54**		(66.68)	
	Non Current Financial Assets	**(29.93)**		(87.28)	
	Inventories	**71.03**		(638.06)	
	Increase /(-)Decrease in Current Liabilities & Provisions				
	Non current Provision	**78.58**		(14.05)	
	Other Financial Liabilities	**5.20**			
	Current Trade Payables	**(592.82)**		216.20	
	Other Financial Liabilities	**291.17**		(746.24)	
	Current Provision	**395.35**		(263.74)	
	Other Current liabilities	**1,405.30**		(940.26)	
			105.27		(2,909.25)
	Cash (-)outflow / Inflow from Operations		**7,739.40**		5,378.38
	Less:- Taxes Paid/(Refund)		**2.93**		(6.57)
	Net cash (-)outflow / Inflow from Operations (A)		**7,736.47**		**5,384.95**
B.	**CASH FLOW FROM INVESTING ACTIVITIES:**				
	Purchase of Property,Plant and Equipment	**(2,359.91)**		(2,384.91)	
	Intangible Assets				
	Capitalisation of Capital work in progress	**(95.32)**		-	
	Proceeds from Fixed Assets	**0.49**		-	
	Bank Balances other than cash and cash equivalents	**(51.41)**		58.03	
	Interest received on Bank Deposits	**36.27**		34.78	
	Net cash (-)outflow / Inflow from Investing Activities (B)		**(2,469.88)**		(2,292.10)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Finance Cost	**(2,957.00)**		(2,841.39)	
	Working Capital loan taken/repaid	**1,134.67**		2,974.32	
	Repayment of Term Loan/Aircraft Loans	**(3,467.62)**		(3,792.21)	
	Security Deposit	**0.43**			
	Net cash (-)outflow / Inflow from Financing Activities (C)		**(5,289.52)**		**(3,659.28)**
	Net Increase / (-)Decrease in Cash & Cash equivalents (A+B+C)		**(22.93)**		**(566.43)**
Add:-	**Cash and cash equivalents at the beginning of the year**				
	Balances with Banks :				
	i) On Current Accounts	**287.04**		882.71	
	ii) Deposit Accounts (with original Maturity of 3 month or less than 3 months)	**461.75**		456.84	
	Cheques on Hand	**25.04**		-	
	Cash on Hand	**1.40**	**775.23**	2.11	1,341.66
	Cash and cash equivalents at the end of the year		**752.30**		**775.23**
	Balances with Banks :				
	i) On Current Accounts		**283.80**		287.04
	ii) Deposit Accounts (with original Maturity of 3 month or less than 3 months)		**466.92**		461.75
	Cheques on Hand		**-**		25.04
	Cash on Hand		**1.58**		1.40
	Cash and cash equivalents at the end of the year		**752.30**		**775.23**

1 The Cash Flow Statement has been prepared in accordance with 'Indirect Method' as set out in the Indian Accounting Standard 7 (Ind-AS-7) on 'Statement of Cash Flows' as notified under section 133 of the Companies Act 2013,read with the relevent rules thereunder.

2 Current account balance with banks inculdes Rs. 283.72 million (31st March 2018 Rs. 189.82 million) held in foreign currency which are freely remissible to the Company.

As per our Report of even date

For M. A. Parikh & Co.

Chartered Accountants
Registration No. – 107556W

Sd/-

Nalin Shah
Partner
M. No.136978
Place : Delhi
Date : 30 July 2019

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman
(DIN :-01023747)

Sd/-
Angshumali Rastogi
Director
(DIN :-06658332)

Sd/-
Vinod Hejmadi
Director
(DIN :-07346490)

Sd/-
K.Shyam Sundar
Chief Executive Officer

Sd/-
M.Manoharan
Chief Financial Officer

Sd/-
Aditi Khandekar
Company Secretary

Note No. -

1. COMPANY INFORMATION / OVERVIEW:

i. Background:

Air India Express Limited, (a wholly owned subsidiary of Air India Limited a Government of India Company) is a company incorporated in India, registered under the Provisions of Companies Act. The company provides domestic and international air transport services, **which includes mainly passenger and cargo services and other related services.** The Company mainly operates between Tier-2 and Tier-3 cities in India and destinations in Gulf & South East Asia.

The aircraft fleets of the company consist of fleet of 17 Boeing 737-800 NG owned aircraft and 6 Boeing 737-800 NG leased aircraft.

The registered office of the company is situated at 1st Floor old operation building, Old Airport Santacruz east Mumbai 400029.

ii. Disinvestment Process:

In view of the NITI Aayog recommendations on the disinvestment and followed by the recommendations of the Core Group of Secretaries on disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) has given an 'In-Principle' approval for considering the strategic disinvestment of AI, five of its Subsidiaries and a Joint Venture in it's meeting held on 28th June 2017. CCEA also constituted the Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment. The Transaction Advisor, Legal Advisor and Asset Valuer had also been appointed to guide the Govt and to carry forward the process of Disinvestment.

However, in the AISAM Meeting held on 18th June 2018 it was decided that in view of the volatile crude prices and adverse fluctuation in exchange rates, the present environment is not conducive to stimulate interest amongst investors for strategic disinvestment of Air India in the near future. It has been decided that once the global economic indicators including oil prices and the forex regime stabilizes, the option of strategic disinvestment of Air India should be brought before AISAM, for deliberating the future course of action.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS ON GOING CONCERN BASIS:

(i) Statement of Compliance:

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) Basis of measurement:

The financial statements have been prepared under the historical cost convention on accrual basis except for certain financial assets and liabilities which are measured at fair value or amortized cost at the end of each financial year.

(iii) Critical accounting estimates / judgments:

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates where necessary are recognized prospectively.

Significant areas of estimation and judgments (as stated in the respective Accounting Policies) that have the most significant effect on the Financial Statements are as follows:

a) Impairment of Assets

b) Estimate of revenue recognition from “Forward Sales Account”

c) Measurement of useful life and residual values of property, plant and equipment and the assessment as to which components of the cost may be capitalized

d) Estimation of Costs of Re-delivery

e) Recognition of Deferred Tax Assets

f) Recognition and measurement of defined benefit obligations

g) Judgment required to ascertain lease classification

h) Measurement of Fair Values and Expected Credit Loss (ECL)

i) Judgment is required to ascertain whether it is probable or not that an outflow of resources embodying economic benefits will be required to settle the taxation disputes and legal claim.

(iv) Operating cycle & Classification of Current & Non-Current:

Presentation of assets and liabilities in the financial statement has been made based on current / non-current classification provided under the Companies Act 2013. The Company being in service sector, there is no specific operating cycle; however, 12 months’ period has been adopted as “the Operating Cycle” in-terms of the provisions of Schedule III to the Companies Act 2013. Accordingly, current liabilities and current assets include the current portion of non-current financial assets /liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

I. PROPERTY, PLANT AND EQUIPMENT

a. Property, plant and equipment are carrying at deemed cost from the date of transition and thereafter added to all cost of acquisitions / constructions including incidental costs incurred pertaining to the acquisition and bringing them to the location for use and interest on loans borrowed where ever applicable, up to the date of putting the concerned asset to its working condition for its intended use.

b. Spare parts which meet the definition of Property, Plant and Equipment (i.e. Aircraft Rotables, Repairable including the major cost incurred on major modernization / modification / conversion of aircraft and engines) have been capitalized as a separate component.

c. Assets under lease, in respect of which substantially all the risks and rewards incidental to ownership are transferred to the Company, are considered as 'Finance Leases' and are capitalized.

d. Physical Verification of Assets:

Physical Verification of Assets is done on a rotational basis biennially so that every asset is verified in full in two biennial periods and the discrepancies observed in the course of the verification are adjusted in the year in which report is submitted and finalized.

II. DEPRECIATION / AMORTIZATION

a. Depreciation is provided on straight-line method over the useful life of the Property, Plant and Equipment as prescribed under Schedule II of the Companies Act 2013.

However, in the case where life of the Property, Plant and Equipment, has not been prescribed under Schedule II of the Companies Act 2013 the same have been determined by technically qualified persons as stated below :

i) Aircraft Repairable:

In respect of purchases of Aircraft Repairable after 1st April 2015, the useful life has been estimated at 10 years however, in case of opening balance of Aircraft Repairable as on 1st April 2015, useful life has been estimated at 5 years.

ii) The useful life of assets is given hereunder:

Sr. No.	Type of Asset	Useful Life
1	Aircraft Fleet & Equipment	25 years
2	Airframe Engine ■ Limited Life Part (LLP) ■ Engine Hot and Core Section ■ Engine Cold Section ■ Frame and other Components of the engine ■ QEC Kits	 20000 Cycle 8000 Cycle 20000 Cycle 25 years 25 years
3	Simulators & Link Trainers	25 years
4	Airframe / Aero-Engine Rotables	25 years
5	Repairable	10 years
6	Vehicles	8 years
7	Computer Systems	3 years
8	Electrical Fittings	10 years
9	Furniture & Fixtures	10 years
10	Office Equipment	5 years
11	Plant & Machinery	15 years
12	Workshop Equipment	15 years

b. Cost incurred on major modifications/refurbishment, modernization/conversion wherever applicable is carried to own and leased assets are depreciated over the useful life/period of lease of the asset.

c. Leasehold Property:

Leasehold Property (including land other than perpetual lease) is amortized over the period of lease.

III. INTANGIBLE ASSETS:

Intangible assets are recorded at cost of acquisition including incidental costs related to acquisition and installation and are carried at cost less accumulated amortization and impairment losses, if any.

Amortization of Intangible assets which have finite useful lives are amortized on straight line method over the estimated useful life of the concerned intangible assets, which is reviewed by the management every year i.e.

a) Software of Passenger Services System, over 10 years, and

b) Other software/website, over 5 years.

IV. INVENTORIES

a. Inventories primarily consist of stores and spares and loose tools (other than those which meet the criteria of property, plant and equipment) & ATF (Air Turbine Fuel). Cost of inventories comprise of all costs of purchase after deducting 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.

b. Inventories are valued at lower of cost and Net Realizable Value ('NRV').

c. Expendables / consumables are charged off at the time of initial issue except those meant for repairable items which are expensed when the work order is closed after due examination of the component debited to the work order.

d. Obsolescence provision for aircraft stores and spare parts:

   i) Provision is made for the non-moving inventory exceeding a period of five years (net of realizable value of 5%) except for (ii) below and netted off from the value of inventory.

   ii) Inventory of stores and spares of Aircraft Fleet which has been phased out, is shown at estimated realizable value unless the same can be used in other Aircraft.

   iii) Provision in respect of inventories exclusively relating to aircraft on dry/wet lease, is made on the basis of the completed lease period compared to the total lease period as at the year-end.

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

f. Spares retrieved from the cannibalization of the scrapped aircraft are accounted for at Rupee One.

V. MANUFACTURER’S CREDIT (CASH & NON CASH INCENTIVES):

Manufacturer’s credit entitlements are accounted for on accrual basis and credited to ‘Incidental Revenue’ by contra debit to ‘Advances’. As and when the credit entitlements are used, the ‘advances’ are adjusted against the liability created for either acquiring an asset or incurring an expenditure.

