INDEPENDENT AUDITOR'S 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 2020, 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, 2020, 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 and Land classified as PPE in the Previous Year), as required under IND AS 116 "Leases". Refer Note 44(I).

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 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. 77,657.3 Million during the year ended March 31, 2020 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 5,42,591.7.Million and it has accumulated losses of Rs. 7,08,759.8 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 No.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 A regarding non-provision of penal charges on delayed payment of Guarantee Fee amounting to Rs. 20,769.9 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.

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 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 11,347.0 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 No.46 regarding realisability of advances to subsidiary companies (including interest) of Rs 35,437.0 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) (i) & (m) regarding;

   i) receipts from Air India Assets Holding Limited (AIAHL) Towards Restructuring (RFATR) of Rs 2,18,434.8 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 15,574.7 Million for the Financial Year 2019-2020 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 for rental income Rs 1424.8 million from identified properties and Revenue sharing income of Rs 545.8 million from subsidiaries for the period from 1st October 2018 to 31st March 2020 net of related cost of Rs 64.6 million recoverable from AIAHL has been shown as adjustment from statement of Profit & Loss. Refer Note 19, 20 & 25;

   iv) classification of certain identified properties amounting to Rs 70,583.2 million as Assets held for sale and certain identified properties amounting to Rs 4,375.7 million as Investment property;

v) classification of investment in subsidiaries amounting to Rs 8,179.4 million along with receivables amounting to Rs 35,437.0 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 13.4 & 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 Rs 11347.0 Million to said subsidiary. Further, the company has also given guarantees of Rs 8,530.8 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 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.

Key Audit Matters	Principal audit procedures performed
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.
Ind AS 116 for Leases – First time adoption The Company has applied the Ind AS 116 standard to its leases of aircrafts and land disclosed under Plant Property and Equipment in the previous year, retrospectively, with the cumulative effect of initially applying the standard, recognized on the date of initial application (i.e. 1st April 2019). Accordingly, the Company has not restated comparative information; instead, the cumulative effect of initially applying this standard has been recognized as an adjustment to the opening balance of retained earnings as on 1 April 2019.	We have obtained an understanding of management’s process with regard to identifying ROU Asset. We have reviewed the judgments, methodology applied by the management including practical expedients used and ensured they are in line with the requirements of Ind AS 116. We have reviewed the inputs used for determination of the incremental borrowing rate including, assessment of lease term by reference to the underlying lease contracts and market data.

Key Audit Matters	Principal audit procedures performed
The Company applied practical expedient to "Grandfather Approach" for the assessment as to which transactions are to be categorized as leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17. We considered the first-time application of the standard for aircraft as a key audit matter, due to significant judgement required in the assumptions and estimates used to determine the Right of Use (ROU) asset and lease liability, assessment of lease term, determination of appropriate incremental borrowing rate and practical expedients used. Refer Note 44.	We have performed computation checks on the amount of ROU asset and lease liabilities recognised by tracing of the same to underlying lease agreements/contracts/documents. We have also reviewed the adequacy of the disclosures in respect of the adoption in Note 44 to the standalone financial statements. Refer Para 3 of Basis for Qualified Opinion and para (h)(v) of Emphasis of Matter.
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 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.	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.

Key Audit Matters	Principal audit procedures performed
Refer Note 59.	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.
Inventory The company carries inventory of materials, spare parts etc. across various locations' centres and correct measurement of inventory involves making a proper assessment of the lower of net realisable value over cost and assessment of write down necessary on account of obsolescence etc Refer Note 38.	We have evaluated the systems and processes for recording and valuation of inventory, tested a sample of key controls and comparison of net realizable prices. We have obtained an understanding of the company's policy on control for identification and provision of non-moving inventory based on age-wise analysis and tested the same on a sample basis.

