INDEPENDENT AUDITORS' REPORT

To the Members of Air India Limited

REPORT ON THE AUDIT OF STANDALONE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the standalone financial statements of Air India Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the 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 (hereinafter referred to as Standalone Financial Statements).

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the aforesaid Standalone Financial Statements give the information (other than certain information mentioned in Para (h) of Emphasis of Matter), required by the Companies Act, 2013, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, its loss (including other comprehensive income), the changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion

1. Adjustments on account of reduction in fair value, if any, in the carrying value of Investments in three Subsidiary Companies classified as Assets held for Sale, namely, Hotel Corporation of India Limited, Alliance Air Aviation Limited (Formerly Airline Allied Services Limited) and Air India Engineering Services Limited (Carrying Value of Investments aggregating to Rs. 6,795.2 million) for which net-worth have fully eroded, have not been determined and provided in the accounts as required by Ind AS 105. Refer Note 46.

2. Non- reconciliation/non-confirmation of certain receivables, payables (including certain staff related accounts and suspense / control accounts), inventory lying with third parties, certain bank accounts/ Loans/ fixed deposit with banks and others including direct confirmation for certain cases and statutory dues. Refer Note 35, 36 & 39.

3. Non- Recognition of right of use assets and corresponding lease liabilities for leases (other than Aircrafts, Engines and Leasehold Land), as required under IND AS 116 "Leases". Refer Note 44. The impact of the above qualifications on the Standalone Financial Statements, if any, is not ascertainable.

   We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone 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 standalone financial statements under the provisions of the Companies Act, 2013 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.

Material Uncertainty in relation to Going Concern

The Company has incurred a net loss of Rs. 70,174.2 million during the year ended 31st March 2021 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 5,73,166.8 million and it has accumulated losses of Rs. 7,79,529.5 million which has resulted in complete erosion of the net worth of the Company. In spite of these events or conditions which may cast a doubt on the ability of the Company to continue as a going concern, the management is of the opinion that going concern basis of accounting is appropriate in view of the continued support of the Government of India and having regard to the other facts mentioned in Note 53.

Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to;

a. Note 29 regarding the possible effects of uncertainties relating to COVID-19 on Company's operations and results as assessed by the management.

b. Note 26 regarding non-provision of penal charges on delayed payment of Guarantee Fee amounting to Rs. 24,123.0 million, for reasons stated therein and Note 51 regarding non provision of interest on delayed payments to Micro and Small enterprises wherein the amount is not ascertained.

c. Note 49 regarding Deferred Tax Asset of Rs. 28,425.2 million carried in the accounts in view of the reasons stated therein, the realisation of which would depend on generation of sufficient profits in the future as anticipated /projected by the management.

d. Note 46 read with Note 2.1.1 and Note 5 regarding the management's opinion that there is no decline in the carrying value of investment in a Subsidiary – Air India Express Limited (Carrying Value of Investments aggregating to Rs. 7,800.0 million) and advances (including interest) of Rs 12,567.6 million to the said subsidiary company even though the net-worth is fully eroded, for the reasons stated therein.

e. Note.28(iii)(h) read with Note 46 & Note 10.1 regarding realisability of advances to Subsidiary Companies (including interest) of Rs. 39,722.8 million classified as 'Asset Held for Sale' as the same is being transferred at carrying value.

f. Note 34(ii) regarding non-application of Appendix B to Ind AS 21 - "The effect of changes in Foreign Exchange rates" in respect of advances received or paid in foreign currency.

g. Note.28(iii)(f), (h) (k) & (m) read with Note 19, 20, 23 & 25 regarding;

   i. receipts from Air India Assets Holding Limited (AIAHL) Towards Restructuring (RFATR) of Rs 2,17,549.5 million (net of payments) being disclosed separately from the Company's Equity and Liabilities on the face of the balance sheet;

   ii. accounting for reimbursement of Rs 6,688.2 million for the Financial Year 2020-21 by AIAHL towards interest and other loan related costs paid by the Company on the identified loans, as a reduction from finance cost;

   iii. accounting of Rental Income of Rs. 1,211.1 million from identified properties and Revenue Sharing Income of Rs. 213.6 million from Subsidiaries for the year net of related cost of Rs. 36.2 million recoverable from AIAHL has been shown as adjustment from Statement of Profit & Loss.

   iv. classification of certain identified properties amounting to Rs 68,961.7 million as Assets held for sale and certain identified properties amounting to Rs 4,373.7 million as Investment Property.

v. classification of investment in subsidiaries amounting to Rs 8,179.4 million along with receivables amounting to Rs 39,722.8 million of the subsidiaries as Assets held for sale and

vi. recognising gain/loss on identified assets which have been sold during the year.

h. Non-Disclosure of certain information in the Standalone Financial Statements as required by Schedule-III of the Companies Act, 2013, and Indian Accounting Standards (Ind AS):

(i) Terms of repayment, nature of Security separately for each case of borrowings and period& amount of continuing default in respect of borrowings and interest thereon in respect of each borrowing - Refer Note 13.3 & 18

(ii) Foreign Currency Fluctuation under Finance Cost Refer Note No. 23(a)

(iii) Information regarding interest to Micro & Small Enterprises, if any, included in Trade Payable-Refer Note 51

(iv) Fair Value of Investment Properties as required in Ind AS 40 "Investment property" - Refer Note. 30 (iii)

(v) Expenses relating to short-term leases and low value assets as required in Ind AS 116 "Leases" Our Opinion is not modified in respect of above matters.

Key Audit Matters

Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion and Material Uncertainty in relation to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	**Principal audit procedures performed**
Investment in a subsidiary and advance recoverable from said subsidiary The company has investment in subsidiary, namely Air India Express Limited amounting to Rs 7,800.0 million and has also made advance (including interest) of Rs12,567.6 million to said subsidiary. Further, the company has also given guarantees of Rs 9,419.6 million in respect of loans availed by them. There is a risk of impairment in carrying value of unquoted equity instruments in said subsidiary, in recoverability of advance (including interest) to the said subsidiary and guarantee given to subsidiary carrying accumulated losses which may be considered significant having regard to the financial position of the subsidiary. Refer Note 2.1.1, 5, 27 & 46.	We have obtained an understanding of management's processes with regard to identifying existence and testing the impairment in the value of investment, advance to the subsidiary and guarantee to the subsidiary. We have also obtained and verified the latest financial statements of the subsidiary regarding the present level of operations and profitability of the subsidiary. We have also reviewed the management's estimate of future operations, which has been described in Note 46. Refer Para (d) in Emphasis of Matter.

Depreciation and impairment of Property, Plant & Equipment, Right of Use Assets, Investment Properties and Intangible assets The management uses estimates to assess useful life of various items of Property, Plant & Equipment, Right of Use Assets, Investment Properties and Intangible Assets including in the application of component accounting, recognition of early retirement from use, etc. which have a significant impact on the accounts. The Company also assesses whether an impairment indication exists and performs impairment test in respect of Property, Plant & Equipment, Right of Use Assets, Investment Properties, and Intangible Assets wherever such indications exist, which involve management's judgment of various factors including future growth rate etc. Refer Note 54.	We have reviewed the judgments and methodology applied by management including the nature of underlying costs capitalized, determination of realizable value of the assets retired from active use, technical assessment conducted in assessing the useful life of assets, considered the applicable rates prescribed in Schedule II of the Companies Act, 2013, and evaluated the system followed for periodic review. We have reviewed the Company's impairment assessment process and workings of property, plant & equipment, right of use assets and intangible assets including technical assessment of the management, key assumptions and judgement used to determine the impairment and future cash flows, discount rates applied etc. We have also reviewed the adequacy of disclosures relating to impairment of non-current assets in the standalone financial statements.
Impact of Covid-19 on impairment of Property, Plant & Equipment, Right of Use Assets, Investment Properties and Intangible assets There is inherent uncertainty due to Covid 19 pandemic which has significant impact on the management judgment and estimates with regard to recoverable amount – value in use calculation. Refer Note 29.	We have reviewed the reasonableness of assumed duration of disruption due to Covid 19 pandemic and expected growth rates from publicly available industry sources. We have also reviewed the adequacy of disclosures relating to Covid 19 in the standalone financial statements.
Assets held for sale (Other than Investments in subsidiaries held for sale) The Company has classified assets earmarked for disposal as assets held for sale, including as part of the disinvestment process in progress. Management has estimated the fair value of such assets having regard to various critical factors including market rates. Refer Note No. 28 & 31.	We have verified the procedures in relation to management's classification and valuation of assets held for sale including assessing the methodologies used and the appropriateness of the key assumptions, checking the accuracy thereof on a sample basis etc. Refer Para (e) of Emphasis of Matter.

Recognition of revenue from transportation services We have identified revenue recognition as a key audit matter because passenger revenue is one of the key performance indicators, significance of passenger revenue to the standalone financial statements, complexity of the underlying IT systems of outsourced service provider and the judgment required by management in determining the revenue from Forward sales. The Company extensively uses the services of outsourced service provider for measurement and recognition of revenue, which carries an inherent risk around the accuracy of revenue recorded given the complexity of operations and underlying IT Systems. The Company recognises revenue from passenger and cargo sales on flown basis i.e, when the service is provided. The Company recognises revenue from unexercised rights i.e. forward sales of customers which are non-refundable in nature, based on past trends in proportion to the pattern of rights exercised by the customer. Refer Note 59.	We have reviewed the internal controls in the company for capturing and recognition of revenue and the reconciliations of revenue between the reports generated by the outsourced service provider and accounting of revenue in ERP system of the company. We have conducted requisite procedures on revenue on a test check of selected samples and scrutinised relevant records and journals to assess the timing and values of revenues recorded. In addition, we have performed cut-off tests in order to verify whether the timing of passenger revenue recognition is in line with company's policy. We obtained the latest available assurance report on service organisation controls relating to revenue accounting and General IT controls. With regard to forward sales, we have considered the consistency and continuity of the methods used to determine the amount of revenue to be recognised from Forward Sales. Refer to para (i) in our report on Internal Financial Controls over financial reporting (Annexure B)
Provisions and Contingent Liabilities and Evaluation of uncertain tax positions There are material claims against the company and uncertain tax/duty positions which are under various stages of dispute, involving significant judgment to determine the possible outcome of these disputes. Refer Note.26.	We have obtained details of key claims against the company, completed tax assessments and demands and tax/duty positions. We reviewed status of disputes and representation taken from the management, discussed with appropriate senior management and evaluated the management's underlying key assumptions. We reviewed management's estimate of the possible outcome of the disputed cases in evaluating management's position on these uncertain claims and tax positions and reviewed the appropriate disclosures in the financials. Refer para (b) of Emphasis of Matter

