

**DIRECTORS' REPORT**

The Shareholders,

Your Directors have pleasure in submitting the Seventh 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 2014.

1. REVIEW OF PERFORMANCE –HIGHLIGHTS**1.1 Financial Performance :**

The financial performance of the Company during the year 2013-14 was as under:

(Rupees in Million)

Particulars	2013-14	2012-13
Total Revenue	190934.9	160721.1
Total Expenses	264201.9	237039.5
Profit/(Loss) before Exceptional and Extraordinary Items & Tax	(73267.0)	(76318.4)
Exceptional Items	4337.1	11199.0
Profit/(Loss) before Extraordinary Items & Tax	(68929.9)	(65119.4)
Extraordinary Items	6133.9	10217.8
Profit/(Loss) before Tax	(62796.0)	(54901.6)
Less: Provision for Tax	-	-
Net Profit/(Loss)	(62796.0)	(54901.6)

1.2 Physical Performance:

Particulars	Unit	2013-14	2012-13
ASKMs (Scheduled Services)	Million	45428	39909
ASKMs (Total)	Million	45704	41053
PKMs (Scheduled Services)	Million	33279	28879
PKMs (Total)	Million	33279	28880
ATKMs (Scheduled Services)	Million	6244	5511
ATKMs (Total)	Million	6273	5645
RTKMs (Scheduled Services)	Million	3906	3303
RTKMs (Total)	Million	3906	3304
Passenger Load Factor	%	73.3	72.4
Overall Load Factor	%	62.6	59.9
No.of Pax Carried (Scheduled Services)	Million	15.4	14.1
No.of Pax Carried (Total)	Million	15.8	14.3
Freight Carried	Tonnes	211162	158219
Total Revenue Hours Flown	No.	322319	305783

2. OTHER FINANCIAL INFORMATION**2.1 Share Capital****Authorised Share Capital**

The Authorised Share Capital of the Company is Rs.20,000,00,00,000/- divided into 20,000,000,000 equity shares of Rs.10/- each.

Issued, Subscribed & Paid-up Share Capital

As on 31 March 2014 the Issued, Subscribed & Paid-up Share Capital of the Company is Rs.143,450,000,000/- divided into 14,345,000,000 fully paid up equity shares of Rs.10 each. During the year 2013-14, Government of India infused Rs.50,000 Million towards equity capital.

**2.2 Aircraft Project Loans :**

As on 31 March 2014, the position of aircraft loans, including future lease obligations in respect of finance leases and Non Convertible Debentures issued for Aircraft financing, was as under :

(Rupees in Million)

Total Loan due as on 1 April 2013	230,805.9
Add: Amount drawn during April 2013 to March 2014	45,229.9
Less: Amount repaid during April 2013 to March 2014	72,398.6
Add : Exchange adjustments due to revision in rates of Currencies	18,793.6
Balance as on 31 March 2014	222,423.8

2.3 Annual Plan Outlay 2013-14**(Rupees in Million)**

	Approved	Actual
Aircraft Projects		
Payment to aircraft/spare engine manufacturers	8415.6	6053.1
Interest to be Capitalised	1060.4	1160.9
Non-Aircraft Projects		
Other capital expenditure	3710.0	1356.6
Equity infusion by Government of India	50000.0	60000.0
Total Plan Outlay	63186.0	68570.6

2.4 Annual Plan Outlay 2014-15

The Annual Plan Outlay for the year 2014-15 is Rs.70,690.00 Million. The Company has spent Rs.47,359.6 Million up to September 2014.

2.5 Twelfth Five Year Plan – 2012-13 to 2016-17 (Approved)**(Rupees in Million)**

Aircraft Projects	11730.0
Non-Aircraft Projects	18650.0
Budgetary support from Government	150960.0
Total Plan Outlay	181340.0

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 2013-14.

5. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Although Air India was not mandated to earmark specific funding for CSR activities under the Guidelines on Sustainability and CSR for CPSE dated 2 November 2012, it was required to achieve CSR objectives by integrating



business processes with social processes wherever possible and taking up such initiatives which did not involve cash outgo. Objectives related to Sustainable Development (SD) could be achieved through saving / conservation activities or by collaboration / co-operation with other private / public organizations.