VI. REVENUE RECOGNITION

The Company’s revenue primarily derives from transportation services for both passengers and cargo. Revenue is recognized when the transportation service has been provided. Passengers tickets are paid for in advance of transportation are recognized, net of discounts, as deferred revenue on ticket sales in current liabilities until the customer has flown. Unused tickets are recognized as revenue after the contracted date of departure using estimates regarding the timing of recognition based on the terms and conditions of the ticket and statistical analysis of historical trends. The Company considers whether it is an agent or a principal in relation to transportation services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. Other revenues is recognized as the related performance obligation is satisfied (over time) using an appropriate methodology which reflects the activity that has been undertaken to satisfy the related obligation.

a) Transport revenue includes loss or gain on reissue / refund / involuntary transfer of passengers to other carriers, as the case may be.

b) Blocked Space arrangements / Code share revenue is recognized on an actual basis, based on uplift data received from the code share partner. In the event the details are not available, revenue is booked to the extent of documents/information received, and adjustments, if any, required are carried out at the time of availability of such information.

c) Income from Interest is recognized on a time proportion basis as per effective interest rate. Rentals are recognised on a time proportion basis.

d) The claim receivable from Insurance Company is accounted for on the acceptance by the Insurance Company of such claims.

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

f) Other Operating Revenue is recognized when goods are delivered or services are rendered.

g) Gain or loss arising out of sale/scrap of Property, Plant and Equipment including aircraft over the net depreciated value is taken to Statement of Profit & Loss as Non-Operating Revenue or Expenses.

VII. FOREIGN CURRENCY MONETARY ITEMS:

The management has determined the currency of the primary economic environment in which the company operates i.e. functional currency, to be Indian Rupees (Rs). The financial statements are presented in Indian Rupees, which is company’s functional and presentation currency.

(a) <u>Foreign Currency Monetary Items:</u>

In respect of long term foreign currency monetary items originating before 1st April, 2016,The effect of exchange differences arising on settlement or reporting of long term monetary items at the rates different from those at which they were initially recorded during the period, or reported in previous financial statements, is accounted as addition or deduction to the cost of the assets so far as it relates to acquisition of depreciable capital assets and is depreciated over the balance useful life of the concerned asset and in other cases such difference is accumulated by transfer to “Foreign Currency Monetary Items Translation Difference Account” to be amortized over the balance period of such long term Assets or Liability.

(b) Foreign currency monetary items other than those identified as long term at the year-end are converted at the year-end exchange rate circulated by Foreign Exchange Dealers Association of India (FEDAI), and the gains/losses arising out of fluctuations in exchange rates are recognized in the Statement of Profit and Loss.

(c) Exchange variation is not considered at the year-end in respect of Debts and Loans & Advances for which doubtful provision exists since they are not expected to be realized.

(d) Foreign Currency transactions of Integral Foreign Operations:

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

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

VIII. RETIREMENT BENEFITS

The Retirement Benefits to the employees comprise of Defined Contribution Plans and Defined Benefit Plans.

a) Defined Contribution Plans consist of contributions to Employees Provident Fund and Employees State Insurance Scheme.

b) Defined Benefit Plans, which are not funded, consist of Gratuity and Leave Encashment. The liability for these benefits is actuarially determined under the Projected Unit Credit Method at the yearend.

IX. BORROWING COST

a. Borrowing cost that are directly attributable to acquisition, construction of qualifying assets including capital work–in-progress are capitalized, as part of the cost of assets, up to the date of commencement of commercial use of the assets.

b. Interest incurred on borrowed funds or other temporary borrowings in anticipation of the receipt of long term borrowings that are used for acquisition of qualifying assets exceeding the value of Rs.10.0 million is capitalized at the weighted average borrowing rate on loans outstanding at the time of acquisition

X. IMPAIRMENT OF NON FINANCIAL ASSETS

The Company assesses at each Balance Sheet date whether there is any indication that carrying amount of its non - financial asset has been impaired. If any such indication exists, the provision for impairment is made in accordance with IND AS-36.

XI. LEASES:

a. Finance lease:

- A lease is classified as finance lease or operating lease at the inception date. Leases of property, plant and equipment that transfer to the Company substantially all the risks and rewards incidental to ownership are classified as finance lease.

- Assets held under finance lease are initially capitalized as assets at the fair value at the inception of lease or at the present value of the minimum lease payments whichever is lower.

- Minimum lease payments made under finance lease are apportioned between the finance costs and the reduction of the outstanding liability treated as loan. The finance cost is allocated to each period during the lease term. However, if they are directly attributable to qualifying assets, then they are capitalized in accordance with the company's general policy on borrowing cost.

b. Operating lease:

- Leases where the Lessor effectively retains substantially all the risks and rewards of ownership of the leased assets are classified as Operating Lease.

- Lease payments in respect of assets taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the period of the lease.

- In respect of operating leases which have been extended by paying a termination/ release sum, by which the company acquires, a residual right in the aircraft, such amount is treated as Property Plant and Equipment and amortized over the remaining useful life of the aircraft determined by flying hours.

- Contributions made to lessors on account of supplementary rent for which, maintenance is expected to arise during the lease period is treated as Expense.

- The Company has in its fleet, aircrafts on operating lease. As contractually agreed under the lease contracts, the aircraft have to be redelivered to the lessors at the end of the lease term under stipulated contractual return conditions. The re-delivery costs are estimated by management based on historical trends and data, and are charged to Statement of Profit & Loss in proportion to the expired lease period. These are recorded at the discounted value, where effect of the time value of money is material.

XII. TAX ON INCOME

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 in respect for carry forward tax losses, unavailed tax credit and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be adjusted. Deferred tax assets unrecognized or recognized, are reviewed at each reporting date and are recognized / reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realized. Significant management judgment is required to determine the probability of deferred tax asset.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is 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.

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In such year the Company recognizes MAT credit as a deferred tax asset.

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 recoup all or part of the asset.

Deferred tax relating to items recognized outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

XIII. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

i. 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.

ii. Contingent liabilities are not provided for and are stated by way of notes to accounts. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

iii. 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.

XIV. 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.

XV. EARNINGS PER SHARE

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.

XVI. 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 determines 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.

XVII. 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 directly attributable to the acquisition of the financial asset should be recognised.

(iii) Subsequent measurement

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

- **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.

- **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.

- **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) Derecognition

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 and all lease 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.

(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 below.

- **Financial liabilities at amortized cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Statement of Profit and Loss.

- **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) Derecognition

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 se le on a net basis, to realize the assets and se le the liabilities simultaneously

XVIII. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information

XIX. SEGMENT REPORTING

Based on the internal reporting provided to the Competent Authority i.e. Board of Directors, which is also considered as Chief Operating decision maker, Air Transport service is considered as the only operating segment for the Company which consists of carriage of Passengers, Cargo, Excess Baggage and Mail.

XX. MATERIALITY THRESHOLD LIMITS:

The Company has adopted following materiality threshold limits in the classification of expenses/incomes and disclosure :

Threshold Items	Unit	Threshold Value
Prepaid Expense		
Foreign Stations	Million	00.05
Domestic Stations	Million	00.01
Contingent Liabilities & Capital Commitments	Million	00.10
Interest Free Deposits for discounting	Million	50.00

NOTE “4” : PROPERTY, PLANT AND EQUIPMENT

4.1 For the Year ended 31st March 2019 (Rupees in Million)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at April 01, 2018	Additions	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 March 31, 2018
PROPERTY, PLANT & EQUIPMENT :											
A.	**AIRCRAFT FLEET & ROTABLES**										
1	Airframes										
(a)	Leased, Owned & Self Operated (Refer Note i, ii & iv)	18,287.24	794.28	113.41	18,968.11	2,402.99	990.08	15.23	3,377.84	15,590.27	15,884.25
2	Aero Engines										
(a)	Leased, Owned & Self Operated (Refer Note i, ii & iv)										
	i) Limited Life Parts (LLP)	3,053.17	-	-	3,053.17	454.82	239.41	-	694.23	2,358.94	2,598.35
	ii) Engine Hot and Core Section	4,388.42	1,051.42	628.74	4,811.10	1,146.68	721.49	235.90	1,632.27	3,178.83	3,241.74
	iii) Engine Cold Section	5,333.66	-	-	5,333.66	794.54	418.24	-	1,212.78	4,120.88	4,539.12
	iv) Frame and other Components of the engine	218.77	149.24	-	368.01	41.13	25.11	-	66.24	301.77	177.64
	v) QEC Kits	34.07	-	-	34.07	4.77	1.90	-	6.67	27.40	29.30
3	Simulators & Link Trainers (Refer Note iii)	301.72	-	-	301.72	35.79	14.88	-	50.67	251.05	265.93
4	Airframe Rotables	2,045.05	205.40	-	2,250.45	165.42	94.59	-	260.01	1,990.44	1,879.63
5	Aero-Engine Rotables	125.27	-	-	125.27	15.38	6.03	-	21.41	103.86	109.89
6	Repairables	920.97	145.77	-	1,066.74	131.30	105.52	-	236.82	829.92	789.67
	SUB TOTAL “A”	**34,708.34**	**2,346.11**	**742.15**	**36,312.30**	**5,192.82**	**2,617.25**	**251.13**	**7,558.94**	**28,753.36**	**29,515.52**
B.	**VEHICLES**										
1	Vehicles	1.13	-	0.17	0.96	0.02	0.08	-	0.10	0.86	1.11
	SUB TOTAL “B”	**1.13**	**-**	**0.17**	**0.96**	**0.02**	**0.08**	**-**	**0.10**	**0.86**	**1.11**
C.	**OTHER**										
1	Workshop Equipment, Instruments, Machinery and Plants	18.53	-	7.48	11.05	10.85	1.90	3.19	9.56	1.49	7.68
2	Ground Support & Ramp Equipment	2.85	-	0.25	2.60	1.43	0.30	0.16	1.57	1.03	1.42
3	Furniture & Fixtures	4.58	1.67	1.32	4.93	1.07	0.74	0.12	1.69	3.24	3.51
4	Electrical Fittings & Installations	0.12	0.02	0.01	0.13	0.02	0.01	0.01	0.02	0.11	0.10
5	Computer System	5.41	10.47	0.64	15.24	2.10	1.97	0.24	3.83	11.41	3.31
6	Office Appliances & Equipment	4.22	1.64	2.67	3.19	1.02	0.45	0.88	0.59	2.60	3.20
	SUB TOTAL “C”	**35.71**	**13.80**	**12.37**	**37.14**	**16.49**	**5.37**	**4.60**	**17.26**	**19.88**	**19.22**
TOTAL FOR PROPERTY, PLANT & EQUIPMENT (A+B+C)		**34,745.18**	**2,359.91**	**754.69**	**36,350.40**	**5,209.33**	**2,622.70**	**255.73**	**7,576.30**	**28,774.10**	**29,535.85**
INTANGIBLE ASSETS :											
	COMPUTER SOFTWARE	1.01	-	-	1.01	0.96	0.01	-	0.97	0.04	0.05
TOTAL FOR INTANGIBLE ASSETS		**1.01**	**-**	**-**	**1.01**	**0.96**	**0.01**	**-**	**0.97**	**0.04**	**0.05**

