



DIRECTORS' REPORT

The Shareholders,

Your Directors have pleasure in submitting the Sixth Annual Report of the Company together with the Audited Accounts, Auditors' Report and Comments of the Comptroller and Auditor General of India on the accounts for the year ended 31 March 2013.

1. REVIEW OF PERFORMANCE –HIGHLIGHTS

1.1 Financial Performance :

The financial performance of the Company during the year 2012-13 was as under:

(Rupees in Million)

Particulars	2012-13	2011-12
Total Revenue	160,721.1	147,138.1
Total Expenses	237,039.5	234,615.3
Profit / (Loss) before Exceptional and Extraordinary Items & Tax		
Exceptional Items	(76,318.4)	(87,477.2)
Profit / (Loss) before	11,199.0	9,224.1
Extraordinary Items & Tax	(65,119.4)	(78,253.1)
Extraordinary Items	10,217.8	2,655.7
Prfit / (Loss) before Tax	(54,901.6)	(75,597.4)
Less: Provision for Tax	-	-
Net Profit / (Loss)	(54,901.6)	(75,597.4)

1.2 Physical Performance:

Particulars	Unit	2012-13	2011-12
ASKMs (Scheduled Services)	Million	39909	45015
ASKMs (Total)	Million	41053	45254
PKMs (Scheduled Services)	Million	28879	30577
PKMs (Total)	Million	28880	30582
ATKMs (Scheduled Services)	Million	5511	6440
ATKMs (Total)	Million	5645	6466
RTKMs (Scheduled Services)	Million	3303	3603
RTKMs (Total)	Million	3304	3604
Passenger Load Factor	%	72.4	67.9
Overall Load Factor	%	59.9	55.9
No.of Pax Carried (Scheduled Services)	Million	14.1	13.4
No.of Pax Carried (Total)	Million	14.3	13.7
Freight Carried	Tonnes	158219	136809
Total Revenue Hours Flown	No.	305783	318910

2. OTHER FINANCIAL INFORMATION

2.1 Share Capital

Authorised Share Capital

The Authorised Share Capital of the Company is Rs.150,000,000,000/- divided into 15,000,000,000 equity shares of Rs.10/- each.

Issued, Subscribed & Paid-up Share Capital

As on 31 March 2013, the Issued, Subscribed & Paid-up Share Capital of the Company is Rs.93,450,000,000/- divided into 9,345,000,000 fully paid up equity shares of Rs.10 each. During the year 2012-13, Government of India infused Rs.60,000 million towards equity capital.



2.2 Aircraft Project Loans :

As on 31 March 2013, the position of aircraft loans, including future lease obligations in respect of finance leases, was as under :

(Rupees in Million)

Total Loan due as on 1 April 2012	158,749.1
Add: Amount drawn during April 2012 to March 2013	25,036.6
Less: Amount repaid during April 2012 to March 2013	17,672.0
Add : Exchange adjustments due to revision in rates of Currencies	9,537.1
Balance as on 31 March 2013	175,650.8

2.3 Annual Plan Outlay 2012-13

(Rupees in Million)

	Approved	Actual
Aircraft Projects		
Payment to aircraft/spare engine manufacturers	2,057.20	1,261.70
Interest to be Capitalised	22.80	483.30
Non-Aircraft Projects		
Other capital expenditure	7,200.00	933.20
Equity infusion by Government of India	40,000.00	60,000.00
TOTAL PLAN OUTLAY	49,280.00	62,678.20

2.4 Annual Plan Outlay 2013-14

The Annual Plan Outlay for the year 2013-14 is Rs.63,186.00 million. The Company has spent Rs.57,434.50 million upto December 2013.