Deferred Tax Assets	
The Company has carried deferred tax assets recognised on depreciation in an earlier year which is based on the likelihood of future taxable income available for set off. The recognition of deferred tax asset involves judgement regarding the likelihood of realisation of these assets in particular whether there will be sufficient taxable profits in future periods that support the recognition of these assets. Given the degree of judgement involved in considering these deferred tax assets as recoverable or otherwise, we consider this to be a key audit matter. Refer Note 49.	Our procedures include obtaining an understanding of the process and the controls over preparation of profit forecast. We reviewed the inputs and assumptions used in the forecast, including Revival Plan for Operational & Financial Efficiency formulated by the Govt of India. We verified the disclosures for deferred tax asset balance including those related to significant accounting estimate and judgements. Refer para (c) of Emphasis of Matter.
Provision for receivables	
The Company is carrying significant balances as trade receivables including amounts outstanding from earlier accounting periods. The management makes an estimate of the recoverability of individual debtor with reference to the aging profile, historical payment pattern and the past record of the customer and makes provision against the same with reference to the recoverable amount. Refer Note 57 (i)	We have obtained a list of outstanding receivables, test checked the ageing of trade receivables generated from SAP at year end on a sample basis and reviewed Expected Credit Loss model used in determining the provision requirement. We have reviewed the controls, systems and processes applied by the management to ensure proper recognition of provision for receivables. Refer Qualified Opinion para (iii) in our report on Internal Financial Controls (Annexure B)

Accounting & disclosure for proposed disinvestment	
Govt. of India has given approval for strategic disinvestment of the Air India and its subsidiaries. Accordingly, Strategic Revival Plan for Operational & Financial Efficiency in Air India was formulated as per which certain portion of debt along with certain assets, including investments in three subsidiary companies and advances given to them, were decided to be transferred to an Special Purpose Vehicle (SPV) formed for the proposed disinvestment. Necessary adjustments/ disclosures are made in the financial Statements of Air India Limited based on the present decisions and further adjustments would be made after finalization of the same. Refer Note 28.	We have reviewed the Framework agreement, relevant minutes of meeting of Board of Air India Limited as well as of the committees formed for disinvestment and other relevant records made available to us in this regard. We have verified the transactions which have taken place during the year 2020-21 with the SPV and held discussions with the senior management of the Company in order to obtain an understanding of the present position of the various decision taken for the same. We have reviewed the disclosures made in the financial statements in this regard. Refer para (g) of Emphasis of Matter.

Information Other than the Standalone Financial Statements and Auditor’s Report thereon

The Company’s Board of Directors is responsible for the other information. The other information comprises the information included in the Directors’ Report, Management Discussion and Analysis Report and Report on Corporate Governance but does not include the standalone financial statements and our auditor’s report thereon. These reports are expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the reports containing the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 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 over Financial Reporting in place and the operating effectiveness of such controls.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except as stated in Basis for Qualified Opinion and Para no. (h) of Emphasis of Matter section.

    (b) Except for the possible effects of the matters described in the Basis of Qualified opinion section above, 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 proper returns adequate for the purposes of our audit have been received from branches not visited by us.

    (c) With respect to foreign stations we have relied upon the management summary reports made available to us for the verification of transactions related to major foreign stations, which have been properly dealt by us in preparing this report.

    (d) The Balance Sheet, Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.

    (e) Except for the effects of the matter described in para No -1 & 3 of Basis for Qualified Opinion and para (f) & (h) Emphasis of Matter Section above, in our opinion, the aforesaid Standalone Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder;

    (f) The matters described under Material Uncertainty in relation to Going Concern, Emphasis of matter para on COVID - 19 and Basis of Qualified Opinion section above, may, in our opinion have an adverse effect on the functioning of the Company;

    (g) We have been informed that the provisions of Section 164(2) of the Act in respect of disqualification of directors are not applicable to the Company, being a Government Company in terms of notification no. G.S.R.463 (E) dated 5th June, 2015 issued by Ministry of Corporate Affairs (MCA), Government of India;

(h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion section above;

(i) With respect to the adequacy of Internal Financial Controls over Financial Reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses a qualified opinion on the adequacy and operating effectiveness of the Company's Internal Financial Controls over Financial Reporting.

(j) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, we report that, in terms of MCA Notification no. G.S.R. 463 (E) dated 5th June 2015 provisions of section 197 of the Act are not applicable to the company.

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

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Note No. 26 & 60 (a) & 60 (b) to the standalone financial statements;

ii. The Company has made provisions, as required under the applicable laws or Indian Accounting Standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts that have been entered into by the Company;

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

3. We are enclosing our report in terms of Section 143 (5) of the Act, on the directions / sub-directions issued by the Comptroller and Auditor General of India, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in Annexure- C.

For and on Behalf of	For and on Behalf of	For and on Behalf of
Jagdish Chand & Co.	**Khandelwal Jain & Co**	**PKF Sridhar & Santhanam LLP**
Chartered Accountants	Chartered Accountants	Chartered Accountants
FRN: 000129N	**FRN: 105049W**	**FRN.003990S/S200018**
Pawan Kumar	Narendra Jain	Ramanarayanan J
Partner	Partner	Partner
M No. 511057	**M No. 048725**	**M No. 220369**
UDIN: 21511057AAAACC9421	**UDIN**: 21048725AAAADO8453	**UDIN**: 21220369AAAAMK7941

Place: New Delhi
Date: 14th October 2021

ANNEXURE 'A' REFERRED TO IN PARAGRAPH UNDER THE HEADING REPORT ON "OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LIMITED (THE "COMPANY") FOR THE YEAR ENDED 31ST MARCH 2021:

(i)

a. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets except in case of certain items which are carried in the fixed asset register on block level as one line item and some of the assets (other than major assets) in respect of which full particulars, including quantitative details and situation of such assets have not been updated.

b. The Company has a programme of verification of fixed assets as per which the verification of all major assets is conducted annually, and the verification of other assets are covered over a biennial period which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Assets. Accordingly, as per the information and explanations furnished to us, physical verification of major items of fixed assets has been conducted by the Management during the year and no material discrepancies were noticed on such verification. In case of fixed assets, which are carried on block level as one line item, physical verification reconciliation has not been done during the year. In respect of other items of fixed assets, physical verification for 2018-2020 biennial period was completed in the previous year, although pending reconciliation no effect has been given in respect of discrepancies noticed estimated to be Rs 111.7 million. Refer Note 33(i) (b)

c. Based on our examination of the books and records of the Company, the title/ lease deeds of immovable properties (included under Property, Plant and Equipment Investment properties, Right of Use Assets, and Assets held for Sale) are held in the name of the Company except to the extent mentioned below [Refer note 30 (i) and 31]:

Sl. No	Type	Area (Sq Mtrs)	Net Block (Rs in million)
1.	Land & Building – Freehold	17,606.2	0.0
2.	Land & Building – Leasehold	1,53,642.7	56,170.5
	Total	**1,71,248.9**	**56,170.5**

In addition to above, title deeds in respect of certain Land & Building - Freehold having Net Block of Rs. 2,643.1 million as at 31.03.2021 and Land & Building - Leasehold having Net Block of Rs. 785.0 million as at 31.03.2021 could not be verified in original due to mortgage with banks (in few cases confirmation from the bank/ financial institution in relation to holding of title deed has not been furnished to us) and financial institutions/ Covid-19 situation (as informed these were lying at multiple locations) / properties were subsequently sold in financial year 2021-2022 original deed were not available and only photocopies were available.

(ii) According to the information and explanation given to us, the inventory has been physically verified by the management in phased manner (biennial) at reasonable intervals. The physical verification process (except inventory lying with the third parties, inventory of phased out fleet of B-737-200 and some inventory lying in engineering workshops) for biennial period 2020-2022 has been completed by the company and shortage of Rs 3.4 million and excesses of Rs. 1.7 million have been observed. Pending approval from the Competent Authority a provision amounting to Rs.3.4 million for shortages have been made. Refer Note 33(ii)

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, during the year, to any companies, firms, limited liability partnerships or other parties covered in register maintained under Section 189 of the Companies Act, 2013. In view of above, the clauses 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable.

(iv) As per information and explanations given to us, Company has not granted any loans or given any guarantee and security covered under section 185 of the Companies Act 2013.Further, the Company is exempted from the provisions of section 186 as it is engaged in the business of providing infrastructure facilities as defined in Schedule-VI of the Companies Act, 2013.

(v) On the basis of the examination of the books of accounts, the Company has not accepted deposits under the provisions of Section 73 to 76 or any other provisions of Companies Act, 2013 and the Rules framed thereunder.

(vi) The maintenance of cost records has not been prescribed by the Central Government of India under sub-section (1) of Section 148 of the Companies Act, 2013, in respect of services of the Company.

(vii)

a. According to the information and explanations given to us and on the basis of our examinations of the Books of Account, undisputed Statutory dues, including Provident Fund, Employees State Insurance Fund, duty of Custom, duty of Excise, Sales Tax, Value Added Tax, TDS, Goods and Services Tax, Cess and any other material Statutory Dues, as applicable, have not been regularly deposited with the appropriate authorities and there have been delays in a large number of cases.