4.2 For the Year ended 31st March 2018

(Rupees in Million)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at April 01, 2017	Additions	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 March 31, 2017
PROPERTY, PLANT & EQUIPMENT :											
A.	**AIRCRAFT FLEET & ROTABLES**										
1	Airframes										
(a)	Leased, Owned & Self Operated (Refer Note i &ii)	18,273.93	13.31	-	18,287.24	1,432.55	970.44	-	2,402.99	15,884.25	16,841.38
2	Aero Engines										
(a)	Leased, Owned & Self Operated (Refer Note i &ii)										
	i) Limited Life Parts (LLP)	3,053.17	-	-	3,053.17	225.18	229.64	-	454.82	2,598.35	2,827.99
	ii) Engine Hot and Core Section	3,785.87	1,495.14	892.59	4,388.42	639.67	669.52	162.51	1,146.68	3,241.74	3,146.20
	iii) Engine Cold Section	5,333.66	-	-	5,333.66	393.38	401.16	-	794.54	4,539.12	4,940.28
	iv) Frame and other Components of the engine	212.67	6.10	-	218.77	19.56	21.57	-	41.13	177.64	193.11
	v) QEC Kits	34.07	-	-	34.07	2.87	1.90	-	4.77	29.30	31.20
3	Simulators & Link Trainers (Refer Note iii)	301.72	-	-	301.72	20.90	14.89	-	35.79	265.93	280.82
4	Airframe Rotables	1,556.19	488.86	-	2,045.05	102.31	63.11	-	165.42	1,879.63	1,453.88
5	Aero-Engine Rotables	125.27	-	-	125.27	9.04	6.34	-	15.38	109.89	116.23
6	Repairables	541.78	379.19	-	920.97	54.08	77.22	-	131.30	789.67	487.70
	SUB TOTAL “A”	**33,218.33**	**2,382.60**	**892.59**	**34,708.34**	**2,899.54**	**2,455.79**	**162.51**	**5,192.82**	**29,515.52**	**30,318.79**
B.	**VEHICLES**										
	Vehicles	0.47	0.66	-	1.13	0.01	0.01	-	0.02	1.11	0.46
	SUB TOTAL “B”	**0.47**	**0.66**	**-**	**1.13**	**0.01**	**0.01**	**-**	**0.02**	**1.11**	**0.46**
C.	**OTHER**										
1	Workshop Equipment, Instruments,	18.57	-	0.04	18.53	7.07	3.82	0.04	10.85	7.68	11.50
	Machinery and Plants										
2	Ground Support & Ramp Equipment	2.85	-	-	2.85	0.79	0.64	-	1.43	1.42	2.06
3	Furniture & Fixtures	5.45	0.12	0.99	4.58	1.22	0.77	0.92	1.07	3.51	4.23
4	Electrical Fittings & Installations	0.13	-	0.01	0.12	0.01	0.02	0.01	0.02	0.10	0.12
5	Computer System	4.95	0.59	0.13	5.41	0.11	1.99	-	2.10	3.31	4.84
6	Office Appliances & Equipment	4.60	0.94	1.32	4.22	1.42	0.84	1.24	1.02	3.20	3.18
	SUB TOTAL “C”	36.55	1.65	2.49	35.71	10.62	8.08	2.21	16.49	19.22	25.93
TOTAL FOR PROPERTY, PLANT & EQUIPMENT (A+B+C)		**33,255.35**	**2,384.91**	**895.08**	**34,745.18**	**2,910.17**	**2,463.88**	**164.72**	**5,209.33**	**29,535.85**	**30,345.18**
INTANGIBLE ASSETS :											
	COMPUTER SOFTWARE	1.01	-	-	1.01	0.01	0.95	-	0.96	0.05	1.00
TOTAL FOR INTANGIBLE ASSETS		**1.01**	**-**	**-**	**1.01**	**0.01**	**0.95**	**-**	**0.96**	**0.05**	**1.00**

4.3 Note

i Aircraft Fleet and Engine represent 10 B 737-800 Aircrafts (previous year: 17 Aircrafts) of which Registration No’s VT-AXR,AXT,AXU,AXW,AXX, AXZ,AYA,AYB,AYC and AYD were acquired on finance lease and continue to be in the name of SPV company. (Refer Note No 47 (A) (ii)).

ii Addition to and deductions from “Aircraft Fleet and Engine” includes Exchange rate fluctuations on underlying loans in foreign currency amounting to Rs 474.93 Million (Previous year Rs 19.41 Million).

iii Deprecation on Simulator during the year amounting to Rs 14.89 Million (Previous year Rs.14.89 Million) has been adjusted from capital reserve created for Capitalization of Simulator and not charged to Statement of Profit and Loss.

iv The assets from “Airframes” having an aggregate written down value of`Rs. 32.63 Million have been reclassified as “Assets Held for Sale” which is valued at their respective written down values or net realizable values whichever is lower i.e Rs. 1.40 Million. Accordingly, the impairment loss of Rs. 31.23 Million is charged to Statement of Profit and Loss.

NOTE "5" : NON CURRENT FINANCIAL ASSETS

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Security Deposit	**161.80**	131.87
Total	**161.80**	**131.87**

NOTE "6" :OTHER NON CURRENT ASSETS

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Unsecured Considered Good		
Capital Advances	**26.72**	66.68
Prepaid Expenses	**33.42**	-
Total	**60.14**	**66.68**

NOTE "7" :INVENTORIES (Refer Note 38)

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Stores and Spare Parts	**2,862.90**	2,904.76
Loose Tools	**9.38**	13.43
	2,872.28	**2,918.19**
Less : Provision for Obsolescence / Inventory Reconciliation	**253.70**	226.93
	2,618.58	**2,691.26**
Goods-in-Transit	**-**	-
Food & Beverages	**18.45**	8.13
Fuel	**9.00**	17.67
Total	**2,646.03**	**2,717.06**

NOTE "8" :TRADE RECEIVABLES

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Other Receivables		
Secured, Considered Good	**382.26**	319.81
Unsecured,Consider Doubtful	**0.24**	95.63
	382.50	**415.44**
Less :Provision for Doubtful Debts	**(0.24)**	(95.63)
Total	**382.26**	**319.81**

NOTE : “9” :CASH AND CASH EQUIVALENTS

(Rupees in Million)

	Particulars	As at March 31, 2019	As at 31st March 2018
	Cash and Cash Equivalents		
a)	**Balances with Banks**		
	i) On Current Accounts #	**283.80**	287.04
	ii) Deposit Accounts (with original Maturity of 3 month or less than 3 months)	**466.92**	461.75
b)	Cheques on Hand	**-**	25.04
c)	Cash on Hand (as certified by the Management)	**1.58**	1.40
	Total	**752.30**	**775.23**

Current account balance with banks inculdes Rs. 283.72 million (31st March 2018 Rs. 189.82 million) held in foreign currency which are freely remissible to the Company.

NOTE : “10” :BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(Rupees in Million)

	Particulars	As at March 31, 2019	As at 31st March 2018
	Other Bank Balances		
a)	Deposit Accounts (with original maturity more than 3 months but less than 12 months)	**214.12**	162.71
b)	Margin money deposits	**4.54**	4.54
	Total	**218.66**	**167.25**

NOTE “11” :OTHER FINANCIAL ASSETS

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Unsecured Considered Good		
Insurance Claims Receivable (Refer Note 42)	**548.58**	183.32
Loans and Advances to Employees	**0.54**	0.61
Advance Recoverable in Cash or Kind	**130.91**	127.87
Export Incentive Receivable (Refer Note 40)	**631.16**	915.14
Interest Accrued on Bank Deposits	**5.89**	4.39
Security Deposit	**28.50**	0.71
Total	**1,345.58**	**1,232.04**

NOTE “12” :CURRENT TAX ASSETS (NET)

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Advance Income Tax and Tax Deducted at Source	**12.00**	9.07
Total	**12.00**	**9.07**

NOTE “13” :OTHER CURRENT ASSETS

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Unsecured Considered Good		
Prepaid Expenses	**128.42**	41.05
Advance to Suppliers	**975.52**	25.80
Balance with Government authorities	**1,767.42**	1,452.09
Unbilled Revenue	**-**	2.00
Total	**2,871.36**	**1,520.94**

NOTE “14” :EQUITY SHARE CAPITAL

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
AUTHORISED CAPITAL		
100.00 Million Equity Shares of Rs.100 each (31st March 2018 : 100.00 Million Equity Shares of Rs.100 each)	**10,000.00**	10,000.00
	10,000.00	**10,000.00**
ISSUED, SUBSCRIBED AND FULLY PAID-UP CAPITAL		
78.0 Million Equity Shares of Rs.100 each (31st March 2018 : 78.00 Million Equity Shares of Rs.100 each)	**7,800.00**	7,800.00
Total	**7,800.00**	**7,800.00**

14.1 Share holding more than 5% of Equity Share Capital and Shares held by Holding Company

Name of the Shareholders	As at March 31, 2019		As at 31st March 2018	
	No.of Shares	% of Holding	No.of Shares	% of Holding
Air India Limited (including shares held by nominee shareholders)	**78.00 Million**	**100.00**	78.00 Million	100.00

14.2 The Company has only one class of shares referred to as equity shares having the par value of Rs.100/-.Each holder of equity shares is entitled to one vote per share.

14.3 In the event of liquidation of the Company,the holders of equity shares will be entiled to receive remaining assets of the company,after distribution of all preferential amount.The distribution will be in proportion to the number of equity shares held by the share holders.