Key Audit Matters	Principal audit procedures performed
	Refer Qualified Opinion para (i) & (iii) in our report on Internal Financial Controls (Annexure B)
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.	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 2019-20 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 financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 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: 00129N	**FRN: 105049W**	**FRN.003990S/S200018**
Praveen Kumar Jain	Narendra Jain	V. Kothandaraman
Partner	Partner	Partner
M No.085629	**M No.048725**	**M No.025973**
UDIN: 21085629AAAAAF1543	**UDIN:** 21048725AAAAAK5386	**UDIN:** 21025973AAAAAH5742

Place: New Delhi

Date: 27th January 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 2020:

(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, 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 has been completed, 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)

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, 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]:

Sl No	Type	Area (Sq Mtrs)	Net Block (Rs in Million)
1.	Land & Building – Freehold	18,682.8	344.8
2.	Land & Building – Leasehold	2,30,516.7	56,655.9
		2,49,199.5	**57,000.7**

In addition to above, title deeds in respect of certain Land & Building - Freehold having Net Block of ₹ 5,428.6 Million as at 31.03.2020 and Land & Building - Leasehold having Net Block of ₹ 2,305.8 Million as at 31.03.2020 could not be verified in original due to mortgage with banks (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 2020-21 / 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. Physical Verification of Inventories for the biennial period 2018-20 has been carried out, except in respect of items lying with third parties amounting to Rs.180.9 Million (refer footnote to Note No. 8) shortages of Rs 32.2 million and excesses Rs 15.5 million were observed during such physical verification. Pending reconciliation/ adjustment at some Regions and approval from the competent authority, a provision amounting to Rs 29.8 million for shortages has been made. Refer Note No.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 March 31, 2020 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	544.3	July 2017 to Sept 2019
2	Finance Act, 1994	Interest on Service Tax	778.2	April 2013 to Mar 2015
3	Income Tax Act, 1961	Interest on TDS	5.0	April 2018 to Sept 2019
4	Income Tax Act, 1961	Interest on Salary TDS	324.5	Apr 2014 to Sept 2019
5	Value Added Tax	VAT	0.3	2018-19
6	Indian Customs Act, 1962	Custom Duty	25.3	April 2013 to Sept 2019
7	Provident Fund Act	PF Contribution	1037.6	May 2019 - September 2019
8	Provident Fund Act	Interest on PF Contribution	150.1	Oct 2018 - September 2019
9	Employees State Insurance Act	ESI Contribution	0.3	April 2018 to Sept 2019

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

2020 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	2002-2005	Commissioner of Customs (Appeals)
4	Indian Customs Act, 1962	Custom Duty	350.5	2000-2019	CESTAT
5	Indian Customs Act, 1962	Custom Duty	14.4	2005-06	Supreme Court
6	Finance Act, 1994	Service Tax	6,336.7	1997-2014	CESTAT
7	Finance Act, 1994	Service Tax	17.8	2003-2011	Supreme Court
8	Finance Act, 1994	Service Tax	2,453.0	2007-08 and 2010-11	Commissioner of Service Tax
9	Indian Customs Act, 1962	Custom Duty	0.5	2017	Commissioner of Customs
10	Indian Customs Act, 1962	Custom Duty	0.5	2018	Commissioner of Appeals
11	Indian Customs Act, 1962	Custom Duty	1.0	2017-2019	Joint Commissioner of Custom
12	Income Tax Act, 1961	Income Tax	25.2	2012-2015	Deputy Commissioner of Income Tax
13	Income Tax Act, 1961	Income Tax	947.2	2000-07	ITAT
14	Value Added Tax	VAT	126.6	2011-2016	Commercial Tax Office, Govt of Telangana
15	Value Added Tax	VAT	0.5	2015-2016	Revisional Board, West Bengal
16	Sales Tax Act	Sales Tax	3.6	1989-2004	Delhi High Court
17	Other Statutes	Property Tax Octroi & Entry Tax	383.8	2000-2018	Concerned Department

(viii) According to the information and explanations given to us, the Company has delayed in repayment of dues to Financial Institutions/ Banks/ Government and there is an overdue Interest of Rs 7,728.2 Million outstanding for payment as at the year-end [Refer foot notes 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 foot note 3 to Note Nos 18 and Note 13.4 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 generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instances of material fraud by the Company or on the Company by its officers or employees which has been, noticed or reported during the year, nor have we been informed of any 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 No. 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.