As per the information and explanations, and subject to the facts stated in Note No. 35(iii), undisputed statutory liabilities outstanding for more than six months as on 31st March 2021 are as under;

Sr. No.	Name of the Statute	Nature of dues	Amount in Rs. millions	Period to which the amount relates
1	Goods and Service Tax (GST)	Interest on GST	365.9	July 2017 to Sept 2019
2	Finance Act, 1994	Interest on Service Tax	374.7	April 2009 to Mar 2012
3	Income Tax Act, 1961	TDS/ Interest on Salary TDS	226.4	Apr 2016 to Sept 2020

b. According to the information and explanations given to us and as per the books of accounts, there are no dues outstanding of Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Value Added Tax, Service Tax, Goods and Service tax and Cess which have not been deposited as on 31st March 2021 by the Company, on account of any dispute, except for the following:

Sl No.	Name of Statute	Nature of dues	Amount involved (Rs in Million)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
1	Indian Customs Act, 1962	Custom Duty	41.4	2005-2016	Commissioner of Central Excise & Customs
2	Indian Customs Act, 1962	Custom Duty	5.3	1997-2004	Central Board of Excise & Customs
3	Indian Customs Act, 1962	Custom Duty	582.6	2001-03 & 2004-05	Commissioner of Customs (Appeals)
4	Indian Customs Act, 1962	Custom Duty	1.0	2017-19	Assistant Commissioner of Customs
5	Indian Customs Act, 1962	Custom Duty	332.5	2000-2017	CESTAT
6	Indian Customs Act, 1962	Custom Duty	31.5	2002-2006	Supreme Court
7	Finance Act, 1994	Service Tax	11,176.9	1997-98 & 2003-15	CESTAT
8	Finance Act, 1994	Service Tax	17.8	2003-2011	Supreme Court
9	Finance Act, 1994	Service Tax	2,453.0	2007-08 and 2010-11	CESTAT
10	Indian Customs Act, 1962	Custom Duty	3.9	2003-14 & 2017-19	Commissioner of Customs/ (Appeals)
11	Finance Act, 1994	Service Tax	8.6	2017-2018	Dy. Commissioner of Service Tax
12	Indian Customs Act, 1962	Custom Duty	1.0	2017-2020	Joint Commissioner of Custom
13	Income Tax Act, 1961	Income Tax	25.2	2012-2015	Deputy Commissioner of Income Tax
14	Income Tax Act, 1961	Income Tax	158.2	2015-16 to 2019-20	Commissioner of Income Tax (Appeals)
15	Value Added Tax, Telangana	VAT	123.3	2011-2016	Commercial Tax Office, Govt of Telangana
16	Value Added Tax, West Bengal	VAT	0.5	2015-2016	Revisional Board, West Bengal
17	Value Added Tax, West Bengal	Entry Tax	41.5	2012-2017	Tribunal
18	Sales Tax Act, Delhi	Sales Tax	3.6	1989-2004	Delhi High Court

Sl No.	Name of Statute	Nature of dues	Amount involved (Rs in Million)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
19	Other Statutes	Property Tax Octroi, Foreign Tax & Entry Tax	471.2	2000-2018	Concerned Department

The above does not include disputed Income Tax Dues of Rs. 719.0 Million which was settled subsequently under Vivad se Vishwas Scheme for Rs. 381.4 Million and provided for by the Company as on 31st March 2021.

(viii) According to the information and explanations given to us, the Company has defaulted in repayment of dues to Banks/ Government and there is an overdue Interest of Rs 11,519.4 million outstanding for payment as at the year-end [Refer footnotes to Note 15]. The period and amount of default including lender wise details for the same has not been provided to us in view of the fact stated in the Note No. 18 and Note No. 13.3 of the Standalone Financial Statements.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debts instruments) and hence the application of such money for the specified purposes is not applicable. The Company has applied the Term Loans for the purpose for which the Loans were obtained.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for an instance where an employee of the company, misappropriated the cash sale proceeds of Rs. 2.0 million. (Refer Note 61 of standalone financial statements), we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.

(xi) As informed, the provisions of Section 197 relating to managerial remuneration are not applicable to the Company, being a Government Company, in terms of MCA Notification no. G.S.R. 463 (E) dated 5th June 2015.

(xii) The Company is not a Nidhi Company. Accordingly, the reporting requirements under clause 3(xii) of the Order are not applicable.

(xiii) In our opinion and according to the information and explanations given to us, transactions with related parties are in compliance with sections 177 and 188 of the Companies Act, 2013, where applicable. The details of Related Party Transactions have been disclosed in the Standalone Financial Statements, as required by the applicable Ind AS [Refer Note 41].

(xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and as such the clause is not applicable to the Company.

(xv) As per the records of the Company and information and explanation provided to us, the Company has not entered into any non-cash transactions with directors or persons connected with them and hence, the clause is not applicable.

(xvi) According to the information and explanations given to us and the records of the Company examined by us, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the reporting requirement under clause 3(xvi) of the Order is not applicable.

For and on Behalf of	For and on Behalf of	For and on Behalf of
Jagdish Chand & Co.	**Khandelwal Jain & Co**	**PKF Sridhar & Santhanam LLP**
Chartered Accountants	Chartered Accountants	Chartered Accountants
FRN: 000129N	**FRN: 105049W**	**FRN.003990S/S200018**
Pawan Kumar	Narendra Jain	Ramanarayanan J
Partner	Partner	Partner
M No. 511057	**M No. 048725**	**M No. 220369**
UDIN: 21511057AAAACC9421	**UDIN**: 21048725AAAADO8453	**UDIN**: 21220369AAAAMK7941

Place : New Delhi

Date : 14th October 2021

ANNEXURE 'B' REFERRED TO IN PARAGRAPH UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH 2021:

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 Limited ("the Company") as of 31st March 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 Companies Act, 2013.

Auditors' 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal Financial Controls over Financial Reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the Internal Financial Controls 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 judgement, including the assessment of the risks of material misstatement of the standalone 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 qualified audit opinion on the Company's Internal Financial Controls 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, the following material weaknesses have been identified for the year ended 31st March 2021:

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

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

iii) The Company did not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis, ageing and reconciliation of Receivables, Payables, (including certain staff related accounts and suspense / control accounts), inventory lying with third parties, certain bank accounts, fixed deposit with Bank and statutory dues.

iv) The Company did not have an effective internal audit system commensurate with the size, nature and complexities of the business.

v) The Company did not have an effective Information Systems Audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.

vi) The Company did not have an effective system for timely accounting of entries including delay in accounting of cash collection/disbursement & approval thereof in IT System.

vii) The Company did not determine the fair value of the Company’s investments in its subsidiaries carried as assets held for sale.

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

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate Internal Financial Controls over Financial Reporting and such Internal Financial Controls over

Financial Reporting were operating effectively during the year ended 31st March 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company as at and for the year ended 31st March 2021, and these material weaknesses have affected our opinion on the standalone financial statements of the Company and we have issued a qualified opinion on the standalone financial statements.

For and on Behalf of	For and on Behalf of	For and on Behalf of
Jagdish Chand & Co.	**Khandelwal Jain & Co**	**PKF Sridhar & Santhanam LLP**
Chartered Accountants	Chartered Accountants	Chartered Accountants
FRN: 000129N	**FRN: 105049W**	**FRN: 003990S/S200018**
Pawan Kumar	Narendra Jain	Ramanarayanan J
Partner	Partner	Partner
M No. 511057	**M No. 048725**	**M No. 220369**
UDIN: 21511057AAAACC9421	**UDIN**: 21048725AAAADO8453	**UDIN**: 21220369AAAAMK7941

Place: New Delhi
Date: 14th October 2021

ANNEXURE "C" REFERRED TO IN PARAGRAPH UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LIMITED (THE "COMPANY") FOR THE YEAR ENDED 31ST MARCH 2021:

SI No	Directions under section 143(5) of Companies Act 2013	Response
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated	The Company has an ERP system in place for processing all accounting transactions through IT systems except for accounting of trade and other receivables which is recorded manually. Some of the activities have been outsourced by the company to outside vendors viz. a. Transportation revenue b. Cargo Revenue c. Processing of crew allowances Some manual intervention is necessitated for various closing entries; however accounting entries for the same are also processed through ERP. Based on our audit procedures, on test basis, wherever the accounting transactions are based on workings outside IT system, no instances of lack of integrity of accounts and no financial implications have been noted /reported. However, we have noted certain internal control weaknesses in processing of transactions, our comments on which have been given in Qualified Opinion para (i), (ii), (iii) & (v) of Annexure B of this audit Report.
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. Whether such cases are properly accounted for (In case, lender is a Government Company, then this direction is also applicable for statutory auditor of lender company).	As per the information and explanation furnished to us, there has been no case of restructuring of existing loan or waiver /write off of debts/loans/interest etc. made by a lender to the Company during the year. However, as described in detail in Note no.28, the Company has repaid the debt from the proceeds received from AIAHL and is in the process of implementing financial restructuring plan in line with the Framework Agreement. The financial impact of the same on the standalone financial statements is given in note 28(iii)(m).

Sl No	Directions under section 143(5) of Companies Act 2013	Response
3.	Whether funds (grants/subsidy etc) received/ receivables for specific schemes from Central/State Government or its agencies were properly accounted for/utilized as per its term and condition? List the cases of deviation.	To the best of our information and checks applied by us during the course of our audit, we are of the opinion that no funds received/ receivable for specific schemes from Central/ State Government or its agencies for the financial year 2020-21.

For and on Behalf of
Jagdish Chand & Co.
Chartered Accountants
FRN: 000129N

Pawan Kumar
Partner
M No. 511057
UDIN: 21511057AAAACC9421

For and on Behalf of
Khandelwal Jain & Co
Chartered Accountants
FRN: 105049W

Narendra Jain
Partner
M No. 048725
UDIN: 21048725AAAADO8453

For and on Behalf of
PKF Sridhar & Santhanam LLP
Chartered Accountants
FRN: 003990S/S200018

Ramanarayanan J
Partner
M No. 220369
UDIN: 21220369AAAAMK7941

Place: New Delhi
Date: 14th October 2021

COMPLIANCE CERTIFICATE

We have conducted our audit of accounts of M/S Air India Limited for the year ended 31st March 2021 in accordance with the Directions / Sub Directions issued by C&AG of India u/s 143(5) of the Companies Act 2013 and certify that we have complied with all the Directions / Sub Directions issued to us.