14.4 Reconciliation of number of shares outstanding at the beginning and end of the reporting period is as given below :

Particulars	(Number of Shares in Millions)		(Share Value Rupees in Millions)	
	2018-19	2017-18	2018-19	2017-18
Equity Shares (face value Rs.100/- each):				
At the beginning of the year	**78.00**	78.00	**7,800.00**	7,800.00
Add : Allotted during the year	**-**	-	**-**	
At the end of the year	**78.00**	78.00	**7,800.00**	7,800.00

NOTE "15" :OTHER EQUITY

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
1. CAPITAL RESERVE		
Balance as at the beginning of the year	**265.93**	280.82
Less : Transfer to the Statement of Profit and Loss as reduction from Depreciation (Refer Note 30 & 4.3 (iii))	**14.88**	14.89
Balance as at the end of the year (A)	**251.05**	**265.93**
2. **Surplus / (Deficit) in the Statement of Profit and Loss**		
Balance as at the beginning of the year	**(18,150.87)**	(19,806.35)
Profit for the year	**1,643.89**	2,182.90
Less: Prior Period Adjustments (Refer Note 34)	**-**	527.42
Balance as at the end of the year (B)	**(16,506.98)**	**(18,150.87)**
3. Other Comprehensive Income		
Balance as at the beginning of the year	**(2.53)**	(15.43)
Acturial Adjustment on Defined benefit plan reclassified in Other Comprehensive Income	**(28.01)**	12.90
Balance as at the end of the year ('C)	**(30.54)**	**(2.53)**
Total (A+B+C)	**(16,286.47)**	**(17,887.47)**

NOTE "16" :NON CURRENT FINANCIAL LIABILITY - BORROWINGS

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
I Debentures	**-**	**950.00**
950 @ 9.38% Redeemable, Non-convertible Debentures of face value of Rs.10 lakhs each (Unsecured) (Redeemable on 26th March 2020)		
II Finance Lease Obligations - Exim Bank (Refer Note 47 A)	**1,778.00**	**3,649.84**
Total	**1,778.00**	**4,599.84**

Finance Lease Obligations - Exim Bank

A. Finance Lease Obligations of Rs. 3,872.72 Million (Previous Year 7,340.32 Million) are guaranteed by the Government of India to the extent of Rs. 3,872.72 Million (Previous Year Rs.7,340.32 Million). The Finance Lease obligation of Rs. 3,872.72 Million includes Current maturities of finance lease obligation of Rs.2,094.72 Million

B. Letter of Credit issued by Bank of Baroda for Exim Tranche II loan outstanding amount as on 31st March 2019 for USD 12.00 Million equivalent to Rs.829.86 Million (As at 31st March 2018 USD 12.00 Million equivalent to Rs.782.10 Million).

C. Letter of Credit issued by State Bank of India Tranche III Loan – Outstanding balance as 31st March 2019 USD 9.00 Million equivalent to Rs.622.40 Million (As at 31st March 2018 USD 9.00 Million equivalent to Rs.586.58 Million).

Name of Loan	Rate of Interest	Security	Number of Installment Balance as on 31.03.2019	Amount Payable 0-5 Years (Rs.)	Amount Payable beyond 5 Years (Rs.)
Exim Tr. I	Fixed for each loan ranging between 2.46% to 2.73%	Asset based finance structure & GOI Guarantee	6	401.66	Nil
Exim Tr. II	Libor +0.50		13	1,511.78	
Exim Tr. III	Libor + 0.93		10	1,959.28	
				3,872.72	

NOTE "17" :NON CURRENT OTHER FINANCIAL LIABILITIES

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Security Deposits	**5.20**	-
Total	**5.20**	**-**

NOTE "18":NON CURRENT PROVISIONS

(Rupees in Million)

	Particulars	As at March 31, 2019	As at 31st March 2018
I	**Provision for Employee Benefits (Refer Note 35)**		
	Gratuity	**74.43**	44.88
	Leave Encashment	**10.90**	9.45
II	**Others**		
	Provision for Redelivery (Refer Note 48)	**56.56**	8.98
	Total	**141.89**	**63.31**

NOTE "19" :CURRENT LIABILITY BORROWINGS

(Rupees in Million)

	Particulars	As at March 31, 2019	As at 31st March 2018
I	**Working Capital Loan (Repayable on demand)**		
	a) From Banks denominated in foreign currencies (Unsecured)	**1,391.28**	1,291.81
	b) From Banks denominated in foreign currencies (Unsecured Buyer's Credit)	**3,455.38**	3,261.46
	c) From Banks denominated in Indian Rupees (Unsecured)	**4,300.00**	4,989.47
	d) From Banks denominated in Indian Rupees (Overdraft)	**3,941.52**	3,958.08
II	**Payable to Holding Company (Net)**	**11,510.41**	**9,963.10**
	Total	**25,548.59**	**23,463.92**

NOTE "20" :TRADE PAYABLES

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
-Total outstanding dues of micro enterprises and small enterprises (Refer Note 36)	**2.38**	1.50
-Total outstanding dues of creditors other than micro enterprises and small enterprises		
(a) Related Parties	**1,501.61**	1,322.58
(b) Others	**8,205.82**	8,978.55
Total	**9,709.81**	**10,302.63**

NOTE "21" :OTHER FINANCIAL LIABILITIES

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Current Maturity of Long Term Borrowings		
Bonds / Debentures	**950.00**	-
950 @ 9.38% Redeemable, Non-convertible Debentures of face value of Rs.10 lakhs each (Unsecured) (Redeemable on 26th March 2020)		
Finance Lease Obligations (Refer Note 47 A)	**2,094.72**	3,690.48
Interest Accrued but not due on Borrowings	**21.95**	27.66
Interest Accrued and due on Debenture	**0.05**	-
Book Overdraft (Due to Reconciliation)	**-**	14.31
Airport Taxes Payable	**658.45**	442.84
Security Deposits	**0.73**	1.16
Others	**542.94**	452.69
Total	**3,318.84**	**4,629.14**

21.1 Bonds/Debentures

950 Redeemable, Unsecured Non-convertible Debentures of face value of Rs.1 Million each (Previous Year : 950 Debentures), are guaranteed by Government of India and listed at Bombay Stock Exchange (BSE). Debentures are redeemable on 26th March 2020. Maturity Profile and Rate of interest of Non-Convertible Debentures are set out below :

Rate of Interest	Payment Due Upto	Repayment Mode	Security	Number of Installment Balance
9.38%	26 March 2020	Bullet	GOI Guarantee	N.A.

21.2 Detail of Continuing default in Payment of Interest on debenture as on 31st March 2019 is as follows:-

Sr.No	Name of Debeture Holder	Period	(Rupees in Million)
1	Caledonian Jute Mills Co Ltd	April 18 to Sep 18	0.05

NOTE "22":CURRENT PROVISIONS

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Provision for Employee Benefits (Refer Note 35)		
Gratuity	**10.63**	4.27
Leave Encashment	**2.39**	2.47
Provision for Expenses	**715.16**	368.09
Provison for Taxes	**42.00**	-
Total	**770.18**	**374.83**

NOTE "23" :OTHER LIABILITIES

(Rupees in Million)

Particulars	As at March 31, 2019	As at 31st March 2018
Forward Sales (Net) [Passenger / Cargo]	**4,290.49**	2,884.78
Statutory dues	**89.89**	45.62
Employees dues	**5.69**	-
Advance Received from Agents (Net)	**148.88**	199.25
Total	**4,534.95**	**3,129.65**

NOTE "24" : REVENUE FROM OPERATIONS

(Rupees in Million)

Particulars		Year ending 31st March 2019	Year ending 31st March 2018
Sale of Services -(Refer Note 37 & 56)			
1	Passenger	**39,645.03**	33,250.23
2	Excess Baggage	**623.95**	672.61
3	Cargo	**675.24**	548.24
	Total	**40,944.22**	**34,471.08**

NOTE "25" : OTHER OPERATING REVENUE

(Rupees in Million)

Particulars		Year ending 31st March 2019	Year ending 31st March 2018
1	Export Benefit (Refer Note 40)	**552.47**	872.71
2	Miscellaneous Income	**218.97**	100.54
	Total	**771.44**	**973.25**

NOTE "26" : OTHER INCOME

(Rupees in Million)

	Particulars	Year ending 31st March 2019	Year ending 31st March 2018
1	Interest Income on Bank Deposit	**37.77**	35.05
2	Interest on Income Tax Refund	**-**	0.05
3	Provision no longer required written back	**260.99**	220.51
4	Sundry credit balance written back (Net)	**0.87**	484.82
	Total	**299.63**	**740.43**

NOTE "27" : OPERATING EXPENSES

(Rupees in Million)

	Particulars	Year ending 31st March 2019	Year ending 31st March 2018
1	Insurance	**138.18**	132.68
2	Material Consumed - Aircraft	**542.74**	539.46
3	Outside Repairs - Aircraft	**323.88**	315.33
4	Navigation, Landing, Housing and Parking	**2,392.92**	2,480.12
5	Hire of Aircraft	**3,397.38**	2,546.50
6	Handling Charges	**2,945.87**	2,614.14
7	Passenger Amenities	**721.02**	626.17
8	Communication Charges		
	i) Reservation System	**61.06**	62.11
	ii) Others	**53.14**	38.34
9	Service Cost Paid to Air India Ltd (Holding Co) (Refer Note 44)	**3,500.00**	4,000.00
	Total	**14,076.19**	**13,354.85**

NOTE "28" : EMPLOYEES BENEFIT EXPENSES

(Rupees in Million)

	Particulars	Year ending 31st March 2019	Year ending 31st March 2018
1	Salaries, Wages and Bonus	**2,355.85**	1,918.33
2	Crew Allowances	**507.30**	404.60
3	Contribution to Provident and Other Funds	**40.07**	35.22
4	Staff Welfare Expenses	**11.32**	14.46
5	Provision for Gratuity	**12.11**	13.90
6	Provision for Leave Encashment	**4.21**	10.71
	Total	**2,930.86**	**2,397.22**

NOTE "29" : FINANCE COST

(Rupees in Million)

	Particulars	Year ending 31st March 2019	Year ending 31st March 2018
1	Interest on :		
	a) Debentures	**89.11**	89.11
	b) Aircraft Loans	**233.98**	287.29
	c) Other Loans	**2,340.85**	2,294.96
		2,663.94	**2,671.36**
2	Other Borrowing Costs	**13.59**	14.58
3	Delayed Payment Charges	**273.81**	165.01
	Total	**2,951.34**	**2,850.95**

NOTE "30" : DEPRECIATION AND AMORTIZATION EXPENSE

(Rupees in Million)

	Particulars	Year ending 31st March 2019	Year ending 31st March 2018
1	Depreciation of Property Plant and Equipment	**2,622.70**	2,463.88
2	Amortization of Intangible Assets	**0.01**	0.95
	(A)	**2,622.71**	**2,464.83**
	Less : Recoupment from Capital Reserve (Refer Note 15 & 4.3 (iii))	**14.89**	14.89
	(B)	**14.89**	**14.89**
	Total (A - B)	**2,607.82**	**2,449.94**

NOTE "31" : OTHER EXPENSES

(Rupees in Million)

	Particulars	Year ending 31st March 2019	Year ending 31st March 2018
1	Travelling Expenses		
	i) Crew	**378.71**	352.74
	ii) Others	**110.46**	209.99
2	Rent, Rates and Taxes	**13.79**	12.76
3	Bank Charges	**218.70**	193.09
4	Repairs to :		
	i) Buildings	**1.09**	0.28
	ii) Others	**53.04**	149.97
5	Hire of Transport	**81.25**	75.72
6	Electricity & Heating Charges	**1.60**	1.79
7	Water Charges	**3.70**	0.07
8	Publicity and Sales Promotion	**32.42**	31.78
9	Printing and Stationery	**5.79**	5.20
10	Legal and Professional Services	**42.55**	40.39
11	Auditors' Remuneration and Expenses	**1.18**	0.89
12	Provision for Doubtful Debts	**0.24**	95.63
13	Provision for Obsolescence	**28.98**	-
14	Foreign Exchange Difference (Net)	**700.15**	255.26
15	Impairment of Asset	**31.23**	-
16	Property,Plant and Equipment Scraped	**465.88**	730.36
17	Loss due to Incident (Refer Note 42)	**79.06**	48.58
18	CSR Expenses (Refer Note 53)	**5.71**	3.01
19	Miscellaneous Expenses	**293.08**	224.10
20	Insurance Claim written off	**-**	9.64
	Total	**2,548.61**	**2,441.25**

32. CONTINGENT LIABILITY

In compliance of Ind AS 37 on “Provisions, Contingent Liabilities and Contingent Assets”, the required information is as under:

(Rupees in Million)

FY 18-19				
	As on 31.03.2018	**Addition**	**Deletion**	**As on 31.03.2019**
Disputed Service Tax Demand	879.13	0.91	-	880.04
Disputed Customs Duty Demand	5.74	2.62	-	8.36
Claims against the Company not acknowledged as Debt	31.35	-		31.35
Penal charges on delayed payment of guarantee fees	791.20	-	791.20	-
	1,707.42	3.53	791.20	919.75
Court cases filed by employees	Amount unascertainable			

Note: - The contingent liability as above has been verified and certified by external CA firm vide report Dt 08th July 2019.