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
Jagdish Chand & Co.
Chartered Accountants
FRN.00129N

Praveen Kumar Jain
Partner
M No.085629
UDIN: 21085629AAAAAF1543

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

Narendra Jain
Partner
M No.048725
UDIN: 21048725AAAAAK5386

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

V.Kothandaraman
Partner
M No.025973
UDIN: 21025973AAAAAH5742

Place: New Delhi

Date: 27th January 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 2020:

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 March 31, 2020 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 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 March 31, 2020:

(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 have an effective system for determining 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 March 31, 2020, 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 2020, 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
Jagdish Chand & Co.
Chartered Accountants
FRN.00129N

Praveen Kumar Jain
Partner
M No.085629
UDIN: 21085629AAAAAF1543

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

V.Kothandaraman
Partner
M No.025973
UDIN: 21025973AAAAAH5742

Place: New Delhi

Date: 27th January 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 2020:

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.	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 received/receivables for specific schemes from Central/ State 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 agencies for the financial year 2019-2020.

For and on Behalf of
Jagdish Chand & Co.
Chartered Accountants
FRN.00129N

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PKF Sridhar & Santhanam LLP
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V.Kothandaraman
Partner
M No.025973
UDIN: 21025973AAAAAH5742

Place : New Delhi

Date : 27th January 2021

COMPLIANCE CERTIFICATE

We have conducted our audit of accounts of M/S Air India Limited for the year ended 31st March 2020 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
Jagdish Chand & Co.
Chartered Accountants
FRN.00129N

Praveen Kumar Jain
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V.Kothandaraman
Partner
M No.025973
UDIN: 21025973AAAAAH5742

Place : New Delhi

Date : 27th January 2021

MANAGEMENT REPLIES TO THE INDEPENDENT AUDITORS' REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF AIR INDIA LTD FOR THE FINANCIAL YEAR 2019-20

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 2020, 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, 2020, 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. The performance of the Subsidiary Companies namely AAAL, AIESL and HCI during the year 2019-20 has been quite better than the previous years as discussed below:

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		(a) <u>AAAL</u> During FY 2019-20, AAAL has registered a substantial improvement and has posted a Net Loss of Rs 2,010.0 million as compared to the Net Loss of Rs 2,923.2 million in FY 2018-19. The company has posted an Operating Profit of Rs 650.9 million in FY 2019-20.This improvement was possible mainly because of the increase in Total Revenues from Rs 8362.8 million in FY 2018-19 to Rs 11,811.5 million in FY 2019-20. The company was operating on 29 UDAN routes as on 31st March 2019 which at present has risen to 61 routes as on 31st March 2020. **(b) <u>AIESL</u>** Similarly, in respect of AIESL, during FY 2019-20 the MRO Revenue from outside parties (other than Group Companies) has increased from Rs 1064.3 million in 2018-19 to Rs 1831.4 million in 2019-20 viz. an increase of 72% when compared to the Previous Year. The company has also posted a Net Profit of Rs 758.6 million in FY 2019-20 as compared to the Net Loss of Rs 2,049.4 million in FY 2018-19. **(c) <u>HCI</u>** Due to renovation of guest rooms and other allied works carried out and also in view of the Equity Infusion of Rs 270.0 million by the Govt of India over the last few years, the Revenues of the company increased to Rs 676.2 million during FY 2019-20. Due to this the Net Loss of the company also registered a decline from Rs 712.0 million in FY 2018-19 to Rs 655.5 million in FY 2019-20. Presently the company is also in the process of inviting Consultants to assist the Company to hand over Delhi properties on Management Contract upto 31st March 2031 i.e. upto the lease period of land leased from AAI. This would result in savings of costs and the company will also earn management contract fees. It can be seen from the above that all the three Subsidiary Companies during FY 2019-20 have posted improvements in their overall financial performance 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.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		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, Air India has already received Rs 219,850.0 million from AIAHL towards repayment of Loans. As a part of AI's obligations under the Agreement these three Subsidiary Companies viz AIASL, 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. For this purpose, the company has also engaged the services of an outside Professional Consultant to carry out the reconciliation of such accounts based on which the company can take necessary action to streamline the accounting action for the same. 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, 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. The company is also taking 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 and Land classified as PPE in the Previous Year), as required under IND AS 116 "Leases". Refer Note 44(I).	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.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		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.	
	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 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. 77,657.3 Million during the year ended March 31, 2020 and, as of that date, the Company's current liabilities exceeded its current assets by Rs.5,42,591.7. Million and it has accumulated losses of Rs. 7,08,759.8 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	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.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	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 No.53.	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 details of the financial package under the Revival Plan broadly included the following: • A total debt amounting to Rs 294,640.0millionto be transferred from Air India Ltd to AIAHL viz Air India Assets Holding Co Ltd with effect from 1st October 2018 • Cash Support of Rs 39750.0million to Air India • Provide a Govt Guarantee of Rs 76000.0million, • In addition, the GoI also approved that AIAHL was to fund the interest liability on the carved-out debt of Rs 294,640.0 million proposed to be transferred to AIAHL effective 1st October 2018. The above support has been duly extended to AI by the Govt of India. Also refer to Note 28. 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 as also the GoI in light of the process of disinvestment have been discussed in detail in Note Nos28 &52. All these steps are aimed at creating a positive environment. It is also pertinent to note that the GoI support to Air India continues in the current FY 2020-21 also in which the aviation industry is severely affected by the COVID-19 pandemic. 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