For and on Behalf of	For and on Behalf of	For and on Behalf of
Jagdish Chand & Co.	**Khandelwal Jain & Co**	**PKF Sridhar & Santhanam LLP**
Chartered Accountants	Chartered Accountants	Chartered Accountants
FRN: 000129N	**FRN: 105049W**	**FRN: 003990S/S200018**
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M No. 511057	**M No. 048725**	**M No. 220369**
UDIN: 21511057AAAACC9421	**UDIN**: 21048725AAAADO8453	**UDIN**: 21220369AAAAMK7941

Place: New Delhi
Date: 14th October 2021

MANAGEMENT REPLIES TO THE INDEPENDENT AUDITORS' REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LTD FOR THE FINANCIAL YEAR 2020-21

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	We have audited the standalone financial statements of Air India Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the 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 (hereinafter referred to as Standalone Financial Statements). In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the aforesaid Standalone Financial Statements give the information (other than certain information mentioned in Para (h) of Emphasis of Matter), required by the Companies Act, 2013, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, its loss (including other comprehensive income), the changes in equity and its cash flows for the year ended on that date.	
	Basis for Qualified Opinion	
1.	Adjustments on account of reduction in fair value, if any, in the carrying value of Investments in three Subsidiary Companies classified as Assets held for Sale, namely, Hotel Corporation of India Limited, Alliance Air Aviation Limited (Formerly Airline Allied Services Limited) and Air India Engineering Services Limited (Carrying Value of Investments aggregating to Rs. 6,795.2 million), for which net-worth have fully eroded, have not been determined and provided in the accounts as required by Ind AS 105.Refer Note 46.	The company has already disclosed in Note No 46 that in the opinion of the Management there is no diminution in the carrying value of the investments in Subsidiary Cos. Detailed write up on the current status of both AASL and AIESL has been given in the subject Note highlighting that these companies are steadily improving their Financial and Operational performance over the past few years. Despite the effect of the pandemic across the globe and on aviation related companies in particular the performance of the Subsidiary

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		Companies namely AAAL, AIESL and HCI during the year 2020-21 has been quite better as discussed below: (a) AAAL The company (being a wholly-owned subsidiary of Air India) has the full support of the GoI and expects improvement in Operational and Financial Performance in the future. Hence, the financial statements of the company have been prepared on the "Going Concern" basis in spite of having accumulated losses and net-worth being eroded. The company has emerged as a major player in the Government of India's premier scheme UDAN, which connects to various Tier II and Tier III cities with the development of unserved / underserved airports. The growth in Tier II and Tier III cities is still largely untapped and Alliance Air is likely to emerge as one of the largest players with its young ATR 72-600 fleet suitable for serving these smaller airports. The company has strategized itself to invest major resources in Government of India's UDAAN scheme. The performance of the airline under UDAAN has been excellent wherein the company has been operationally positive. The total UDAAN routes won by the Company now stands at 109. Out of allotted routes, the company operated 73 routes as on 31st March 2021, which were 61 routes till 31st March 2020. Out of the total route operated by AAAL in 2020-21, around 56% were under UDAN scheme. Alliance Air by deploying more resources on UDAAN sectors is moving towards profitability as AAAL has been achieving Operating Profits on operation under UDAAN scheme. The Company has actively participated in UDAAN - 4.1 and awaiting final allotment. Alliance Air is in the threshold of turnaround and poised to lead the regional connectivity in India in the next decade and be a leading regional carrier of Asia. Alliance Air is on its way to reverse the trend of adverse financial parameters in this financial year 2021-22 and thereafter further consolidate the gains.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		(b) AIESL AIESL is the largest MRO set up in India that can serve as a one-stop-shop for all aircraft engineering requirements. At present, in India, major checks of every commercial wide body aircraft of Indian Operators are being done by AIESL. The Company has got hangar facilities available in all major airports in Mumbai, Delhi, Chennai, Hyderabad, Kolkata, Trivandrum and Nagpur. AIESL commenced its operations from January 2015 after receiving its DGCA License. Further to the above, Government of India under its recent initiatives under its 'Make in India' program, has reduced the GST rate from 18% to 5% w.e.f. 1st April, 2021, which is likely to boost up the revenue from MRO Services. During the Financial Year 2020-21, the MRO Revenue from outside parties (i.e. other than revenue from group companies) has increased from Rs. 1,836.4 million in 2019-20 to Rs. 4,075.8 million in 2020-21, resulting an increase of 122% as compared to previous year. AIESL has posted a Net Profit (including OCI) of Rs 119.4 million in FY 2020-21, as compared to the Net Profit (including OCI) of Rs 242.4 million (Re-casted) in FY 2019-20. Hence, in spite of impact due to pandemic, the company could maintain its profitability. With the Make in India thrust of the Govt. of India which will ensure that maintenance of aircraft is within the country, the rapid growth of Aviation in the country and large number of aircraft orders by Indian carriers, AIESL is best poised for taking advantage of the growth in maintenance activities and MRO business within India. In view of this AIESL is likely to earn enhanced revenues and be profitable in the near future. (c) HCI HCI is primarily engaged in the business of owning, operating & managing Hotels and Flight Catering services. The Company has been facing

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		severe liquidity crunch and its financial and operating performance has been affected in recent years due to a number of external and internal factors. The Company faces significant uncertainties due to COVID-19 which have impacted the operations of the Company adversely starting from the month of March 2020. Management has assessed the impact of existing and anticipated effects of COVID -19. However, in spite of the negative Net Worth of the Company as at 31st March 2021, considering the continuous support of the Holding Company and the Government, the Company is and will continue to be able to meet its financial obligations as they fall due. Accordingly, the Company has prepared its accounts on a “Going Concern” basis. Various initiatives have also been taken by the management for improving the operational performance of the Company and increasing the revenues of the Company which are given hereunder: a) The Holding Company, Air India Limited (AIL) and Government of India is continuously supporting the Company by way of financial assistance in the form of equity infusion and providing financial assistance as and when required by HCI. b) AIL has been continuously supporting the Company by giving business which contributes to the operational revenue of the Company - nearly 80% of the revenue earned by the Company is from AIL and this would continue in the future also. T c) The Company has signed Service Level Agreements (SLA) for its various units in Delhi, Mumbai and Srinagar with Air India for providing various services to Air India which are valid upto 31.12.2024. The Company is also in the process of signing a Master Service Agreement (MSA) with Air India. The signed SLAs will form part of the MSA.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		d) Also, in the process of disinvestment of AIL, HCI is one of the subsidiaries of AIL which would not be divested and would be transferred to AIAHL. Accordingly, upon disinvestment of AIL, the Company would be administered by AIAHL. It can be seen from the above that all the three Subsidiary Companies during FY 2020-21 have posted improvements in various areas despite the COVID-19 impact and accordingly it is expected that AI will be able to realize its Investments made in these companies and hence there is no need to provide for any diminution in investments made in these Companies. In addition to the above, the investment of Air India in all the three Subsidiary Companies are proposed to be transferred to the newly formed SPV i.e. AIAHL as a part of the restructuring of Air India Ltd for the purposes of disinvestment. A Framework Agreement has been signed by Air India Ltd with AIAHL in this regard. Under this Framework Agreement and as per the decision of the GoI, AIAHL has already transferred to Air India Rs 220,640.0 million towards repayment of AI Loans. As a part of AI's obligations under the Agreement these three Subsidiary Companies viz AAAL, AIESL and HCI are to be transferred to AIAHL at book value and the process of transfer is underway.
2.	Non- reconciliation/non-confirmation of certain receivables, payables (including certain staff related accounts and suspense / control accounts), inventory lying with third parties, certain bank accounts/ Loans/ fixed deposit with banks and others including direct confirmation for certain cases and statutory dues. Refer Note 35, 36 & 39.	In this regard it may be stated that the company has been addressing the issue of reconciliation of various Receivables & Payables as well as other such related items. In this regard it may be noted that there is a steady and considerable improvement in this area as compared to previous years as can be seen from the following: a) All major Borrowings, Bank Balances and Loan Balances have been confirmed and reconciled. b) In respect of Receivables/Payables also, all major parties such as dues of Oil Companies (both in India and abroad), Lessors, Airport

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		Operators, Aircraft Repairs and Spare Vendors, Pax/Cargo Receivables and dues for VVIP Charters have been confirmed by parties and reconciled for differences, if any. These parties in fact constitute a major portion of the total Receivables and Payables of the company. c) Further, in the current year due to the disinvestment of Air India Ltd, the company has undertaken an exercise to adjust/writing off the old advances and receivables which were lying unsettled/unadjusted since long and for the settlement of which not much practical feasibility was left and the same remained unsettled either due to non-availability records or despite of best efforts taken to realize the same. All these debts are treated as doubtful in the books of accounts and Provision for Doubtful Advances for the same were also created in the books The company during the current year also continues to take necessary action to further streamline the process of reconciliation and confirmation of Receivables & Payables.
3.	Non- Recognition of right of use assets and corresponding lease liabilities for leases (other than Aircrafts, Engines and Leasehold Land), as required under IND AS 116 “Leases”. Refer Note 44.	In this regard it is stated that the major leased asset class of the company are aircrafts and land which have already been taken into effect for the transition to Ind AS 116. The leases other than aircraft and land are primarily for leasing of office space, residential space, airport land space etc. In the case of land taken from AAI at different airports, these leases are primarily covered under the “Umbrella Agreement” and the same is cancellable and hence not taken under Ind AS 116. Leases other than that in India and foreign stations are for renting of office space and residential space etc which also in most cases are cancellable and not material enough. In view of the above, only leases pertaining to aircraft and land have been considered for reclassification under Ind AS 116.
	The impact of the above qualifications on the Standalone Financial Statements, if any, is not ascertainable.	

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone 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 standalone financial statements under the provisions of the Companies Act, 2013 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.	
	Material Uncertainty in relation to Going Concern The Company has incurred a net loss of Rs. 70,174.2 Million during the year ended 31st March 2021 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 573,166.8 Million and it has accumulated losses of Rs. 779,529.5 Million which has resulted in complete erosion of the net worth of the Company. In spite of these events or conditions which may cast a doubt on the ability of the Company to continue as a going concern, the management is of the opinion that going concern basis of accounting is appropriate in view of the continued support of the Government of India and having regard to the other facts mentioned in Note 53. Our opinion is not modified in respect of this matter.	The Company has received continuous support from the Government of India (GoI) initially through the introduction of the Turnaround Plan (TAP)/Financial Restructuring Plan (FRP) approved in 2012 and then under the Strategic Revival Plan in FY 2018-19 which has helped the Company to improve its operating and financial parameters. The objective of the Strategic Revival Plan was to establish a strong competitive and self-sustaining airline which can be strategically divested or listed in the next few years. Focus on increasing the operational efficiencies whereby substantial increase in revenue or cost saving can be achieved. The Revival Plan contained the following major components:

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		• Organizational Reforms • Financial Package • Disinvestment of Subsidiaries • Sale of non-core Assets • Improving Internal Efficiencies • Tapping the human resource potential to the fullest The Govt. of India has continued to support Air India in various ways to partly ameliorate the strained financial position of the company under the Strategic Revival Plan and also during the COVID Pandemic. This support has been extended in the following measures: • Loans of Air India Ltd amounting to Rs 294,640.0million have been approved to be transferred to the Air India Assets Holding Ltd (AIAHL) under the disinvestment plan of Air India Ltd. Out of this amount Loans amounting to Rs 220,640.0 million have already been paid off in FY 2019-20 and the process of transferring the balance amount of Rs 74,000.0million is underway. • The Govt has during FY 2020-21 renewed the GoI Guarantee Support for various existing AIL Working Capital Loans and the Govt has issued fresh Govt support for raising new Working Capital Loans from Banks and NSSF amounting to Rs 59,640.0 million. The Govt has continued its support during FY 2021-22. • The Govt has further renewed the GoI Guarantee for USD 819 million (Rs 61,500.0million) for aircraft bridge loans for 7 aircraft in December 2020. • Further, the Govt during the COVID period asked AI to operate Passenger Flights to international destinations under the Vande Bharat Mission and therefore Air India Ltd and its Subsidiary Companies got much needed relief and liquidity.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		It can be seen from the above that the Company has regularly received Equity Infusion from the GoI. Hence, it is evident that the GoI is committed to pursue the path of disinvestment and through various steps taken above is aiding the Company in clearing its balance sheet and as mentioned in the PIM for disinvestment there may be further re-allocation of debts and liabilities of the Company. Further steps taken by the Company and also the GoI in light of the process of disinvestment have been discussed in detail in Note 28. All these steps are aimed at creating a positive environment for the Disinvestment of the company, which is in a very advanced stage. In view of the above and the financial support from the Govt of India and various measures taken by the Company to improve its operational efficiencies and revenue enhancing measures, cost control measures undertaken etc. the Company expects improvement in its Operational and Financial Performance, in the near future and hence, the Financial Statements of the Company have been prepared on the 'Going Concern' basis. It is also pertinent to note that the GoI support to Air India continues in the current FY 2021-22 also. In view of the above and the financial support from the Govt of India and various measures taken by the Company to improve its operational efficiencies, various revenue enhancing measures, cost control measures undertaken etc. the Company expects improvement in its operational and financial performance, in the near future and hence, the financial statements of the Company have been prepared on the 'Going Concern' basis.
	Emphasis of Matter	
a.	We draw attention to; Note 29 regarding the possible effects of uncertainties relating to COVID-19 on Company's operations and results as assessed by the management.	The effect of COVID-19 pandemic on the operations as well as financials of the company has been discussed and elaborated in detail in Note No 29.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
b.	Note 26 regarding non-provision of penal charges on delayed payment of Guarantee Fee amounting to Rs. 24,123.0 Million, for reasons stated therein and Note No. 51 regarding non-provision of interest on delayed payments to Micro and Small enterprises wherein the amount is not ascertained.	In this regard it is stated that due to the highly stressed liquidity position of the company, which has further been worsened due to the Covid 19 impact and also due to the ongoing Disinvestment process of the company, the matter of waiver of the Additional Guarantee Fees owed to the GoI has already been taken up with the GoI, along with waiver of the unpaid normal guarantee fees. As per the PIM issued for the Disinvestment of Air India the Current Liabilities in excess of the Current Assets will be allocated to AIAHL. However, a Contingent Liability for an amount of Rs 24,123.0 million has been disclosed in the Notes to Accounts Note No 26. As regards the non-provision of interest on delayed payments of Small and Micro enterprises is concerned, it is stated that all efforts are made by the company to clear such dues in a timely manner. However, in spite of the best efforts of the company there may have been delays in making payments to some of these enterprises, however, in the opinion of the management the interest is not expected to be material. A due disclosure to this effect has also been given in Note No 51.
c.	Note 49 regarding Deferred Tax Asset of Rs. 28,425.2 Million carried in the accounts in view of the reasons stated therein, the realization of which would depend on generation of sufficient profits in the future as anticipated /projected by the management.	The company has given the detailed status of Deferred Tax in Note No 49. It may be noted that in view of the clarifications given in Note No 53 regarding the Going Concern status of AI, there is a reasonable certainty that the company will be able to realize its DTA from future taxable profits. The same is evident from the following: a) The Govt of India approved the Revival Plan of the Company through which a series of measures were introduced to improve the operational and financial efficiencies as detailed in Note 28 and Note No 53. b) The Company is under the disinvestment process as approved by the Govt of India which is currently in progress.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		c) There is a huge amount of unabsorbed depreciation amount available with the company against which the subject DTA has been recognized and these depreciation losses can be carried forward indefinitely in terms of the Income Tax Act provisions. d) The Company is therefore hopeful of showing improved performance in the future and accordingly, has reasonable certainty that the Deferred Tax assets recognized will be realized against future taxable profits. Further, the Deferred Tax Assets have been primarily created against carry forward Depreciation losses which are available to the Company indefinitely as per the provisions of the Income Tax Act. e) Moreover, the adoption of Ind-AS from FY 2017-18 by AI, further provides an additional leverage to the company for carrying forward of DTA as from "virtual certainty" of realization of DTA against future taxable profits as per Indian GAAP, Ind AS now talks of only the reasonable probability of realization of DTA against future taxable profits. In view of the above, AI has decided to carry forward the DTA only to the extent of Rs 28,425.2 crores in its books of accounts as on 31st March 2021.
d.	Note 46 read with Note 2.1.1 and Note 5 regarding the management's opinion that there is no decline in the carrying value of investment in a Subsidiary – Air India Express Limited (Carrying Value of Investments aggregating to Rs. 7,800.0 million) and advances (including interest) of Rs 12,567.6 Million to the said subsidiary company even though the net worth is fully eroded, for the reasons stated therein.	Management is of the firm view that there is no decline in the carrying value of investments of Air India in Air India Express Ltd (AIXL). In fact, AIXL has been profitable over the past four years despite adverse market conditions prevalent in the aviation industry. During FY 2020-21, AIXL has continued its profitable performance as can be seen from the following: • The Company has recorded a net profit (including profit from insurance claim Rs.2,501.0 million) of Rs. 1,001.0 million during the FY 2020-21. The Company had achieved a net profit of Rs. 4,999.3 million during the previous year FY 2019-20.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		• With the finalization of Accounts for FY 2020-21, the Company has recorded Cash profit including profit from insurance claim of Rs.5,013.2 million and Operating profit of Rs.748.8 million during the year. • The Company has initiated several cost-cutting measures to cope with the drastically reduced opportunities to operate scheduled services on account of travel bans implemented by most countries especially those in which the Airline has significant on-line presence. • Commencing from 7th May 2020, the Airline had operated repatriation flights aimed at bringing distressed Indian nationals back to their homes under the Vande Bharat Mission (VBM) and through Air Bubble arrangement between countries. • The Company has adequate funds at its disposal and the Management is confident of securing additional financing, as required, for the next 12 months to enable the Company to meet its debts and obligations as they fall due. Accordingly, the financial statements of the Company have been prepared on a Going Concern basis. A detailed disclosure for the same has been given in Note No 46 (i).
e.	Note.28(iii)(h) read with Note No. 46 & Note 10.1 regarding realizability of advances to Subsidiary Companies (including interest) of Rs. 39,722.8 Million classified as 'Asset Held for Sale' as the same is being transferred at carrying value.	As explained in detail in Note Nos 28, as per the Disinvestment Plan of Air India, at the time of issuance of Preliminary Information Memorandum (PIM), all Receivables and Payables of these Subsidiary Companies are eventually going to be transferred to the entirely Govt owned SPV-AIAHL, hence affording a sure security for AIL for the realization of Investments/Receivables due from them to Air India Ltd. As per the Framework Agreement signed between Air India and AIAHL, it has been stated that all Receivables of Subsidiary Companies namely AIESL, AAAL, AIASL and HCI shall be transferred to AIAHL. AIAHL has already transferred Rs 220,640.0 million to Air India, which the company has used to repay the loans

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		which is higher than the carrying value of the Assets and Investments in Subsidiaries held for transfer to AIAHL. In view of the above, the company has no doubt in the realizability of the Advances made to Subsidiary Companies and hence, the same have not been provided for by the company.
f.	Note 34(ii) regarding non-application of Appendix B to Ind AS 21- "The effect of changes in Foreign Exchange rates" in respect of advances received or paid in foreign currency.	This fact has been duly disclosed in Note No 34 (ii). However, it may be noted that the impact on this account is not likely to be material.
g.	Note.28 (iii) (f), (h) (k) & (m) read with Note 19, 20, 23 & 25 regarding; i) receipts from Air India Assets Holding Limited (AIAHL) Towards Restructuring (RFATR) of Rs 2,17,549,5 million (net of payments) being disclosed separately from the Company's Equity and Liabilities on the face of the balance sheet; ii) accounting for reimbursement of Rs 6,688.2 Million for the Financial Year 2020 - 2021 by AIAHL towards interest and other loan related costs paid by the Company on the identified loans, as a reduction from finance cost; iii) accounting of Rental Income of Rs. 1,211.1 million from identified properties and Revenue Sharing Income of Rs. 213.6 Million from Subsidiaries for the year net of related cost of Rs. 36.2 Million recoverable from AIAHL has been shown as adjustment from Statement of Profit & Loss. iv) classification of certain identified properties amounting to Rs 68,961.7 million as Assets held for sale and certain identified properties amounting to Rs 4,373.7 million as Investment Property; v) classification of investment in subsidiaries amounting to Rs 8,179.4 million along with receivables amounting to Rs 39,722.8 million of the subsidiaries as Assets held for sale and	All details regarding the transactions with the AIAHL have been disclosed in detail in Note No 28. The note gives detailed disclosures with respect to the modalities and reasons adopted by the company for accounting the transactions with AIAHL. The Framework Agreement executed between AI and AIAHL lists out the obligations of both the parties. The legal transfer of the Subsidiaries and non-core assets would follow the due process and requires approvals of the relevant authorities. It is agreed by both parties that on completion of all the obligations by AI listed in the Framework Agreement, would be full and adequate consideration for the obligations of AIAHL. As the entire process of transfer of Subsidiaries, Assets and novation of NCDs is not completed in the FY 2020-21, the receipt of funds from AIAHL and the proceeds of Assets monetized have been accounted in the new Account "Receipts from AIAHL Towards Restructuring A/c" (RFATR). The balance in this account of Rs 2,17,549,5 million has been shown as a separate line item between "Equity" and "Liabilities" in the Financial Statements. After the entire transaction is completed the balance in the RFATR A/c will be transferred to "Other Equity".