33. CAPITAL AND OTHER LONG-TERM COMMITMENTS`

(i) Capital Commitments

Particulars	As at 31st March 2019	As at 31st March 2018
Estimated amounts of contracts remaining to be executed on capital account and other commitments, and not provided for in the books of accounts (Net of Advance of Rs. 26.72 Million as on 31st March 2019, Rs.66.68 Million as on 31st March 2018)	**Rs. 243.77 Million**	Rs. 443.55 Million

(ii) Other Long-Term Commitments (Operating Leases)

The company has commitments in the nature of non- cancellable operating leases. The future minimum lease payment expected to be incurred over the remaining lease term as detailed in Note No 46 (B).

34. PRIOR PERIOD ADJUSTMENT

(i) Following income/ expenses pertaining to period prior to F.Y. 2017-18 has been adjusted against the opening balance of Retained Earnings.

Sr. No.	Particulars	Rupees in Million
1	Passenger Revenue	1.73
2	Navigation, Landing, Housing and Parking	432.18
3	Handling Charges	6.95
4	Delayed Payment Charges	34.29
5	Outside Repairs – Aircraft	1.26
6	Property, Plant and Equipment Scraped	55.36
7	Depreciation	(4.35)
	Total	**527.42**

(ii) Following income/ expenses pertaining to F.Y. 2017-18 have been credited/debited to respective heads of accounts in that year.

Sr. No.	Particulars	Rupees in Million
1	Passenger Revenue	1.12
2	Export Benefit	42.46
3	Passenger Amenities	25.54
4	Navigation, Landing, Housing and Parking	199.81
5	Material Consumed – Aircraft	123.44
6	Handling Charges	31.96
7	Aircraft Fuel & Oil	27.82
8	Legal and Professional Services	5.98
9	Travelling Expenses- Crew	5.71
10	Repair & Maintenance-Others	5.43
11	Miscellaneous Expenses	3.94
12	Travelling Expenses -Others	0.48
13	Delayed Payment Charges	0.48
14	Publicity and Sales Promotion	0.45
15	Outside Repairs – Aircraft	0.14
16	Salaries, Wages and Bonus	0.02
17	Bank Charges	0.01
18	Hire of Transport	0.01
19	Communication Charges – Others	0.01
20	Printing and Stationery	0.01
21	Staff Welfare Expenses	0.01
22	Property, Plant and Equipment Scraped	(68.58)
23	Depreciation	18.40
	Total	**424.65**

35. RETIREMENT BENEFITS

(i) Contributions to Defined Contribution Scheme of Provident Fund is charged to the Statement of Profit & Loss; details as follows:

Provident Fund Rs.40.07 Million (Previous Year Rs. 35.22Million)

(ii) The Company also provides retirement benefits in the form of Gratuity and Leave Encashment on the basis of actuarial valuation, as at the Balance Sheet Date, carried out by independent Actuaries, as per Ind AS19.

Privilege Leave Encashment is payable to all employees at the time of retirement up to a maximum of 84 days. Leave Encashment liability as actuarially determined for the current financial year is Rs.14.34 Million (Previous Year Rs. 11.92 Million) including liability aggregating to Rs 1.05 lakhs in relation to employees who have resigned on or before 31st March 2019, which is reflected under Other Financial Liabilities pending, full and final settlement of their account.

a) Defined Benefit Plan-Gratuity (Unfunded)

The company provides gratuity benefits to its employees as per the Payment of Gratuity Act, 1972. Present value of gratuity obligation (Non-Funded) based on actuarial valuation done by an independent valuer using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The following table sets out the status of the gratuity plan and the amounts recognized in the Company's financial statements as at 31st March, 2019.

(iii) Movement in net Defined Benefit Liability.

a) Reconciliation of balances of Defined Benefit Obligation

(Rupees in Million)

Particulars	**Gratuity – Unfunded**	
	2018-19	**2017-18**
Defined Obligation at the beginning of the year	**49.15**	73.97
Interest Cost	**3.82**	3.64
Current Service Cost	**8.29**	10.26
Liability transferred out/Disinvestments	**-**	(25.62)
Benefits Paid	**(2.99)**	(0.20)
Actuarial (Gain) / Losses on obligation		
Demographic Assumptions	**-**	(3.68)
Changes in financial Assumptions	**(0.07)**	2.55
Experience Adjustments	**28.08**	(11.77)
Defined Benefit Obligation at the end of the year	**86.28**	49.15

Note: - Includes obligation aggregating to Rs. 1.22 Million in relation to employees who have resigned on or before 31st March 2019, which is reflected under Other Financial Liabilities, pending full and final settlement of their account

b) Amount recognized in Balance Sheet:

(Rupees in Million)

Particulars	Gratuity – Unfunded	
	2018-19	2017-18
Liability at the end of the year	**86.28**	49.15
Fair value of Plan Assets at the end of the year	**-**	-
Amount Recognized in the Balance Sheet	**86.28**	49.15

c) Amount Recognized in Statement of Profit & Loss

(Rupees in Million)

Particulars	Gratuity – Unfunded	
	2018-19	2017-18
Current Service Cost	**8.29**	10.26
Interest Cost	**3.82**	3.64
Interest Income	**-**	-
Expenses for the year	**12.11**	**13.90**

d) Amount Recognized in Other Comprehensive Income

(Rupees in Million)

Particulars	Gratuity – Unfunded	
	2018-19	2017-18
Actuarial (Gain) / Losses on obligation	**(28.01)**	(12.90)
Total	**(28.01)**	**(12.90)**

e) Major Actuarial Assumptions

Particulars	Gratuity – Unfunded	
	2018-19	2017-18
Discount Rate (%)	**7.79%**	7.78%
Salary Escalation / Inflation (%)	**5.00%**	5.00%
Expected Return on Plan Assets (%)	**N.A.**	N.A.
Rate of Employee turnover	**2.00 %**	2.00 %
Mortality Rate	**Indian assured lives mortality (2006-08)**	Indian assured lives mortality (2006-08)

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:

(Rupees in Million)

Particulars	Gratuity	
	2018-19	**2017-18**
+1 % change in rate of Discounting	**(6.73)**	(3.96)
-1 % change in rate of Discounting	**7.85**	4.59
+1 % change in rate of Salary Increase	**6.48**	4.51
-1 % change in rate of Salary Increase	**(6.05)**	(4.03)
+1 % change in rate of Employee Turnover	**1.85**	0.77
-1 % change in rate of Employee Turnover	**(2.18)**	(0.90)

g) Projected benefits payable in the future years from the date of reporting

(Rupees in Million)

Year	2018-19	2017-18
1st Following year	**11.85**	4.27
2nd Following year	**3.83**	1.71
3rd Following year	**6.67**	2.91
4th Following year	**3.99**	4.26
5th Following year	**3.56**	2.63
Year 6 to 10	**41.22**	27.09
Sum of year 11 and above	**135.85**	74.48

36. DUES TO MICRO & SMALL ENTERPRISES AS PER MSMED ACT, 2006:

(Rupees in Million)

	Particulars	31st March, 2019	31st March, 2018
a.	Principal amount due and remaining unpaid	**2.35**	1.50
b.	Interest due on above	**0.03**	-
c.	Payment made beyond the appointed day during the year	**-**	-
d.	Interest paid	**-**	-
e.	Interest due and payable for the period of delay	**-**	-
f.	Interest accrued and remaining unpaid	**-**	-
g.	Amount of further interest remaining due and payable in succeeding years	**-**	-

Note: Dues to Micro and Small enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Company and relied upon by the Auditors.

37. Cargo Revenue, Flight Interruption Manifest (FIM) and Code-share Revenue have been accounted based on information received from Air India Limited (Holding Company). Similarly, the Excess Baggage collection at few stations are controlled and monitored by the Holding Company on behalf of the Company and the same has been accounted based on information provided by the Holding Company. The Company is of the view that Cargo Revenue, Flight Interruption Manifest (FIM) and Code-share Revenue are “Interline Transections” and hence GST is not applicable on the said transections.

38. INVENTORY & ROTABLES

a. During the year the Company has completed the process of reviewing the “negative balances” of Inventory. The process has revealed that the “negative balances” aggregating to Rs.425.11 Million as on March, 2018 had to be adjusted against the “positive balances” of the same inventories in the other Inventory Ledgers which have been adjusted during year. The said adjustment does not have any impact on the financial statements of the company.

b. As reported earlier, the Company has been maintaining the Stores Accounting Data as received from “RAMCO Systems” as per summary level entries in SAP on a monthly basis. This process was followed till 31st August, 2018. Thereafter the Company has started maintaining the Stores Accounting Data in SAP by using interface “RAMCO 5.8 Enterprise Module”.

c. Due to system transition as stated above, the Company ascertained the differences between the balances of inventories between the two systems as on 31st March, 2019, which resulted into short booking of consumption to the extent of Rs. 69.19 Millions which has been appropriately accounted in the financial statements.

d. Post Transition as stated above, the RAMCO Systems provided information as regards the segregation of inventories based on usage thereof between the group companies and the holding company. On the basis of the said information, the Company has passed the necessary entries to reducing the Inventories by Rs.984.18 Millions and debited to Holding Company current account by similar amount.

e. The company also appointed a firm of Chartered Accountants to carry out physical verification of the Inventories and match the same with the RAMCO System. On the basis of their report, the Company made further adjustments to the Inventories by reducing the value thereof and adjusting the material consumption by Rs.15.61 Million.

f. On the basis of information provided by MMD department and verified / accepted by the Company in relation to non-moving items of Inventory, the Company has made the provision for inventory obsolescence as on 31st March, 2019 to Rs.197.42 Million as against as on 31st March 2018 of Rs. 158.20 Million.

g. The Inventories of aircraft spares have been valued "at cost" thereof since the cost is lower than the "Catalogue Price" or the prices as available in "Public Domain". The Other Consumables have been valued at cost, it being lower than the available comparable market values.

h. Inventories at the yearend include balances under in-house repairing jobs being carried as "Work order Suspense Internal / External" which contains materials issued and repair charges valued at Rs. 1,329.72 Million issued in respect of closed/ completed/ pre-closed/ cancelled/ initiated/ in-progress Work Orders completed till the year end, lying unadjusted. These items are to be accounted for as consumption of material / repairs, as per the accounting process followed in the RAMCO software. Further to aforesaid, the work order suspense account, include expendable items of Rs.112.57 Million which are to be charged off to consumption on issuance. As against the above, a provision of Rs. 56.28 Million has been made in the books of the FY 2018-19 as per the existing practice and accounting for the remaining items shall be done as and when these work orders are closed in the RAMCO.