2.5 Twelfth Five Year Plan – 2012-13 to 2016-17 (Approved)

(Rupees in Million)

Aircraft Projects	11,730.00
Non-Aircraft Projects	18,650.00
Budgetary support from Government	150,960.00
Total Plan Outlay	181,340.00

3. STATUTORY COMPLIANCE

The following are the wholly owned subsidiaries of the Company :

Air India Air Transport Services Limited
Air India Charters Limited
Air India Engineering Services Limited
Airline Allied Services Limited
Hotel Corporation of India Limited (80% holding)
Vayudoot Limited

4. INDUSTRIAL RELATIONS

Relations with the work force continued to be cordial during the year 2012-13.



5. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company is continuing with various CSR projects involving Environment, Education, Sports and is in the process of signing MoU with Tata Institute of Social Sciences (TISS) for working on the project of CSR in Andaman & Nicobar Islands.

5.1 Environment Protection

Environment Management System

A formal Environment Management System (EMS) has been introduced in the Company. 12 February 2013 was observed as Productivity Day and the seven day period from 12 to 18 February 2013 as National Productivity Week as suggested by the National Productivity Council. Green Productivity for Sustainable Energy & Environment was adopted as the main theme for the Productivity Week. The World Environment Day was celebrated on 5 June 2013 by organizing an awareness campaign on 'Say No to Plastic Bags' and organized 'No Plastic Bags Day'.

5.2 Encouragement/assistance to small scale industrial units

In accordance with the Government guidelines issued from time to time, the Company continued to support the SSI units/Social Welfare/Charitable Organizations. The procurement from SSI units and the selective sourcing/procurement from social/charitable organisations amount to Rs. 384.35 million during the year.

6. COMPLIANCE WITH THE RTI ACT, 2005

All the requirements/provisions of the Right To Information Act, 2005 have been complied with during the year 2012-13.

As required by the RTI Act, information has been displayed on the Company's website for the public at large. A proper organizational set up consisting of 7 Public Information Officers, 11 Department-wise Assistant Public Information Officers and 32 Station-wise Assistant Public Information Officers exists in the Company to help the applicants get the information sought by them. Appellate Authorities have been constituted to deal with the appeals/grievances from the applicants.

During the year 1093 cases of requests were received in addition to 244 cases pending. Out of these, 139 cases were rejected. Decisions received in 14 cases from CIC were adhered to and replied.

7. VIGILANCE

During the year, Vigilance Department continued to lay emphasis on Preventive Vigilance apart from various other vigilance activities. The Department also carried out 122 Surprise Checks, 25 Station Inspections, 15 Procedural Audits and 14 Field Studies at various locations.

As a result of Surprise Checks and recommendations in vigilance cases, Rs.3.5 crores could be recovered.

Vigilance Manual has been uploaded on the Company's website in pursuance to the Central Vigilance Commission's proposal for leveraging technology through use of website.

8. OFFICIAL LANGUAGE IMPLEMENTATION

In order to monitor progressive use of Hindi in the office, meetings of 57 Official Language Implementation Committees constituted on all India level were held regularly.

In order to facilitate officers/employees in doing their official work in Hindi, 34 Hindi workshop training programmes were organized. 319 officers/employees were trained in these training programmes. Further, 33 employees were trained in Hindi Language (Prabodh & Praveen).

The IInd Sub-Committee of the Committee of Parliament on Official Language carried out Official Language inspections of subordinate offices at Northern Region, Headquarters (Delhi Office), Western Region (Mumbai) and



Kochi station to review progress of Hindi. Home Ministry also carried out inspection of Northern Region. During this period, Official Language Department of the Company carried out inspection of 4 stations and 22 departments.

Under the category of Hindi Magazines published in 'A' region by subordinate organizations of Ministry of Civil Aviation, "Vimanika" was awarded First Prize. "Vimanika" was awarded as a "Best Inhouse Magazine 2012" by the well known literary, socio-cultural organization Ashirwad. Air India CTE, Hyderabad was awarded Third Prize in small category offices by Town Official Language Implementation Committee, Hyderabad.