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	vi) recognizing gain/loss on identified assets which have been sold during the year.	Similarly, the net amount Payable by AI to AIAHL has also been kept in the AIAHL Intermediary Settlement A/c as per which the net amount payable to AIAHL is Rs 5,879.5 million. The broad breakup of all transactions in both the above stated accounts has also been given in Note No 28 (iii) (k)
h.	Non-Disclosure of certain information in the standalone financial statements as required by Schedule-III of the Companies Act 2013, and Indian Accounting Standards (Ind AS):	
(i)	Terms of repayment, nature of Security separately for each case of borrowings and period & amount of continuing default in respect of borrowings and interest thereon in respect of each borrowing - Refer Note 13.3 & 18	This is a statement of fact. Due to the confidential nature of the agreements entered into with the consortium of banks wherein the terms of payments, rates of interest, the nature of security has been clearly specified, it has not been disclosed. However, the same is available with the company, the important extracts of which are already disclosed in the accounts.
(ii)	Foreign Currency Fluctuation under Finance Cost- Refer Note No. 23(a)	As stated in Note No 23 (a), the exchange rate differences in the nature of interest cost on foreign currency borrowings has not been classified due to the complexity of transactions. However, the impact of the same is not likely to be material.
iii)	Information regarding interest to Micro & Small Enterprises, if any, included in Trade Payable- Refer Note 51	A detailed Note has been given regarding MSME dues in Note No 51. It has already been stated that payments to such undertakings covered under the Micro Small and Medium Enterprises Development Act (to the extent identified) have been made within the prescribed time limit/date agreed upon with the supplier and hence, no interest is payable on delayed payments. In other cases, necessary compliance/disclosure will be ensured in due course.
iv)	Fair Value of Investment Properties as required in Ind AS 40 "Investment property" - Refer Note. 30 (iii)	As stated in Note No 30 (iv) under disinvestment plan, monetization of the identified properties is in the process, hence fair value of the investment properties could not be disclosed as a confidentiality measure.
v)	Expenses relating to short-term leases and low value assets as required in Ind AS 116 "Leases" Our Opinion is not modified in respect of above matters.	As stated in Accounting Policy VII the company has recognized the lease payments on short term leases and also low value assets as an operating expense on a straight-line basis over the term of the lease or another systematic basis which is more representative of the pattern of use of the underlined assets.

Key Audit Matters

Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion and Material Uncertainty in relation to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	Principal audit procedures performed
Investment in a subsidiary and advance recoverable from said subsidiary The company has investment in subsidiary, namely Air India Express Limited amounting to Rs 7,800.0 Million and has also made advance (including interest) of Rs 12,567.6 Million to said subsidiary. Further, the company has also given guarantees of Rs 9,419.6 Million in respect of loans availed by them. There is a risk of impairment in carrying value of unquoted equity instruments in said subsidiary, in recoverability of advance (including interest) to the said subsidiary and guarantee given to subsidiary carrying accumulated losses which may be considered significant having regard to the financial position of the subsidiary. Refer Note 2.1.1, 5, 27 & 46.	We have obtained an understanding of management's processes with regard to identifying existence and testing the impairment in the value of investment, advance to the subsidiary and guarantee to the subsidiary. We have also obtained and verified the latest financial statements of the subsidiary regarding the present level of operations and profitability of the subsidiary. We have also reviewed the management's estimate of future operations, which has been described in Note 46. Refer Para (d) in Emphasis of Matter.
Depreciation and impairment of Property, Plant & Equipment, Right of Use Assets, Investment Properties and Intangible assets The management uses estimates to assess useful life of various items of Property, Plant & Equipment, Right of Use Assets, Investment Properties and Intangible Assets including in the application of component accounting, recognition of early retirement from use, etc. which have a significant impact on the accounts. The Company also assesses whether an impairment indication exists and performs impairment test in respect of Property, Plant & Equipment, Right of Use Assets, Investment Properties, and Intangible Assets wherever such indications exist, which involve management's judgment of various factors including future growth rate etc. Refer Note 54.	We have reviewed the judgments and methodology applied by management including the nature of underlying costs capitalized, determination of realizable value of the assets retired from active use, technical assessment conducted in assessing the useful life of assets, considered the applicable rates prescribed in Schedule II of the Companies Act, 2013, and evaluated the system followed for periodic review. We have reviewed the Company's impairment assessment process and workings of property, plant & equipment, right of use assets and intangible assets including technical assessment of the management, key assumptions and judgement used to determine the impairment and future cash flows, discount rates applied etc.

Key Audit Matters	Principal audit procedures performed
	We have also reviewed the adequacy of disclosures relating to impairment of non-current assets in the standalone financial statements.
Impact of Covid-19 on impairment of Property, Plant & Equipment, Right of Use Assets, Investment Properties and Intangible assets There is inherent uncertainty due to Covid 19 pandemic which has significant impact on the management judgment and estimates with regard to recoverable amount – value in use calculation. Refer Note 29.	We have reviewed the reasonableness of assumed duration of disruption due to Covid 19 pandemic and expected growth rates from publicly available industry sources. We have also reviewed the adequacy of disclosures relating to Covid 19 in the standalone financial statements.
Assets held for sale (Other than Investments in Subsidiaries held for sale) The Company has classified assets earmarked for disposal as assets held for sale, including as part of the disinvestment process in progress. Management has estimated the fair value of such assets having regard to various critical factors including market rates. Refer Note No. 28 & 31.	We have verified the procedures in relation to management's classification and valuation of assets held for sale including assessing the methodologies used and the appropriateness of the key assumptions, checking the accuracy thereof on a sample basis etc. Refer Para (e) of Emphasis of Matter.
Recognition of revenue from transportation services We have identified revenue recognition as a key audit matter because passenger revenue is one of the key performance indicators, significance of passenger revenue to the standalone financial statements, complexity of the underlying IT systems of outsourced service provider and the judgment required by management in determining the revenue from Forward sales. The Company extensively uses the services of outsourced service provider for measurement and recognition of revenue, which carries an inherent risk around the accuracy of revenue recorded given the complexity of operations and underlying IT Systems. The Company recognises revenue from passenger and cargo sales on flown basis i.e, when the service is provided. The Company recognises revenue from unexercised rights i.e. forward sales of	We have reviewed the internal controls in the company for capturing and recognition of revenue and the reconciliations of revenue between the reports generated by the outsourced service provider and accounting of revenue in ERP system of the company. We have conducted requisite procedures on revenue on a test check of selected samples and scrutinised relevant records and journals to assess the timing and values of revenues recorded. In addition, we have performed cut-off tests in order to verify whether the timing of passenger revenue recognition is in line with company's policy.

Key Audit Matters	Principal audit procedures performed
customers which are non-refundable in nature, based on past trends in proportion to the pattern of rights exercised by the customer. Refer Note 59.	We obtained the latest available assurance report on service organisation controls relating to revenue accounting and General IT controls. With regard to forward sales, we have considered the consistency and continuity of the methods used to determine the amount of revenue to be recognised from Forward Sales. Refer to para (i) in our report on Internal Financial Controls over financial reporting (Annexure B)
Provisions and Contingent Liabilities and Evaluation of uncertain tax positions There are material claims against the company and uncertain tax/duty positions which are under various stages of dispute, involving significant judgment to determine the possible outcome of these disputes. Refer Note. 26.	We have obtained details of key claims against the company, completed tax assessments and demands and tax/duty positions. We reviewed status of disputes and representation taken from the management, discussed with appropriate senior management and evaluated the management's underlying key assumptions. We reviewed management's estimate of the possible outcome of the disputed cases in evaluating management's position on these uncertain claims and tax positions and reviewed the appropriate disclosures in the financials. Refer para (b) of Emphasis of Matter
Deferred Tax Assets The Company has carried deferred tax assets recognised on depreciation in an earlier year which is based on the likelihood of future taxable income available for set off. The recognition of deferred tax asset involves judgement regarding the likelihood of realisation of these assets in particular whether there will be sufficient taxable profits in future periods that support the recognition of these assets. Given the degree of judgement involved in considering these deferred tax assets as recoverable or otherwise, we consider this to be a key audit matter. Refer Note 49.	Our procedures include obtaining an understanding of the process and the controls over preparation of profit forecast. We reviewed the inputs and assumptions used in the forecast, including Revival Plan for Operational & Financial Efficiency formulated by the Govt of India. We verified the disclosures for deferred tax asset balance including those related to significant accounting estimate and judgements. Refer para (c) of Emphasis of Matter.

Key Audit Matters	Principal audit procedures performed
Provision for receivables The Company is carrying significant balances as trade receivables including amounts outstanding from earlier accounting periods. The management makes an estimate of the recoverability of individual debtor with reference to the aging profile, historical payment pattern and the past record of the customer and makes provision against the same with reference to the recoverable amount. Refer Note 57 (i)	We have obtained a list of outstanding receivables, test checked the ageing of trade receivables generated from SAP at year end on a sample basis and reviewed Expected Credit Loss model used in determining the provision requirement. We have reviewed the controls, systems and processes applied by the management to ensure proper recognition of provision for receivables. Refer Qualified Opinion para (iii) in our report on Internal Financial Controls (Annexure B)
Accounting & disclosure for proposed disinvestment Govt. of India has given approval for strategic disinvestment of the Air India and its subsidiaries. Accordingly, Strategic Revival Plan for Operational & Financial Efficiency in Air India was formulated as per which certain portion of debt along with certain assets, including investments in three subsidiary companies and advances given to them, were decided to be transferred to a Special Purpose Vehicle (SPV) formed for the proposed disinvestment. Necessary adjustments/ disclosures are made in the financial Statements of Air India Limited based on the present decisions and further adjustments would be made after finalization of the same. Refer Note 28.	We have reviewed the Framework agreement, relevant minutes of meeting of Board of Air India Limited as well as of the committees formed for disinvestment and other relevant records made available to us in this regard. We have verified the transactions which have taken place during the year 2020-2021with the SPV and held discussions with the senior management of the Company in order to obtain an understanding of the present position of the various decision taken for the same. We have reviewed the disclosures made in the financial statements in this regard. Refer para (g) of Emphasis of Matter.

Information Other than the Standalone Financial Statements and Auditor's Report thereon:

	The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' Report, Management Discussion and Analysis Report and Report on Corporate Governance but does not include the standalone financial statements and our auditor's report thereon. These reports are expected to be made available to us after the date of this auditor's report.	This is a statement of fact.

	Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the reports containing the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.	
	Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.	This is a statement of fact.