39. In the opinion of the Company, the Current Assets and Loans and Advances and Liabilities are approximately of the value stated if realized in the ordinary course of business. The provision for depreciation and for all known liabilities is adequate and not in excess of the amount reasonably necessary.

40. The Company submitted the application for applicable credit under the "Service Export from India Scheme" (SEIS) based on the service exports from India and accounted an aggregate amount of Rs. 915.14 Million as income in the previous year.

In the current year, on the basis of the approvals from the DGFT, the Company has realized/received licenses for an aggregate amount of Rs. 872.68 Million against the said amount of Rs. 915.14 Million net of the expenditure towards commission and DGFT charges. The differential amount of Rs. 42.46 Million between the income accounted in the earlier year and the amount realized in the current year is debited as Previous Year Expenditure.

For the current year, the Company has accounted for income of Rs. 552.47 Million in respect of the said credit under SEIS Scheme, net of the commission and DGFT charges as applicable.

41. The Company's Debentures are listed on Bombay Stock Exchange and hence, the Company is required to comply with Chapter V of the Listing Obligation and Disclosures Requirements (Amendment) Regulations, 2017 (LODR). The Company has not filed the financial results on half yearly basis as prescribed by regulation 52 of the LODR. The Company is in the process of complying with the requirements post facto by submitting requisite documents with Bombay Stock Exchange.

42. INSURANCE CLAIM RECEIVABLE:

In respect of the Company's claim for expenditure incurred in respect of an accident to the Aircraft VT-AYB operating flight IX-452 from Abu Dhabi to Cochin on 05-09-2017, the Company had incurred an expenditure of Rs. 231.90 Million, based on which the provisional claim was made with the Insurance Company for Rs. 183.32 Million after adjusting the “deductibles”. During the current year, the Company has incurred further expenditure of Rs.544.39 Million in respect of the said Aircraft. As against the total claim of Rs.727.71 Million, in respect of the said Aircraft, the Company has received Rs. 501.52 Million as upto 31-03-2019, leaving outstanding net balance recoverable of Rs. 226.19 Million

During the current year, there are two more incidents of accident to the Company’s aircrafts viz VT AYD and VT AXI and there is one incident of damage to the engine CFM56-ESN 894732 (engine) during the repair work on the test bench. In respect of the said Aircrafts and the Engine, the Company has incurred an aggregate amount of Rs. 400.45 Million towards repair against which the amount of Rs. 322.39 Million net of deductibles is recoverable from the Insurance Company as on 31-03-2019. The Company has charged Rs. 79.06 Million as loss under the head of “Other Expenses” in the statement of profit and loss for the year. Since then, the Company has received from the Insurance Company full payment towards the claim to the Engine.

The Company has been accounting the insurance claims recoverable from the Insurance Company on the basis of claims lodged (net of deductibles) upon being reasonably certain of receiving the same as against the stated Accounting policy for accounting of claim receivable on the acceptance by the insurance company.

43. Government of India (The Government), on behalf of the Company had provided Guarantees aggregating to USD 678.79 Millions in favour of lessors of financial lease for acquiring 18 B737-800 Aircrafts. The Government has also guaranteed the repayment of debentures issued by the Company amounting to Rs. 950.00 Millions due for repayment on 26th March 2020. The Company has provided the guarantee fees payable to the Government at the rate of 0.5% on the amount of the respective liabilities as outstanding at the end of every financial year. The said guarantee fees provided by the Company had not been paid in accordance with the terms of the Guarantees, for which the Company is liable to pay penal interest.

However, since the Company has paid the entire amount of guarantee fees payable since the year end and since it has represented to the Government for waiver of the penal interest amounting to Rs. 832.47 Million and the Company has not received any claim from the Government of India for penal interest as aforesaid, no provision for the same has been made in the financial statements.

44. As per the Master Service Agreement between Air India Limited (The Holding Company) and the Company, Service Cost, for various services rendered, usage of assets and route shared by the Holding Company with the Company, is fixed at Rs 3,500 Million or 12.5% of Operating Revenue, whichever is lower. Accordingly, for the F.Y. 2018-19 service cost payable works out to Rs. 3,500 Million.

45. Reimbursement of employee claims, lost baggage claims and crew allowances, being not material are accounted as and when settled.

46. SEGMENT REPORTING

The Company is engaged in airline related business, which is its primary and only business segment as per Ind AS 108 and hence segment results are not disclosed separately. The details of geographical area wise gross passenger revenue earned (derived by allocating revenue to the area from where the passenger has originated) are given here under:

(Rupees in Million)

Particulars	FY-2018– 19	FY-2017– 18
India	**20,972.56**	17,290.25
Gulf	**17,403.62**	15,049.35
S.E.Asia	**1,594.09**	1,159.96
TOTAL (Refer Note 55)	**39,970.27**	**33,499.56**

The major revenue earning asset of the Company is aircraft fleet which is flexibly and optimally deployed across its route network. There is no suitable basis for allocation of assets and liabilities to geographical segment, consequently, area-wise assets and liabilities are not disclosed.

47. LEASES

A. Finance Leases

(i) Aircraft Fleet and Equipment acquired under finance leases. The present value of future lease obligation works out to Rs. 3,872.72 Million as on 31st March 2019 (As at 31st March 2018 Rs. 7,340.32 Million).

The breakup of total minimum lease payments due as on 31st March 2019 and their corresponding present values are as follows:

(Rupees in Million)

Sl. No.	Particulars	As at March 31, 2019 (Rs.)	As at March 31, 2018 (Rs.)
A)	**Outstanding balance of minimum lease payments including interest there on:**		
	Not later than one year	**2,135.35**	3,838.51
	Later than 1 year but not later than 5 years.	**1,797.34**	3,755.08
	Later than 5 years	**-**	-
	TOTAL A	**3,932.69**	**7,593.59**
B)	**Present Value of (A) above**		
	Not later than 1 year	**2,094.72**	3,690.48
	Later than 1 year but not later than 5 years	**1,778.00**	3,649.84
	Later than 5 years.	**-**	-
	TOTAL B	**3,872.72**	**7,340.32**
C)	**Finance Charges (A-B)**	**59.97**	**253.27**

Note: Interest has been calculated at the rates mentioned in Note No.16.

(ii) Arrangement for Finance Leases

The aircraft (B 737-800) were delivered to Air India Express Limited during the period December 2006 to December 2009 and the same were capitalized in the books accordingly. 85% of aircraft financing package provided by the financial institutions is guaranteed by US Exim which in turn is guaranteed through a Government of India guarantee in favor of US Exim. The balance 15% is arranged through commercial loans. Under the financing arrangement with US Exim the Company has to form a Special Purpose Vehicle Company (SPV Company) which would be located in a tax free jurisdiction which would own the asset. A two tier structure was therefore put in place whereby the head lessor (SPV Company) was situated in Delaware which could lease the aircraft to an Irish SPV (established in order to make the transaction tax neutral). Since the issue of settling the GOI guarantee took considerable time, the Company in the meanwhile had to take delivery of the aircraft through a temporary financing arrangement. When the US Exim guaranteed loan was in place it was decided to cover all the delivered aircraft in the fleet up to that point by transferring the assets to the SPV Company based in Delaware and lease it again through the Irish SPV. There was as such, no actual sale to the SPV Company but this had to be done to complete and comply with the formalities of putting together a financial arrangement which was guaranteed through the US Exim. All costs related to the acquisition of the aircraft including the setting up of the SPV Companies have been capitalized in the books since it pertained to the acquisition of the aircraft. The lease has been structured as a financial lease so that the ownership in the aircraft would pass on to the Company at the end of the lease period. In the meanwhile, i.e. the time from when the asset was initially acquired by the Company in its books to the date the asset was transferred to the SPV, Company certain installments in the form of principal and interest fell due, which were paid off.

B. Operating Leases

Aircrafts

The Company has taken Eight B737-800 NG Aircrafts (Previous year Six B 737 800 NG) on non-cancellable operating lease for a period of eight years.

The future minimum lease rental payables under non-cancellable leases (except supplementary rental which are based on aircraft utilization and calculated on number of hours flown or cycle operated) are as follows;

(Rupees in Million)

Details	FY 2018-19	FY 2017-18
Payable within 1 year	**2,497.90**	2,017.63
Payable later than 1 year but not later than 5 years	**9,966.13**	9,102.89
Later than 5 years	**2,149.85**	4,085.30
TOTAL	**14,613.88**	**15,205.82**

Lease rentals and supplementary rentals recognized in the Statement of Profit and Loss is Rs 3,397.38 Million (Previous Year Rs. 2,546.50 Million).

48. Redelivery of Leased Aircraft

As per Ind AS, Provisions, Contingent Liabilities and Contingent Assets, Company has provided for cost of redelivery of Aircraft as discounted at present value.

The Company in its fleet has 8 Leased B 737-800 Aircraft covering the lease term of eight years. As per the terms of the lease agreements, the aircrafts have to be redelivered to the lessor at the end of the lease period as per the redelivery conditions stipulated. Such redelivery conditions would entail costs for technical inspection, maintenance checks, repainting costs and cost of ferrying the aircraft to the locations stipulated in the agreement. The Company therefore provides for such redelivery expenses, as contractually agreed, on estimated basis in proportion to the expired lease period to the total lease period.

(Rupees in Million)

Particulars	FY 2018-19	FY 2017-18
Opening Balance	**37.69**	**34.09**
Add: Additional Provision during the year	**18.87**	3.60
Less: Amount used during the year	**-**	-
Less: Amount reversed during the year	**-**	-
Closing balance	**56.56**	**37.69**

49. RELATED PARTY DISCLOSURES

A. Related party:

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

Sr.No	Name of Company	Relationship
1	Air India Limited	Holding Company
2	Hotel Corporation of India Limited (HCI)	Fellow Subsidiary Company
3	Air India Engineering Services Limited (AIESL)	Fellow Subsidiary Company
4	Air India Air Transport Services Limited (AIATSL)	Fellow Subsidiary Company
5	Airline Allied Services Limited (AASL)	Fellow Subsidiary Company
6	Air India SATS Airport Services Private Limited	Entity in which Holding Company has substantial interest.