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		performance, in the near future and hence, the financial statements of the Company have been prepared on the 'Going Concern' basis. A due disclosure to the opinion of the management regarding the Going Concern status of the company has been given in Note No 53.
	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;	The effect of COVID-19 pandemic on the operations as well as financials of the company has been duly discussed in detail in Note No 29.
b.	Note 26 A regarding non-provision of penal charges on delayed payment of Guarantee Fee amounting to Rs. 20,769.9 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 20,769.9 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, inspite 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 realisation 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:

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		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. 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 created against carry forward Depreciation only 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, it 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 2020.
d.	Note 46 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 11,347.0 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. In fact during FY 2019-20 the company has posted a Net Profit of Rs 4127.7 million which is a substantial increase from it’s Net Profit of Rs 1615.9 million in FY 2018-19.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
		Further, the Net Worth of AIXL is also constantly improving on a year to year basis and based on the future plans of the company,it will only consolidate and further improve its performance.Hence, there is no reason for Air India to consider any erosion or decline in it's investment in AIXL. A detailed disclosure for the same has been given in Note No 46 (i).
e.	Note.28(iii)(h) read with Note No.46 regarding realisability of advances to subsidiary companies (including interest) of Rs 35,437.0 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. During the year AIAHL has already transferred Rs 21,985 cr to Air India, which the company has used to repay the loans 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) (i) & (m) regarding; i) receipts from Air India Assets Holding Limited (AIAHL) Towards Restructuring (RFATR) of Rs 2,18,434.8 million (net of payments) being disclosed separately from the Company's Equity and Liabilities on the face of the balance sheet;	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.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
	ii) accounting for reimbursement of Rs 15,574.7 Million for the Financial Year 2019-20 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 for rental income Rs 1424.8 million from identified properties and Revenue sharing income of Rs 545.8 million from subsidiaries for the period from 1st October 2018 to 31st March 2020 net of related cost of Rs 64.6 million recoverable from AIAHL has been shown as adjustment from statement of Profit &Loss. Refer Note 19, 20 & 25; iv) classification of certain identified properties amounting to Rs 70,583.2 million as Assets held for sale and certain identified properties amounting to Rs 4,375.7 million as Investment property; v) classification of investment in subsidiaries amounting to Rs 8,179.4 million along with receivables amounting to Rs 35,437.0 million of the subsidiaries as Assets held for sale and vi) recognising gain/loss on identified assets which have been sold during the year.	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 2019-20, the receipt of funds from AIAHL and the proceeds of Assets monetized have been accountedin the new Account “Receipts from AIAHL Towards Restructuring A/c” (RFATR). The balance in this account of Rs 218,434.8 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”. 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 5,026.2 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 No.13.4& 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 already 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.

No	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
iii)	Information regarding dues/payments/interest to Micro & Small Enterprises, if any, included in Trade Payable- Refer Note No 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 No. 30 (iii)	As stated in Note No 30 (d) 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	**Principal audit procedures performed**
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.	
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 Rs11347.0 Million to said subsidiary. Further, the company has also given guarantees of Rs 8,530.8 Million in respect of loans availed by	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

Key Audit Matters	Principal audit procedures performed
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 46.	present level of operations and profitability of the subsidiary. We have also reviewedthe 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.