	In preparing the standalone financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.	
	Auditor's Responsibilities for the Audit of the Standalone Financial Statements	
	Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 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 over Financial Reporting in place and the operating effectiveness of such controls. • Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. • Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. • Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality	

	and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.	
	Report on Other Legal and Regulatory Requirements	
1	As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable	

2	As required by Section 143(3) of the Act, we report that: (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except as stated in Basis for Qualified Opinion and Para no. (h) of Emphasis of Matter section. (b) Except for the possible effects of the matters described in the Basis of Qualified opinion section above, 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 proper returns adequate for the purposes of our audit have been received from branches not visited by us. (c) With respect to foreign stations we have relied upon the management summary reports made available to us for the verification of transactions related to major foreign stations, which have been properly dealt by us in preparing this report. (d) The Balance Sheet, Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account. (e) Except for the effects of the matter described in para No -1 & 3 of Basis for Qualified Opinion and para (f) & (h) Emphasis of Matter Section above, in our opinion, the aforesaid Standalone Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder;	

	(f) The matters described under Material Uncertainty in relation to Going Concern, Emphasis of matter para on COVID 19 and Basis of Qualified Opinion section above, may, in our opinion have an adverse effect on the functioning of the Company; (g) We have been informed that the provisions of Section 164(2) of the Act in respect of disqualification of directors are not applicable to the Company, being a Government Company in terms of notification no. G.S.R.463(E) dated 5th June, 2015 issued by Ministry of Corporate Affairs (MCA), Government of India; (h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion section above; (i) With respect to the adequacy of Internal Financial Controls over Financial Reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses a qualified opinion on the adequacy and operating effectiveness of the Company's Internal Financial Controls over Financial Reporting. (j) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, we report that, in terms of MCA Notification no. G.S.R. 463 (E) dated 5th June 2015 provisions of section 197 of the Act are not applicable to the company. (k) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us: i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Note No. 26 & 60 (a) & 60 (b) to the standalone financial statements;	

	ii. The Company has made provisions, as required under the applicable laws or Indian Accounting Standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts that have been entered into by the Company; iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.	
3	We are enclosing our report in terms of Section 143 (5) of the Act, on the directions / sub-directions issued by the Comptroller and Auditor General of India, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in Annexure- C.	

ANNEXURE 'A' REFERRED TO IN PARAGRAPH UNDER THE HEADING REPORT ON "OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LIMITED (THE "COMPANY") FOR THE YEAR ENDED 31st MARCH 2021:

	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
(i) a) b)	The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets except in case of certain items which are carried in the fixed asset register on block level as one-line item and some of the assets (other than major assets) in respect of which full particulars, including quantitative details and situation of such assets have not been updated. The Company has a programme of verification of fixed assets as per which the verification of all major assets is conducted annually, and the verification of other assets are covered over a biennial period which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Assets. Accordingly, as per the information and explanations furnished to us, physical verification of major items of fixed assets has been conducted by the Management during the year and no material discrepancies were noticed on such verification. In case of fixed assets, which are carried on block level as one-line item, physical verification reconciliation has not been done during the year. In respect of other items of fixed assets, physical verification for 2018-2020 biennial period was completed in the previous year, although pending reconciliation no effect has been given in respect of discrepancies noticed amounting to Rs 111.7 Million. Refer Note No.33(i) (b)	The Company has a regular procedure for the physical verification of all aircraft, APUs and other related equipment which constitutes nearly 98% of the total value of the assets which are tallied with the Assets Register maintained. As regards the remaining assets, the Company has already implemented the Fixed Assets module which streamlines the data on Fixed Assets including the details of location and quantitative details on the SAP system. As regards to the items entered in SAP at block level, these represents those assets which were migrated into SAP at block level as individual item-wise details were not available. However, over a period of time, efforts have been made to bifurcate these into item-wise details, whereby a considerable number of assets have already been uploaded item-wise but still there exists certain block level entries which are being looked into but the value of the same is not very significant. Further, it may be noted that as stated in Note No 33, the physical verification and reconciliation as on 31st March, 2021 of major assets with the records of Finance and Engineering Department has been completed and no major discrepancies have been reported.

<table>
<tr><td></td><td></td><td>However, necessary action on the Physical Verification Report of the biennial period 2018-20 is still under progress and necessary action on the same will be taken on the receipt of approval from the competent authority for shortages identified estimated to be around Rs 111.7 million.</td></tr>
<tr><td>c)</td><td>Based on our examination of the books and records of the Company, the title/ lease deeds of immovable properties (included under Property, Plant and Equipment Investment properties, Right of Use Assets, and Assets held for Sale) are held in the name of the Company except to the extent mentioned below [Refer note nos 30 (i) and 31]:

<table>
<tr><th>Sl No</th><th>Type</th><th>Area (Sq Mtrs)</th><th>Net Block (Rs in Millions)</th></tr>
<tr><td>1.</td><td>Land & Building – Freehold</td><td>17,606.2</td><td>0.0</td></tr>
<tr><td>2.</td><td>Land & Building– Leasehold</td><td>1,53,642.7</td><td>56,170.5</td></tr>
<tr><td></td><td></td><td>1,71,248.9</td><td>56,170.5</td></tr>
</table>

In addition to above, title deeds in respect of certain Land & Building - Freehold having Net Block of Rs 2,643.1 Million as at 31.03.2021 and Land & Building - Leasehold having Net Block of Rs 785.0 Million as at 31.03.2021 could not be verified in original due to mortgage with banks (in few cases confirmation from the bank/ financial institution in relation to holding of title deed has not been furnished to us) and financial institutions/ Covid-19 situation (as informed these were lying at multiple locations) / properties were subsequently sold in financial year 2021-2022 / original deed were not available and only photocopies were available.</td><td>There are some properties for which the company is not in possession of the title deeds or for which only photocopies are available or for which registration formalities are to be completed. The Company is taking necessary action to obtain duplicate certified copies of such title deeds and other relevant records of properties in cases where original title deeds are not in possession of the Company. Further, the Company is also in the process of completing registration formalities in respect of such properties.

Due disclosure has been given for the same in Note Nos 30 (i) and 31 (i) & (iv)

However, it is also stated that out of the above properties as a part of the monetization process of AI, two of the major unregistered properties namely Vasant Vihar Housing Colony (Rs 51295.1 million) and Baba Kharag Singh Marg Land (Rs 4770.7 million), have been handed over to the Ministry of Urban Development (MoUD).</td></tr>
</table>

		The Ministry of Urban Development (MoUD) has been entrusted with the overall responsibility of sale of these two properties by the Government and the monetization proceeds will be transferred to AIAHL through AIL. Adequate disclosure for the same has been made vide Note No 31 (ii) As regards the properties mortgaged with the banks, the FRP Loans have been fully paid during FY 2019-20 itself but the mortgage has not been released and the Company is in the process of getting NOC from all the banks. Necessary disclosure with regard to the above has been made in Foot Notes to Note No 10.1, 13 & 18
(ii)	According to the information and explanation given to us, the inventory has been physically verified by the management in phased manner (biennial) at reasonable intervals. The physical verification process (except inventory lying with the third parties, inventory of phased out fleet of B-737-200 and some inventory lying in engineering workshops) for biennial period 2020-2022 has been completed by the company and shortage of Rs 3.4 million and excesses of Rs. 1.7 million have been observed. Pending approval from the Competent Authority a provision amounting to Rs.3.4 million for shortages have been made. Refer Note No.33 (ii)	The Physical Verification of aircraft/ non-aircraft inventory (except inventory relating to phased out fleet and lying with third parties) including non-moving inventory for the biennial period 2020-22 has been completed. Pending finalization and approval of the Physical Verification Report, by the competent authority, a Provision of Rs 3.4 million for shortages has been made pending adjustment.
(iii)	According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, during the year, to any companies, firms, limited liability partnerships or other parties covered in register maintained under Section 189 of the Companies Act, 2013. In view of above, the clauses 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable.	This is a statement of fact.
(iv)	As per information and explanations given to us, Company has not granted any loans or given any guarantee and security covered under section 185 of the Companies Act 2013. Further, the Company is exempted from the provisions of section 186 as it is engaged in the business of providing infrastructure facilities as defined in Schedule-VI of the Companies Act, 2013.	This is a statement of fact.

<table>
<tr><td>(v)</td><td>On the basis of the examination of the books of accounts, the Company has not accepted deposits under the provisions of Section 73 to 76 or any other provisions of Companies Act, 2013 and the Rules framed thereunder.</td><td>This is a statement of fact.</td></tr>
<tr><td>(vi)</td><td>The maintenance of cost records has not been prescribed by the Central Government of India under sub-section (1) of Section 148 of the Companies Act, 2013, in respect of services of the Company.</td><td>This is a statement of fact.</td></tr>
<tr><td>(vii)

(a)</td><td>According to the information and explanations given to us and on the basis of our examinations of the Books of Account, undisputed Statutory dues, including Provident Fund, Employees State Insurance Fund, duty of Custom, duty of Excise, Sales Tax, Value Added Tax, TDS, Goods and Services Tax, Cess and any other material Statutory Dues, as applicable, have not been regularly deposited with the appropriate authorities and there have been delays in a large number of cases.

As per the information and explanations, and subject to the facts stated in Note No. 35 (iii), undisputed statutory liabilities outstanding for more than six months as on March 31, 2021 are as under;</td><td>This is a statement of fact.

However, it is stated that It may be noted that all Statutory Dues relating to TDS and GST have been fully paid. Due to the severe liquidity crunch faced by the company, efforts are made to first settle the Statutory Dues.