(ii) Key Managerial Personnel (KMP)

Sr No	Name of Director	Designation	Remark
1	Shri. Pradeep Singh Kharola	Chairman	Up to 14.02.2019
2	Shri. Ashwani Lohani	Chairman	w.e.f. 14.02.2019
3.	Shri. Angshumali Rastogi	Director	
4.	Smt. Sheffali Juneja	Director	Up to 31.08.2018
5.	Shri. Pranjol Chandra	Director	w.e.f 31.08.2018

Sr No	Name of Director	Designation	Remark
6.	Shri. Vinod Shanker Hejmadi	Director	
7.	Shri. K. Shyam Sundar	Chief Executive Officer	
8.	Shri. M. Manoharan	Chief Financial Officer	
9.	Smt. Aditi Khandekar	Company Secretary	

B. 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. 3.11 Million has been paid as remuneration to Chief Executive Officer.

ii. The KMP vide Sr. No. 6, 8 and 9 receive Remuneration and Perquisites from the Holding Company.

iii. Transactions such as providing airline related services in the normal course of airline business to the KMPs are not charged and hence not included below.

iv. There were no Loans or Credit Transactions with KMPs of the Company or their relatives during the year.

v. 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 by Government of India and other than government related parties

(Rupees in Million)

Sr. No.	Name of the Entities and Nature of transactions	FY. 2018-19	FY. 2017-18
1	**Air India Limited (AIL)**		
	Revenue		
	Passenger (Reimbursement)	**498.45**	784.01
	Cargo (Reimbursement)	**673.02**	543.93
	Expenditure		
	Service Cost	**3,500.00**	4,000.00
	Employees Benefit (Reimbursement)	**517.73**	324.66
	Interest	**924.27**	752.09
	Corporate Guarantee	**39.35**	62.22
	Insurance (Reimbursement)	**118.31**	123.79
	Handling Charges (Security)	**142.30**	168.38
	Travelling Expenses-Others (Reimbursement)	**0.30**	99.80
	Professional Fees (Reimbursement)	**2.73**	-
	Loan Taken	**3,618.20**	2,598.19
	Loan Repaid	**2,061.00**	3,431.09
	Closing Balance	**11,510.41**	**9,953.21**

Sr. No.	Name of the Entities and Nature of transactions	FY. 2018-19	FY. 2017-18
2	**Airline Allied Services Limited (AASL)**		
	Revenue		
	Sale of Goods	**0.67**	0.45
	Expenditure		
	Purchases of Goods	**0.16**	0.56
	Closing Balance	**0.14**	**0.11**
3	**Air India Engineering Services Limited (AIESL)**		
	Expenditure		
	Repair to Others (Engineering cost)	**801.87**	966.99
	Handling Charges	**35.78**	
	Interest	**96.03**	103.47
	Others		
	Transfer of Gratuity & Leave encashment	**-**	31.13
	Purchase of Goods	**7.91**	-
	Reimbursement of Expenses		
	Expenditure incurred on behalf of Company	**-**	70.53
	Expenditure incurred by the Company on behalf of AIESL	**39.90**	10.49
	Loan Taken	**1,177.56**	812.49
	Loan Repaid	**1,117.85**	812.49
	Closing Balance	**1,144.89**	**1,085.18**
4	**Air India Air Transport Services Limited (AIATSL)**		
	Expenditure		
	Handling Charges	**332.05**	279.69
	Interest	**14.44**	13.60
	Closing Balance	**278.67**	**236.58**
5	**Air India SATS Airport Services Private Limited (AISATS)**		
	Expenditure		
	Handling Charges	**176.87**	121.67
	Closing Balance	**76.96**	**30.74**
6	**Hotel Corporation of India Limited (HCI)**		
	Expenditure		
	Hotel Expenses	**0.91**	0.96
	Closing Balance	**1.23**	**0.64**
7	**Shri. K. Shyam Sundar (KMP - Chief Executive Officer) Remuneration**	**3.11**	3.00

Note: - Related party information is identified by the Company and relied upon by the Auditors. The above stated related party transaction are at Arm's Length Price as confirmed by the Board of Directors vide meeting dt 30th July 2019.

50. TAX ASSETS / (LIABILITY), as worked out by the Management is as under:

(i) Reconciliation of effective tax rate

Reconciliation of tax expense and the accounting profit / (loss) multiplied by India's domestic tax rate for the year ended 31 March 2019 and 31st March 2018:

(Rupees in Million)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
	Amount	Amount
Profit Before Tax	**1,684.96**	2,607.55
Effective Tax Rate	**21.549%**	21.342%
Amount of Tax using Standard rate of Tax in India	**363.09**	556.50
Effect of :		
Non- deductible Expenses for tax purpose	**(14.70)**	(31.08)
Set-off Brought Forward Losses	**(310.30)**	(525.42)
Tax Expenses for the year (As per Minimum Alternate Tax)*	**38.08**	-

* Excluding interest expenses u/s 234 B and 234 C of the Income Tax Act of Rs 2.01 Million and 1.90 Million respectively

(ii) Deferred Tax Asset / (Liabilities)

(Rupees in Million)

Particulars	As at 31st March 2019	As at 31st March 2018
Deferred Tax Liability		
Property, plant & equipment (Depreciation)	**(9,147.86)**	(9,344.56)
Total	**(9,147.86)**	**(9,344.56)**
Deferred Tax Assets		
Un absorbed Tax losses & Un absorbed Depreciation	**15,550.06**	16,757.47
Other Disallowances (Net)	**198.92**	92.31
Total	**15,748.97**	**16,849.78**

(iii) Deferred Tax Asset / (Liabilities) recognized in the books

(Rupees in Million)

Particulars	As at March 31, 2019	As at March 31, 2018
Deferred Tax liability	**(9,147.86)**	(9,344.56)
Deferred Tax asset	**9,147.86**	9,344.56
Net Deferred Tax assets/(liability)	**NIL**	**NIL**

Note: The Company has recognized deferred tax assets arising on account of carried forward tax losses and unabsorbed depreciation to the extent of the deferred tax liability arising on account of the temporary difference on net book value of Property, Plant & Equipment of Rs 9,147.86 Million as at March 31, 2019 (Rs. 9,344.56 Million as at March 31, 2018).

(iv) Statement of Un-Absorbed Depreciation and Business Loss

(Rupees in Million)

Particulars	Un absorbed Business Losses#		Un absorbed Depreciation	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
<4 year	**884.12**	2,412.54	**3,157.98**	6,425.34
< 5 year	**1,528.11**	3,325.31	**3,267.36**	2,049.10
< 6 year	**385.64**	-	**2,049.10**	5,485.05
< 7 year	**-**	-	**5,485.05**	9,179.18
< 8 year	**-**	-	**27,742.27**	18,563.09
Total	**2,798.18**	**5,737.85**	**41,701.77**	**41,701.77**

Unabsorbed depreciation does not have any period under the Income Tax Act,1961

Note:

i) The above amounts are after setting off against current year profit

ii) The unused tax losses and unabsorbed depreciation considered above are based on the tax returns filed / tax assessment order of the Company for respective years.

51. EARNINGS PER SHARE:

Details	As at March 31, 2019	As at March 31, 2018
Profit after tax (Rs. in Millions)	**1,643.89**	2,182.90
Weighted Average no. of equity shares of Rs. 100 Each (In Millions)	**78.00**	78.00
EPS Basic & Diluted (In Rs.)	**21.08**	**27.99**

52. REMUNERATION TO STATUTORY AUDITORS:

The details of the audit fees and out of pocket expenses for the year 2018-19 are as under:

(Rupees in Million)

Particulars	FY 2018-19	FY 2017-18
Audit Fees for the year	**1.00**	0.80
Out of Pocket Expenses	**0.18**	0.08
Total	**1.18**	**0.88**

53. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Since financial year F.Y. 2016-17, the Company has been incurring expenditure towards "Corporate Social Responsibility" (CSR) at the rate of 2% of its "average net profits" computed in accordance with Section 198 of the Companies Act, 2013. This year, the said provisions of Section 198 have been amended effective from 19-09-2018, whereby while computing the average net profits, the "excess of expenditure over income" incurred before 01-04-2014 as against such reduction post 1.4.2014 pre amendment, has to be reduced. Consequently, the losses incurred prior to 01-04-2014 are deductible in computing the "net profits", which in the case of the Company has resulted into negative net profits for the year computed under the said Section 198 of the Companies Act, 2013. Accordingly, the Company is not required to incur the expenditure towards Corporate Social Responsibility u/s. 135 of the Companies Act, 2013.

However, the following amount pertaining to earlier years remains to be spent by the Company towards Corporate Social Responsibility

(Rupees in Million)

Sr. No.	Particulars	Amount spent	Balance Amount to be spent	Total
I	Construction/acquisition of any asset	-	-	-
ii	On purposes other than (i) above	5.71	31.11	36.25

54. The Company did not file the form 3CEB in respect of Specified Domestic Transection as required under section 92E of the Income Tax Act, 1961 for F.Y. 2012-13 to F.Y. 2015-16 (Both inclusive) as the said matter was pending confirmation by the Holding Company. The Company is unable to ascertain the liability if any due to non filling of form 3CEB at this juncture and hence, no provision has been made therefor.

55. IMPAIRMENT

The management has carried out impairment test internally by evaluating the condition of utilisation of its PPE and its ability to generate operating profits. On the basis of such evaluation, the management is of the opinion that there is no impairment of assets at the end of the year

56. REVENUE FROM OPERATIONS:

The company's gross and net revenue for F.Y. 2018-19 and 2017-18 are as under.

(Rupees in Million)

Sr. No	Particulars	Year ending 31st March 2019	Year ending 31st March 2018
1	Passenger Service Income - Gross	**43,916.18**	36,694.34
	Less:-		
	Cancellation/Refund	**3,945.91**	3,194.78
	Net Passenger Service	**39,970.27**	33,499.56
	Less:-		
	Booking Agency Commission	**325.24**	249.33
	Net Income from Passenger Service (A)	**39,645.03**	**33,250.23**
2	Excess Baggage (B)	**623.95**	669.67
3	Cargo (C)	**675.24**	548.24
	Net Revenue from Operation (A+B+C)	**40,944.22**	**34,468.14**

57. GOING CONCERN:

The Financial Statement for the year has been prepared on a Going Concern basis, though the Networth of the Company is negative, due to following factors/reasons

The Company has recorded a net profit of Rs. 1,656.95 Million during the FY 2018-19. The Company had achieved a net profit of Rs. 2,195.79 Million during the previous year FY 2017-18.

- With the finalization of Accounts for FY 2018-19, the Company has recorded Cash profit of Rs. 4,292.78 Million and Operating profit of Rs. 4,326.67 Million during the year. The Company has budgeted to achieve net profit of Rs. 2,565.00 Million in FY 2018-19 which will make way for the consistent net profit trend for four years in a row.
- As a result of the much improved financial performance over the past four years, the Company's Net worth is fast approaching to positive figure. It is projected that the Company would be net worth positive by the end of FY 2020-21.
- The Company is also in the process of developing the Medium to Long term fleet and network vision in order to be able to capitalize on the Market opportunities.
- The Company has also surpassed the Operating Revenue by 17.7 % compared to the previous year. The Company has achieved Pan-India footprint by launching operations on many new routes from Northern parts of India. The results achieved on these routes have been promising.
- The Company has increased the network base in India by adding CNN and STV which is adding the domestic network online stations to 21.