Key Audit Matters	Principal audit procedures performed
Ind AS 116 for Leases – First time adoption The Company has applied the Ind AS 116 standard to its leases of aircrafts and land disclosed under Plant Property and Equipment in the previous year, retrospectively, with the cumulative effect of initially applying the standard, recognized on the date of initial application (i.e. 1st April 2019).Accordingly, the Company has not restated comparative information; instead, the cumulative effect of initially applying this standard has been recognized as an adjustment to the opening balance of retained earnings as on 1 April 2019. The Company applied practical expedient to "Grand father Approach" for the assessment as to which transactions are to be categorized as leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17. We considered the first-time application of the standard for aircraft as akey audit matter, due to significant judgement required in the assumptions and estimates used to determine the Right of Use (ROU) asset and lease liability, assessment of lease term, determination of appropriate incremental borrowing rate and practical expedients used. Refer Note 44.	We have obtained an understanding of management's process with regard to identifying ROU Asset. We have reviewed the judgments, methodology applied by the management including practical expedients used and ensured they are in line with the requirements of Ind AS 116. We have reviewed the inputs used for determination of the incremental borrowing rate including, assessment of lease term by reference to the underlying lease contracts and market data. We have performed computation checks on the amount of ROU asset and lease liabilities recognised by tracing of the same to underlying lease agreements/contracts/documents. We have also reviewed the adequacy of the disclosures in respectof the adoption in Note 44 to the standalone financial statements. Refer Para 3 of Basis for Qualified Opinion and para (h)(v) of Emphasis of Matter.
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 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.	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.

Key Audit Matters	Principal audit procedures performed
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 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	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.

Key Audit Matters	Principal audit procedures performed
tax assets as recoverable or otherwise, we consider this to be a key audit matter. Refer Note 49.	Refer para (c) of Emphasis of Matter.
Inventory The company carries inventory of materials, spare parts etc. across various locations' centres and correct measurement of inventory involves making a proper assessment of the lower of net realisable value over cost and assessment of write down necessary on account of obsolescence etc Refer Note 38.	We have evaluated the systems and processes for recording and valuation of inventory, tested a sample of key controls and comparison of net realizable prices. We have obtained an understanding of the company's policy on control for identification and provision of non-moving inventory based on age-wise analysis and tested the same on a sample basis. Refer Qualified Opinion para (i)&(iii)in our report on Internal Financial Controls (Annexure B)
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.	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 2019-20 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.	This is a statement of fact.
	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	This is a statement of fact.

	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 financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 19and 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 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 2020:

	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, 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 has been completed, although pending reconciliation no effect has been given in respect of discrepancies noticed amounting to Rs 111.7Million. 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 93% 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 for the biennial period 2018-20 has been completed. However, the necessary action on the Physical Verification Report received is under progress and necessary action on the same will be taken on receipt of approval from the Competent Authority.
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, and Assets held for Sale) are held in the name of the Company except to the extent mentioned below[Refer note nos30(i) and 31]:	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

<table>
<tr><th></th><th>AUDIT OBSERVATIONS</th><th>MANAGEMENT COMMENTS</th></tr>
<tr><td></td><td>
<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>18,682.8</td><td>344.8</td></tr>
<tr><td>2.</td><td>Land & Building–Leasehold</td><td>2,30,516.7</td><td>56,655.9</td></tr>
<tr><td></td><td></td><td>2,49,199.5</td><td>57,000.7</td></tr>
</table>
In addition to above, title deeds in respect of certain Land & Building - Freehold having Net Block of ₹ 5,428.6 Million as at 31.03.2020 and Land & Building - Leasehold having Net Block of ₹ 2,305.8 Million as at 31.03.2020 could not be verified in original due to mortgage with banks (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 2020-21/original deed were not available and only photocopies were available.
</td><td>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) & (v)

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 Housing and Urban Affairs (MoHUA).

The MoHUA 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 and 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</td></tr>
<tr><td>(ii)</td><td>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. Physical Verification of Inventories for the biennial period 2018-20 has been carried out, except in respect of items lying with third parties amounting to Rs.180.9 Million (refer footnote to Note No. 8) shortages of Rs 32.2 million and excesses Rs 15.5 million were observed during such physical verification. Pending reconciliation/ adjustment at some Regions and approval from the competent authority, a provision amounting to Rs 29.8 million for shortages has been made. Refer Note No.33(ii)</td><td>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 2018-20 has been completed.

