



## CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me great pleasure to present to you the 12<sup>th</sup> Annual Report of the Company for the year 2018-19.

I wish to now present the Civil Aviation scenario globally and within India to give a brief background and thereafter, the results of Air India Limited for the financial year 2018-19:



### CIVIL AVIATION SCENARIO

#### WORLD

The global passenger air market size was 4.3 Billion in 2018. The network expanded to exceed 22,000 unique city pairs. This is an increase of 2,000 over the number of city-pair connections in 2017. Over this same period, the cost of air travel for consumers has decreased by more than half in real (inflation-adjusted) terms. The demand for air passenger services grew in 2018 with industry-wide Revenue Passenger Kilometers (RPKs) increasing 7.4%. Airlines transported over 52 Million metric tons of goods this year. Thus, the airline industry is supporting more jobs and GDP throughout the world's economies.

Airlines made a net profit of USD 28 Billion in 2018, however, lower than in 2017 (at USD 38 Billion). This was the third consecutive year of robust financial outcome in the broader historical context of the industry. For a third year in a row, the return on invested capital (7.4%) exceeded the cost of capital. However, fuel and other input prices are climbing higher.

2018 saw a deterioration across the all accident rate, jet hull loss rate and fatality risk. In addition to monitoring the long-term aviation trends and identifying emerging risk for the industry, 2018's performance has reinforced the need to continue identifying risks and threats and find innovative new ways to improve safety.

#### INDIA

One nation – many worlds is how India, with it's rich and varied attractions be best described. With it's rich treasure trove of heritage, religion, leisure and wild life destinations, snow clad mountains and immensely varied and rich cultural heritage, India indeed offers the finest kaleidoscope experience to tourists who seek to explore it. Aviation sector in the country continues to grow rapidly. With number of aircraft in India now touching 650 and with almost 1100 on order, flying is going to become more and more economical, easier and comfortable. The aviation sector has played a crucial role in enhancing the economy and tourism in the country.

The civil aviation industry in India has emerged as one of the fastest growing industries in the country during the last three years. India is currently the third largest domestic civil aviation market in the world and is expected to become the world's largest domestic civil aviation market in the next 10 to 15 years. According to IATA, India will displace the UK for the third place in 2025. The civil aviation industry has ushered in a new era of expansion, driven by factors such as low-cost carriers, modern airports, advanced information technology interventions and growing emphasis on regional connectivity.



The aviation sector is on an upswing in India, registering over 16% growth per annum. The nation has indeed witnessed tremendous improvements at the airports and is also rapidly improving domestic and international connectivity.

Air traffic in India rose 11% year-on-year to 206 Million during FY18-19. The Government aims to take the industry to the next level with expected remarkable achievements like:

- The Government has been encouraging private sector participation. In November 2018, the Government of India approved a proposal to manage six AAI airports under public private partnership (PPP). These airports are situated in Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru;
- In January 2019, the Government of India released the National Air Cargo Policy Outline 2019 which envisages making Indian air cargo and logistics the most efficient, seamless, cost and time effective globally by the end of the next decade;
- In February 2019, the Government of India sanctioned the development of a new greenfield airport in Hirasar, Gujarat, with an estimated investment of Rs 1,405 Crore (USD 194.73 Million).;
- Under Union Budget 2018-19, the Government introduced NextGen Airports for Bharat (NABH) - Nirman Scheme which aims a five-fold increase in India's airport capacity to handle a billion trips per year;
- The Indian Government is planning to invest USD 1.83 Billion for development of airport infrastructure along with aviation navigation services by 2026.

Strong GDP growth, a young population and the expansion of India's vibrant middle class is expected to see India achieve some of the fastest growth of any aviation market in the world over the next 20 years. And if costs can be continually brought down and competition remains strong, low fares should serve to stimulate new demand.

Aviation, the most complex of all businesses is high on technology, very competitive with complex regulations and low profit margins. This challenge is often reflected in airlines going under as also witnessed in the country's aviation sector. Indian market has witnessed significant changes this year – with the sudden reduction of capacity due to closure of Jet Airways. Despite severe constraints, the national carrier continues to be a symbol of stability and good service and remains focussed on enhancing customer satisfaction.

Air India's strategy was to first fill the vacuum created by Jet's closure to minimize passenger inconvenience since April this year. Air India is the only airline in India with long haul operations and we have been able to step in to effectively bridge the gap between demand and supply post April. Within the capacity constraints, we have restructured some routes to offer non-stop services – which is our strategy. We have also added some capacity into the system with which we have been able to launch the non-stop Delhi - Toronto (DEL - YYZ), Bombay - Kuwait (BOM - KWI), Delhi - Doha (DEL - DOH), Delhi - Seoul (DEL - ICN) and Bombay - Nairobi (BOM - NBO) flights. In the India/UK market, we have further added capacity to Heathrow & Stansted and adding Amritsar as one more point to UK. For Dubai, the growth opportunity came up with Jet's closure and we have added more direct points from interior points in India to connect Dubai. Regular introduction of new international flights are indicative of it's commitment and concern for passengers, even in these trying times of ensuing disinvestment.



## **PERFORMANCE OF THE COMPANY**

### **STAND-ALONE**

During the financial year 2018-19 the Company had incurred a net loss of Rs.85,563.6 Million as against Rs.53,481.7 Million in the year 2017-18, representing an increase of Rs.32,081.9 Million. Number of passengers carried (Scheduled Services) during 2018-19 increased to 21.8 Million as against 20.7 Million during 2017-18.

Passenger Revenue increased from Rs.177,740.9 Million in 2017-18 to Rs.207,741.6 Million in 2018-19. Total Revenue increased from Rs.238,449.4 Million in 2017-18 to Rs.264,305.9 Million in 2018-19.