- The Company has obtained the Credit rating through the External Agency and the Company is graded as “A3”. The Company with the increased credential is likely to obtain the rating as A 2+ would help the Company to reduce the interest cost on the WCDL substantially.
- The Company has also achieved the distinction of IOSA certification which serves as a global industry benchmarks for safety and quality of services.
- As part of the conscious strategy to achieve self-reliance in key operational areas such as Operations, Flight safety, Training and Engineering.
- The Company has paid the dues towards the Aircraft loan for 7 aircrafts during the fiscal 18-19 and out of the balance 10 aircraft, 2 aircraft have been cleared of debt during the period upto 30th July 2019. It is projected that all the 17 Aircraft would be free from debt effective FY 2021-22.
- The Board vide its 217th meeting has approved the plan for inducting 11 more aircraft through Dry lease which would be taken up during the year 2019-20 which would help us to explore new / additional international and domestic network.
- The Airline was awarded with **“Management Excellence for Turnaround performance”** by the ASSOCHAM.

58. CAPITAL MANAGEMENT:

The Company is a wholly owned subsidiary of Air India, which in turn is wholly owned by Government of India (GOI). In view of this, the Company though having accumulated losses, is able to raise funds through debt which is secured by Sovereign guarantee of GOI. Further, there is constant endeavor by the management to maximize the shareholders' value by increasing efficiencies of the operations.

59. 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**

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Security Deposit			161.80	161.80			161.80
Current							

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Trade Receivable*			382.26	382.26			
Cash & Cash Equivalents*			752.30	752.30			
Bank Balances other than cash and cash equivalents*			218.66	218.66			
Others							
Insurance Claims Recoverable			548.58	548.58			
Loans and Advances to Em-ployees			0.54	0.54			
Advance Recoverable in Cash or Kind			130.91	130.91			
Export Incentive Receivable			631.16	631.16			
Interest Accrued on Bank Deposits			5.89	5.89			
Security Deposit			28.50	28.50			
Total			**2,860.60**	**2,860.60**			**161.80**
Financial liabilities							
Non-Current							
Borrowings#			1,778.00	1,778.00			1,778.00
Security Deposits			5.20	5.20			5.20
Current							
Borrowing#			25,548.59	25,548.59			25,548.59
Trade Payables*			9,709.81	9,709.81			
Other Financial Liabilities							
Debenture			950.00	950.00			
Finance Lease Obligations (Refer No)			2,094.72	2,094.72			
Interest Accrued but not due on Borrowings			21.95	21.95			
Interest Accrued but not due on debenture			0.05	0.05			
Airport Taxes Payable			658.45	658.45			
Security Deposits			0.73	0.73			

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Others			542.94	542.94			
Total			**41,130.44**	**41,130.44**			**27,331.79**

(ii) As on 31 March 2018

(Rupees in Million)

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Security Deposit	-	-	131.87	131.87			131.87
Current							
Trade Receivable*	-	-	319.81	319.81			
Cash & Cash Equivalents*	-	-	775.23	775.23			
Bank Balances other than cash and cash equivalents*	-	-	167.25	167.25			
Others							
Insurance Claims Recoverable	-	-	183.32	183.32			
Loans and Advances to Employees	-	-	0.61	0.61			
Advance Recoverable in Cash or Kind	-	-	127.87	127.87			
Export Incentive Receivable	-	-	915.14	915.14			
Interest Accrued on Bank Deposits	-	-	4.39	4.39			
Security Deposit	-	-	0.71	0.71			
Total			**2,626.20**	**2,626.20**			**131.87**
Financial liabilities							
Non-Current							

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Borrowings#	-	-	4,599.84	4,599.84			4,599.84
Current							
Borrowing#	-	-	23,463.92	23,463.92			23,463.92
Trade Payables*	-	-	10,302.63	10,302.63			
Other Financial Liabilities							
Finance Lease Obligations	-	-	3,690.48	3,690.48			
Interest Accrued but not due on Borrowings	-	-	27.66	27.66			
Book Overdraft	-	-	14.31	14.31			
Airport Taxes Payable	-	-	442.84	442.84			
Security Deposits	-	-	1.16	1.16			
Others	-	-	452.69	452.69			
Total			**42,995.53**	**42,995.53**			**28,063.76**

The Company's borrowings have been contracted at floating rates of interest, which resets at short intervals. Accordingly, the carrying value of such borrowings (including interest accrued but not due) approximates fair value.

* The carrying amounts of trade receivables, trade payables, cash and cash equivalents, bank balances other than cash and cash equivalents, maintenance advance and other current financial assets, approximates the fair values, due to their short-term nature. The other non-current financial assets represent bank deposits (due for maturity after twelve months from the reporting date) and interest accrued but not due on bank deposits, the carrying value of which approximates the fair values as on the reporting date.

Valuation technique used to determine fair value using discounted cash flow method.

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 based on unobservable market data. 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.

60. 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 loan and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance receivable, and cash and cash equivalents that derive directly from 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 Company's senior management is supported by a treasury team. The treasury team provides assurance to the Company's senior management that the company's financial risk activities are governed by appropriate policies and procedure and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objective. 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) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to the credit at the reporting date is primarily from trade receivables consisting of Deposits from Agents and GSA top-up. As per the business model, the trade receivables are typically secured, derived from revenue earned from customers/agents. As regards, the sales generated through the GSA at respective foreign stations, the same is covered through the Bank Guarantee. Trade receivable also includes receivables from credit card companies which are realizable within a period of 2 working days. The Company monitors the economic environment in which it operates. The Company has adequate security measures for all credit card/web sales through Fraud Prevention Tool, Decision Manager through Cyber Source etc and thus is fully protected.

The company sells majority of its passenger service against deposits made by agents (customers) and through online channels.

(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 another Financial asset.

The Company's approach to manage Liquidity is to have sufficient liquidity to meet its liabilities when they are due, both under 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) of Rs. 970.96 Million as at 31st March 2019 (31st march 2018: Rs. 942.48 Million) anticipated future internally generated funds from operations, and its full availability, will enable it to meet its future known obligation in the ordinary course of business. However, if a liquidity needs were to arise, the company believes it has access to financing arrangement, value of unencumbered assets, which should enable it to meet its ongoing capital, operating, and liquidity requirement. The Company will continue to consider various borrowing or leasing options to maximize liquidity and supplement cash requirement as necessary.

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 is gross and undiscounted, and includes interest accrued but not due on.

(Rupees 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
Non-Convertible Debentures	950.00	950.00	-			950.00
Term Loan	13,088.18	13,088.18				13,088.18
Finance Lease Obligation	3,872.72	2,094.72	1,778.01	-		3,872.72
Payable to Holding Company	11,510.41	11,510.41				11,510.41
Trade Payables to related parties	1,501.61	1,501.61				1,501.61
Trade Payables	8,208.20	8,208.20				8,208.20
Interest Accrued but not due on Borrowings	22.00	22.00				22.00
Airport Taxes Payable	658.45	658.45				658.45
Security Deposits	0.73	0.73				0.73
Others	542.94	542.94				542.94
Total	**40,355.24**	**38,577.24**	**1,778.01**	**-**	**-**	**40,355.25**

(Rupees 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
Non-Convertible Debentures	950.00		950.00			950.00
Term Loan	13,500.82	13,500.82				13,500.82
Finance Lease Obligation	7,340.32	3,690.48	3,217.36	432.48		7,340.32
Payable to Parent Company	9,963.10	9,963.10				9,963.10
Trade Payables to related parties	1,322.58	1,322.58				1,322.58
Trade Payables	8,980.05	8,980.05				8,980.05
Interest Accrued but not due on Borrowings	27.66	27.66				27.66
Book Overdraft	14.31	14.31				14.31
Airport Taxes Payable	442.84	442.84				442.84
Security Deposits	1.16	1.16				1.16
Others	452.69	452.69				452.69
Total	**42,995.53**	**38,395.69**	**4,167.36**	**432.48**	**-**	**42,995.53**

(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 types of risks 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. Currency risk

Currency risk is the risk that the future cash flows of a financial instrument/commodity (ATF) will fluctuate because of changes in foreign exchange/ATF rates. The company is exposed to the effects of fluctuation **in** the prevailing foreign currency/ATF 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, investing and financing activities, as well as fluctuation in the ATF prices on account of supply and demand position in crude market.

B. 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's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates.

The Company's interest rate risk arises majorly from the foreign currency term loan and finance lease carrying floating rate of interest. These obligations expose the company to cash flow interest rate risk. The exposure of the Company's borrowings to interest rate changes as reported to the management at the end of the reporting period are as follows:

(Rupees in Million)

Variable-rate instruments	**As at 31st March 2019**	**As at 31st March 2018**
Finance lease obligation (including current maturities)	**3,872.72**	7,340.32
Bank Loan	**13,088.18**	13,500.82
Payable to AI	**11,510.41**	9,963.10
Total	**28,471.31**	**30,804.24**

Interest rate sensitivity analysis

A reasonably possible change of 0.50 % in interest rates at the reporting date would have affected the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particulars foreign currency exchange rates, remain constant.

Particulars	**Increase by 0.50 %**	**Decrease by 0.50 %**
For the year ended 31 March 2019	142.36	142.36
For the year ended 31 March 2018	154.02	154.02

61. The Financial Statements are approved for issue by the Board of Director at its meeting held on 30 July 2019.

62. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new Ind-AS and amendments to those Ind – AS which the Company has not applied as they are effective from April 1, 2019.

A. Ind AS 116 - Leases

On March 30,2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. The Standard sets out the principles for the cognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. The Company is currently evaluating the effect of this amendment on financial statements.

B. Amendment to Existing Ind AS

The MCA has also carried out amendments to the following accounting standards:

i. Ind AS 12 – Income Taxes

ii. Ind AS 19 – Employee Benefits

iii. Ind AS 23 - Borrowing Costs

iv. Ind AS 28 – Investment in Associates and Joint Ventures

v. Ind AS 103 - Business Combinations

vi. Ind AS 111 - Joint Arrangements

vii. Ind AS 109 – Financial Instruments

Some of the above standards are not applicable to the Company and for the applicable standards the Company is currently evaluating the effect of this amendment on financial statements.

63. Previous year's figures have been regrouped / re-classified wherever necessary to correspond with the current year's classification / disclosures.

As per our Report of even date

For M. A. Parikh & Co.

Chartered Accountants
Registration No. – 107556W

Sd/-
Nalin Shah
Partner
M. No.136978
Place : Delhi
Date : 30 July 2019

For and on behalf of the Board

Sd/- **Ashwani Lohani** Chairman (DIN :-01023747)	**Sd/-** **Angshumali Rastogi** Director (DIN :-06658332)	**Sd/-** **Vinod Hejmadi** Director (DIN :-07346490)
Sd/- **K.Shyam Sundar** Chief Executive Officer	**Sd/-** **M.Manoharan** Chief Financial Officer	**Sd/-** **Aditi Khandekar** Company Secretary