Pending finalizationand approval of the Physical Verification Report, by the competent authority, a Provision of Rs 29.8 million for shortages has been made pending adjustment.</td></tr>
</table>

	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
(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.
(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.	This is a statement of fact.
(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.	This is a statement of fact.
(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 March 31, 2020 are as under;	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.

<table>
<tr><th></th><th>AUDIT OBSERVATIONS</th><th>MANAGEMENT COMMENTS</th></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>544.3</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>778.2</td><td>April 2013 to Mar 2015</td></tr>
<tr><td>3</td><td>Income Tax Act, 1961</td><td>Interest on TDS</td><td>5.0</td><td>April 2018 to Sept 2019</td></tr>
<tr><td>4</td><td>Income Tax Act, 1961</td><td>Interest on Salary TDS</td><td>324.5</td><td>Apr 2014 to Sept 2019</td></tr>
<tr><td>5</td><td>Value Added Tax</td><td>VAT</td><td>0.3</td><td>2018-19</td></tr>
<tr><td>6</td><td>Indian Customs Act, 1962</td><td>Custom Duty</td><td>25.3</td><td>April 2013 to Sept 2019</td></tr>
<tr><td>7</td><td>Provident Fund Act</td><td>PF Contribution</td><td>1037.6</td><td>May 2019to Sept 2019</td></tr>
<tr><td>8</td><td>Provident Fund Act</td><td>Interest on PF Contribution</td><td>150.1</td><td>Oct 2018 - September 2019</td></tr>
<tr><td>9</td><td>Employees State Insurance Act</td><td>ESI Contribution</td><td>0.3</td><td>April 2018 to Sept 2019</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 2020 by the Company, on account of any dispute, except for the following:</td><td>This is a statement of fact.</td></tr>
</table>

	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS

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	2002-2005	Commissioner of Customs (Appeals)
4	Indian Customs Act, 1962	Custom Duty	350.5	2000-2019	CESTAT
5	Indian Customs Act, 1962	Custom Duty	14.4	2005-06	Supreme Court
6	Finance Act, 1994	Service Tax	6,336.7	1997-2014	CESTAT
7	Finance Act, 1994	Service Tax	17.8	2003-2011	Supreme Court
8	Finance Act, 1994	Service Tax	2,453.0	2007-08 and 2010-11	Commissioner of Service Tax
9	Indian Customs Act, 1962	Custom Duty	0.5	2017	Commissioner of Customs
10	Indian Customs Act, 1962	Custom Duty	0.5	2018	Commissioner of Appeals
11	Indian Customs Act, 1962	Custom Duty	1.0	2017-2019	Joint Commissioner of Custom
12	Income Tax Act, 1961	Income Tax	25.2	2012-2015	Deputy Commissioner of Income Tax
13	Income Tax Act, 1961	Income Tax	947.2	2000-07	ITAT
14	Value Added Tax	VAT	126.6	2011-2016	Commercial Tax Office, Govt of Telangana
15	Value Added Tax	VAT	0.5	2015-2016	Revisional Board,West Bengal
16	Sales Tax Act	Sales Tax	3.6	1989-2004	Delhi High Court
17	Other Statutes	Property Tax Octroi & Entry Tax	383.8	2000-2018	Concerned Dept

(viii)	According to the information and explanations given to us, the Company has delayed in repayment of dues to Financial Institutions/ Banks/ Government and there is an overdue Interest of Rs 7,728.2 Million outstanding for payment as at the year-end [Refer foot notes 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 footnote 3 to Note Nos 18and Note 13.4 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.

	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
(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 generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instances of material fraud by the company or on the company by its officers or employees which has been, noticed or reported during the year, nor have we been informed of any 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.

	AUDIT OBSERVATIONS	MANAGEMENT COMMENTS
(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 2020.

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, 2020 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 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 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	This is a statement of fact.

	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 March 31, 2020:	
(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.

(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 company has continued to use the help of the outside professional firm to carry out the Reconciliation of such accounts and the necessary accounting effect for the observations of 2019 will be given on due verification of the same.
(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/accuracyof these Reports are also checked before passing necessary entries in the books of accounts.

(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 have an effective system for determining 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, 2020, 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 2020, 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 2020:

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 systemsexcept 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.	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).
3.	Whether funds received/receivables for specific schemes from Central/State 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 agencies for the financial year 2019-2020.