Information given on online reservation system was updated in Hindi on regular basis. Material related to Inflight Entertainment System was also updated from time-to-time. Facility for internal correspondence in bilingual form was made available on Intranet.

9. IMPLEMENTATION OF RESERVATION POLICY

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

SC/ST/OBC – Number of employees as on 31 March 2013

Total No. of employees	Total No. of SC employees	% of SC employees	Total No. of ST employees	% of ST employees	Total No. of OBC employees	% of OBC employees
25047	5094	20.33	1769	7.06	1403	5.60

10. CORPORATE GOVERNANCE

The Company's Corporate Governance philosophy was to continuously strive to attain higher levels of accountability, transparency, responsibility and fairness in all aspects of its operations. The Company remained committed towards protection and enhancement of overall long term value for all its stakeholders – customers, lenders, employees and the society. The Company also acknowledges and appreciates its responsibility towards the society at large and has embarked upon various initiatives to accomplish this.

During the year under review, the Company continued its pursuit of achieving these objectives through the adoption of competitive corporate strategies, prudent corporate and business policies and plans, strategic monitoring and mitigation of risks, while at the same time, creating checks and balances in an organization that values people, propriety, equity and fair play. The Company follows sound business practices and conducts its business in a transparent manner. The Company remained committed towards ensuring observance of Corporate Governance principles in all its dealings.

Integrity Pact Programme was implemented effective 8 February 2008. It has been made mandatory to incorporate Integrity Pact in respect of all contracts with a value of Rs.100 million and above.

The report on Corporate Governance is annexed at Annexure I.

Management Discussion and Analysis Report forms part of the Annual Report.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm :

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and wherever there are deviations, necessary disclosures have been given;
- that the selected accounting policies were applied consistently, other than disclosed in the Notes to Accounts, and the Directors made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2013 and of the profit or loss of the Company for the period ended on that date;



- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that the annual accounts have been prepared on a 'going concern' basis.

12. COMMENTS OF COMPTROLLER AND AUDITOR GENERAL OF INDIA

The comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31 March 2013 and the replies of the Management are annexed to this report.

13. PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is set out in the Annexure to the Directors' Report.

14. AUDITORS

M/s Kapoor Tandon & Co., Mumbai, M/s PKKG Balasubramaniam & Associates, Chennai and M/s R. Devendra Kumar & Associates, Mumbai were appointed Joint Statutory Auditors for the year 2012-13 by the Comptroller & Auditor General of India.

15. CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking" statements within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied. The important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply, global economic condition and pricing in the domestic and overseas markets in which the Company operates, changes in the Government policies, regulations, tax laws and other statutes and other incidental factors. Fuel is a major determinant of the airline's profitability constituting nearly 39% of its total costs and any major variation in its prices could impact the airline's profitability. Besides this, global and economic factors like slowdown, liquidity crisis in the global markets, geo-political conditions and stability, exchange fluctuations in the US dollar in which most of the debts/expenses of the Company are denominated could also influence the airline's performance.

16. ACKNOWLEDGEMENTS

The Board sincerely appreciates the Company's valued customers in India and abroad for using the services of the Company and looks forward to their continued support and confidence. The Board also expresses its deep sense of appreciation for the sincere and devoted service rendered by the employees of the Company at all levels.

The Board also gratefully acknowledges the support and guidance received from various Ministries of the Government of India, the Ministry of Civil Aviation in particular, in relation to the implementation of the Company's operations and development plans. The Board expresses its gratitude to the DGCA, Comptroller and Auditor General of India, Ministry of Finance, Ministry of Corporate Affairs, the Statutory Auditors, Airports Authority of India, other Government Departments, Airlines, Agents, Oil Companies, Reserve Bank of India, Indian and International Financial Institutions and Banks including the EXIM Bank, USA and KfW Bank.

For & on behalf of the Board

Sd/-
(Rohit Nandan)
Chairman & Managing Director

Place : New Delhi
Date : 16 April 2014