Air India continues to undertake the CSR activities like Sustainable Development activities through Fuel Efficiency Gap Analysis with the help of IATA, Green Cabin Services, Fuel Management Services, FwZ – Sabre Flight Planning System.

Air India is promoting Adarsh Smarak in co-ordination with Ministry of Culture through the IFE on board by promoting films on India's historical monuments. Air India also supports and promotes sports activities.

5.1 Encouragement/assistance to small scale industrial units

The Company continued to support the MSME Units / Social Welfare/ Charitable Organizations. The procurement from MSME Units and the selective sourcing/procurement from social/charitable organisations amounted to Rs.1573.80 million during the year..

5.2 Environment Protection

Environment Management System

Air India participated in the Earth Hour Programme on 29 March 2014 to enhance awareness on Environment Conservation. The World Environment Day was celebrated on 5 June 2014 by organizing an awareness campaign on Say No to Plastic Bags and organized No Car Day.

6. COMPLIANCE WITH THE RTI ACT, 2005

Air India Limited, as a PSU Organisation with large public interface, has successfully ensured compliance with the provisions of Right to Information Act for providing information to the citizens.

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 6 C Public Information Officers exist in the Company to help the applicants get the information sought by them. One Appellate Authority has been constituted to deal with the appeals/grievances from the applicants. Further, the Station Managers of all outstations in India have been designated as Assistant Public Information Officers to provide information to the applicants in their respective areas.

During December 2013 to June 2014, 127 cases of requests were received. Out of these, 115 appeals have been disposed off and information was denied in 12 cases under the relevant RTI Clauses.

7. VIGILANCE

The focus and guiding principles of the functioning of Air India Vigilance are in accordance with the thrust notified by the CVC. The main thrust was upon Promoting Good Governance-Positive Contribution of Vigilance and also on Leveraging Technology and speedy disposal of departmental enquiries.

The Vigilance Department has been conducting periodical follow-ups with the concerned Departments for speedy disposal of departmental enquiries.

During the year, besides main line investigations, the Department has conducted 95 Surprise Checks, 20 Procedural Audits, 10 Field Studies and 12 Station Inspections.

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, 72 Hindi workshop training programmes were organized. 164 officers and 222 employees were trained in these training programmes.

The IInd Sub-Committee of the Committee of Parliament on Official Language carried out Official Language inspections of Amritsar Station to review progress of Hindi. Ministry of Civil Aviation also carried out inspection of Raipur Station. During this period, Official Language Department of the Company carried out inspection of 4 stations and 20 departments.



Under the category of Hindi Magazines published by Subordinate Organisations of Ministry of Civil Aviation, "Vimanika" was awarded First Prize and Shri Anil Mehta, Executive Director (Corporate Affairs) was awarded cash prize for excellent performance in the field of Hindi. "Vimanika" was also awarded a "Special Award" by Town Official Language Implementation Committee (Undertakings). Air India was awarded Special Prize for doing maximum official work in Hindi and an Air India Officer received Rajbhasha Sammaan – 2013 by the well known literary, socio-cultural organization Ashirwad.

Information given on online reservation system was updated in Hindi on regular basis. Material related to In-flight entertainment system was also updated from time-to-time. Facility for internal correspondence in bilingual form was made available on Intranet. Taking one more step forward towards adopting information technology in official work, Rajbhasha Portal in Air India Intranet site has been made functional. Initially, facility to fill-up Quarterly Progress Report online has been provided.

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 2014

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
23258	4751	20.42	1666	7.16	1373	5.90

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 had 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 2014 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, 2013 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 2014 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 2013-14 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 and Ministry of Finance in relation to the implementation of the Company's operations, Financial Restructuring Plan and growth plans. The Board expresses its gratitude to the DGCA, Comptroller and Auditor General of India, 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
(Rohit Nandan)
Chairman & Managing Director

Place : New Delhi
Date : 2015