### **CONSOLIDATED RESULTS**

The CFS represented consolidation of parent company's financials with the financials of 5 subsidiary companies viz. Airline Allied Services Limited (AASL), Air India Express Limited (AIXL), Air India Engineering Services Limited (AIESL), Air India Air Transport Services Limited (AIATSL) & Hotel Corporation of India Limited (HCI) and one joint venture viz. Air India SATS Services Private Limited (AISATS).

The Consolidated Net Loss of the Group for 2018-19 was Rs.88,802.2 Million which was more by Rs.30,493.30 Million compared to the previous year's loss of Rs.58,308.9 Million.

### **CHALLENGES**

Air India suffered a net loss of Rs 85,563.6 Million in the year 2018-19. This was primarily due to a huge outstanding debt on which total interest charges of Rs.47,113.0 Million were incurred. Our well trained human resources as well as the continued patronage from public was our greatest strength. One of our subsidiaries, Air India Express Ltd, performed extremely well and has been rated as one of the most economical airlines in the world. Air India's direct long distance connections to USA as well as Australia, remained our prime products. In spite of these, the huge loss indicated that Air India needs to take immediate steps for improving its revenue as well as bringing internal efficiencies.

### **PROPOSED DISINVESTMENT**

You would have seen the report on the proposed disinvestment of Air India, the successful conclusion of which will bring out in full measure, its true potential. In the interim, the national carrier will strive for impetus in services improving domestic and international connectivity. Air India Special Alternate Mechanism (AISAM) was constituted last year to guide the process of strategic disinvestment. As no response was received from prospective bidders in the previous exercise held last year, the Government decided to undertake near and medium-term efforts to capture operational efficiencies and to improve the performance of Air India, to monetize non-core land and building assets and to separately decide the contours of the mode of disposal of the subsidiaries.

In line with the decision of AISAM, a Company by the name of Air India Assets Holding Ltd (AIAHL) has been incorporated with 100% shareholding held by the Government. This entity is an SPV specially formed for the purpose of acquiring from Air India Limited:

- a) Its shares held in AIATSL, AASL, AIESL and HCI



- b) Paintings artifacts and other non-operational assets as may be decided by Air India Ltd and the Government of India
- c) Non-core assets as may be decided by Air India Ltd and the Government of India
- d) Immoveable properties whether leasehold or freehold
- e) Accumulated working capital loans not backed by any asset and
- f) Other assets / liabilities or of its subsidiaries, as may be decided by Air India Ltd. / Government of India

Pursuant to the decisions taken in the various AISAM meetings stated above, Air India began the exercise of transfer of identified debt amounting to Rs 294,640.0 Million as on 1 October 2018. However, in view of lenders approval for transfer not forthcoming, the debt transfer could not take place and the debt continued to be in the books of Air India Limited. Air India continued to service the interest due on these loans identified for transfer to AIAHL.

In view of the constraints faced in the transfer of loan from Air India Ltd to AIAHL, the Ministry of Finance approved a refinancing strategy for the identified debt. Based on the Meeting held on 30 May, 2019 in the Ministry of Finance, it was decided that the SPV would raise finances in the following manner to refinance the identified debt of Air India amounting to Rs 294,640.0 Million:

- a) Non Convertible Debentures (NCD) of Rs 74,000.0 Million to be novated to AIAHL against Gol guarantee
- b) Issue of Govt Fully Serviced Bonds for Rs 70,000.0 Million against Letter of Authorization
- c) Issue of Bonds worth Rs 150,640.0 Million with full Government Guarantee for the payment of interest and principal thereof,

Accordingly, AIAHL has raised funds through Bonds of Rs 21,985 Crore to repay Working Capital and Aircraft loans of Air India. NCDs amounting to Rs 7,400 Crore is in the process of Novation from Air India to AIAHL.

The other procedures relating to disinvestment are in progress.

## **ACKNOWLEDGEMENT**

I take this opportunity to thank the Ministry of Civil Aviation and Ministry of Finance for their unstinted support. I also acknowledge the support extended by all other authorities including banks and regulatory agencies and assure that we will continue our course on a growth trajectory, taking Air India to greater heights. I would like to thank my colleagues on the Board for their valuable guidance. I mention with deep regret about the sad demise of Shri Y.C.Deveshwar, Independent Director on the Board of Air India on May 11, 2019 and would like to place on record valuable contribution during his tenure on the Board.



I would like to thank all employees of Air India Limited for their exemplary efforts to show the world the strength and resilience of our team spirit in pursuit of excellence. I want to thank each one of our employees for his/her contribution and for always rising to the occasion to uphold the image of Air India.

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

Sd/-

**Ashwani Lohani**



## VISION

### **Dil mein India, aasmaan mein Air India**

To be the leader in Indian aviation and India's Ambassador to the world.

## MISSION

### **Leadership**

### **Customer**

- Provide safe, reliable and on-time services
- Deliver the highest quality of service around the world
- Be the epitome of Indian hospitality

### **Processes**

- Continuously improve standards of safety and efficiency
- Operate and maintain a young and modern fleet
- Provide the best and most efficient network
- Create economic value

### **People**

- To be the employer of choice
- Build a highly motivated and professional team
- Maintain highest degree of transparency and ethics
- Be a responsible corporate citizen

### **India's Ambassador**

- Be India's flag carrier in spirit and action
- Provide seamless travel within India and the world
- Connect Indians worldwide

### **Values**

- Zeal to excel and zest for change
- Integrity and fairness in all matters
- Respect for dignity and potential of individuals
- Strict adherence to commitments
- Ensure speed of response
- Foster learning, creativity and team-work
- Loyalty and pride in the Company