However, full provision has been made for interest and as and when notices are received, interest is also being paid.</td></tr>
<tr><td></td><td>
<table>
<tr><th>Sr. No.</th><th>Name of the Statute</th><th>Nature of dues</th><th>Rs in Million</th><th>Period to which the amount relates</th></tr>
<tr><td>1</td><td>Goods and Service Tax (GST)</td><td>Interest on GST</td><td>365.9</td><td>July 2017 to Sept 2019</td></tr>
<tr><td>2</td><td>Finance Act, 1994</td><td>Interest on Service Tax</td><td>374.7</td><td>April 2009 to Mar 2012</td></tr>
<tr><td>3</td><td>Income Tax Act, 1961</td><td>TDS/Interest on Salary TDS</td><td>226.4</td><td>April 2016 to Sept 2020</td></tr>
</table>
</td><td>The reasons for the delayed deposits of certain undisputed Statutory Dues is on account of the fact that the company has a very stressed liquidity position. However, every effort was made to pay the Statutory Dues out of the support received from the Govt.</td></tr>
<tr><td>b)</td><td>According to the information and explanations given to us and as per the books of accounts, there are no dues outstanding of Sales tax, Wealth Tax, Custom Duty, Excise Duty, Value Added Tax, Service Tax, Goods and Service tax and Cess which have not been deposited as on 31st March 2021 by the Company, on account of any dispute, except for the following:</td><td>This is a statement of fact.</td></tr>
</table>

Sl No.	Name of Statute	Nature of dues	Amounts Involved (Rs. in Million)	Period to which the amount relates (Financial Year)	Forum where disputed is pending
1	Indian Customs Act, 1962	Custom Duty	41.4	2005-2016	Commissioner of Central Excise & Customs
2	Indian Customs Act, 1962	Custom Duty	5.3	1997-2004	Central Board of Excise & Customs
3	Indian Customs Act, 1962	Custom Duty	582.6	2001-03 & 2004-05	Commissioner of Customs (Appeals)
4	Indian Customs Act, 1962	Custom Duty	1.0	2017-2019	Assistant Commissioner of Customs
5	Indian Customs Act, 1962	Custom Duty	332.5	2000-2017	CESTAT
6	Indian Customs Act, 1962	Custom Duty	31.5	2002-2006	Supreme Court
7	Finance Act, 1994	Service Tax	11,176.9	1997-98 & 2003 to 2015	CESTAT
8	Finance Act, 1994	Service Tax	17.8	2003-2011	Supreme Court
9	Finance Act, 1994	Service Tax	2,453.0	2007-08 and 2010-11	CESTAT
10	Indian Customs Act, 1962	Custom Duty	3.9	2003 to 2014 & 2017 to 2019	Commissioner of Customs/ (Appeals)
11	Finance Act, 1994	Service Tax	8.6	2017-2018	Dy. Commissioner of Service Tax
12	Indian Customs Act, 1962	Custom Duty	1.0	2017-2020	Joint Commissioner of Custom
13	Income Tax Act, 1961	Income Tax	25.2	2012-2015	Deputy Commissioner of Income Tax
14	Income Tax Act, 1961	Income Tax	158.2	2015-16 to 2019-20	Commissioner of Income Tax (Appeals)
15	Value Added Tax, Telangana	VAT	123.3	2011 to 2016	Commercial Tax Office, Govt of Telangana
16	Value Added Tax, West Bengal	VAT	0.5	2015-2016	Revisional Board West Bengal
17	Value Added Tax, West Bengal	Entry Tax	41.5	2012 to 2017	Tribunal
18	Sales Tax Act, Delhi	Sales Tax	3.6	1989 to 2004	Delhi High Court
19	Other Statutes	Property Tax, Octroi, Foreign Tax & Entry Tax	471.2	2000 to 2018	Concerned Department

The above does not include disputed Income Tax Dues of Rs.719.0 Million which was settled subsequently under 'Vivad Se Vishwas' Scheme for Rs.381.4 Million and provided for by the Company as on 31st March 2021.

(viii)	According to the information and explanations given to us, the Company has defaulted in repayment of dues to Banks/ Government and there is an overdue Interest of Rs 11,519.4 Million outstanding for payment as at the year-end [Refer footnotes to Note No.15]. The period and amount of default including lender wise details for the same has not been provided to us in view of the fact stated in the Note Nos 18 and Note 13.3 of the Standalone Financial Statements.	Due to the liquidity position faced by the company, there have been certain delays in the payment of Interest. However, the same have been paid subsequently and there has been no further demand on this account from the banks.
(ix)	The Company has not raised any money by way of initial public offer or further public offer (including debts instruments) and hence the application of such money for the specified purposes is not applicable. The Company has applied the Term Loans for the purpose for which the Loans were obtained.	This is a statement of fact.
(x)	During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for an instance where an employee of the company, misappropriated the cash sale proceeds of Rs. 2.0 Million. (Refer Note 61 of standalone financial statements), we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.	This is a statement of fact.
(xi)	As informed, the provisions of Section 197 relating to managerial remuneration are not applicable to the Company, being a Government Company, in terms of MCA Notification no. G.S.R. 463 (E) dated 5th June 2015.	This is a statement of fact.
(xii)	The Company is not a Nidhi Company. Accordingly, the reporting requirements under clause 3 (xii) of the Order are not applicable.	This is a statement of fact.
(xiii)	In our opinion and according to the information and explanations given to us, transactions with related parties are in compliance with sections 177 and 188 of the Companies Act, 2013, where applicable. The details of Related Party Transactions have been disclosed in the Standalone Financial Statements, as required by the applicable Ind AS; Refer Note No. 41.	This is a statement of fact.

(xiv)	The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review as such the clause is not applicable to the company.	This is a statement of fact.
(xv)	As per the records of the company and information and explanation provided to us, the company has not entered into any non-cash transactions with directors or persons connected with them and hence, the clause is not applicable	This is a statement of fact.
(xvi)	According to the information and explanations given to us and the records of the Company examined by us, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the reporting requirement under clause 3(xvi) of the Order is not applicable	This is a statement of fact.

ANNEXURE 'B' REFERRED TO IN PARAGRAPH UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH 2021.

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

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	We have audited the internal financial controls over financial reporting of Air India Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.	
	Management's Responsibility for Internal Financial Controls The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 Companies Act, 2013.	This is a statement of fact.
	Auditors' 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an	

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal Financial Controls over Financial Reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the Internal Financial Controls 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 judgement, including the assessment of the risks of material misstatement of the standalone 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 qualified audit opinion on the Company's Internal Financial Controls 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	This is a statement of fact.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	(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, the following material weaknesses have been identified for the year ended 31st March, 2021:	
(i)	The company did not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales / Revenue, Inventory and Payroll.	Constant efforts are being made to improve the internal controls in Sales/Revenue, Inventory and Payrolls etc. The company has outsourced the accounting of Revenue Data to Accelya who are controlling both Sales and Revenue, and the data from the Accelya System is being directly pushed into SAP and any mismatch in the interface is being checked and necessary action is taken in SAP System. Similarly, the linkage of RAMCO System with SAP System had been implemented to ensure timely and accurate upload of inventory data into SAP. Further, necessary controls in the Payrolls system are also being strengthened in consultation with the Personnel Department.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
(ii)	The company did not have an appropriate internal control system for deduction, timely deposit and reconciliation of statutory dues.	All statutory dues are properly reconciled. However, due to the shortage of funds available there is a delay in the deposit of TDS on certain occasions. However, interest on such delays are provided for in the books of accounts.
(iii)	The Company did not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis, ageing and reconciliation of Receivables, Payables, (including certain staff related accounts and suspense / control accounts), inventory lying with third parties, certain bank accounts, fixed deposit with Bank and statutory dues.	In this regard it may be noted that there is a steady and considerable improvement in this area as compared to previous years as can be seen from the following: a) All major Borrowings, Bank Balances have been confirmed and reconciled. b) In respect of Receivables/Payables, all major parties such as dues of Oil Companies, Airport Operators, Pax/ Cargo Receivables and dues for VVIP Charters are totally reconciled. These parties in fact constitute a major portion of the total Receivables and Payables of the company. c) Further, in respect of certain other Receivables/Payables such as Staff related accounts and unlinked debits/ credits lying in various such accounts, the process is continuously on.
(iv)	The company did not have an effective internal audit system commensurate with the size, nature and complexities of the business.	External Internal Auditors were appointed by the company to strengthen and enhance the scope of Internal audit in several areas of the company's business. With the assistance of these Auditors and the In-house internal audit team the company will strengthen the scope and coverage of internal audit commensurate with the size and nature of the company's business.
(v)	The Company did not have an effective Information Systems Audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.	The Company has an effective ERP-SAP System in place and IBM has been appointed to implement and hand hold AI upto FY 2023. Several computers related applications are checked for accuracy and control by the Service Providers. The reliability/accuracy of these Reports are also checked before passing necessary entries in the books of accounts.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
(vi)	The company did not have an effective system for timely accounting of entries including delay in accounting of cash collection/disbursement & approval thereof in IT System.	With the help of the SAP Consultant, the company will incorporate an effective system of timely accounting of entries in the IT System. During the year progress has been made in the B2B Invoicing for the fuel invoices we will expand to Catering and Airport Operators also the PSS System.
(vii)	The Company did not determine fair value of the Company's investments in its subsidiaries carried as assets held for sale.	Already replied to in reply to Point No 1 of the main audit qualifications.
	A 'material weakness' is a deficiency, or a combination of deficiencies, in Internal Financial control over Financial Reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.	
	In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate Internal Financial Controls over Financial Reporting and such Internal Financial Controls over Financial Reporting were operating effectively during the year ended March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.	
	We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company as at and for the year ended 31 March 2021, and these material weaknesses have affected our opinion on the standalone financial statements of the Company and we have issued a qualified opinion on the standalone financial statements.	

ANNEXURE C REFERRED TO IN PARAGRAPH UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LIMITED (THE "COMPANY") FOR THE YEAR ENDED 31ST MARCH 2021:

Sl No	Directions under section 143(5) of Companies Act 2013	Response
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated	The Company has an ERP system in place for processing all accounting transactions through IT systems except for accounting of trade and other receivables which is recorded manually. Some of the activities have been outsourced by the company to outside vendors viz. a. Transportation revenue b. Cargo Revenue c. Processing of crew allowances Some manual intervention is necessitated for various closing entries; however accounting entries for the same are also processed through ERP. Based on our audit procedures, on test basis, wherever the accounting transactions are based on workings outside IT system, no instances of lack of integrity of accounts and no financial implications have been noted /reported. However, we have noted certain internal control weaknesses in processing of transactions, our comments on which have been given in Qualified Opinion para (i), (ii), (iii) & (v) of Annexure B of this audit Report.
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. Whether such cases are properly accounted for (In case, lender is a Government Company, then this direction is also applicable for statutory auditor of lender company).	As per the information and explanation furnished to us, there has been no case of restructuring of existing loan or waiver / write off of debts/loans/interest etc. made by a lender to the Company during the year. However, as described in detail in Note no.28, the Company has repaid the debt from the proceeds received from AIAHL and is in the process of implementing financial restructuring plan in line with the Framework Agreement. The financial impact of the same on the standalone financial statements is given in note 28(iii)(m).

Sl No	Directions under section 143(5) of Companies Act 2013	Response
3.	Whether funds (grants/subsidy etc) received/receivables for specific schemes from Central/State Government or its agencies were properly accounted for/utilized as per its term and condition? List the cases of deviation.	To the best of our information and checks applied by us during the course of our audit, we are of the opinion that no funds received/ receivable for specific schemes from Central/ State Government or its agencies for the financial year 2020-21.