



# **AIR INDIA AIR TRANSPORT SERVICES LIMITED**



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**BOARD OF DIRECTORS (as on 21 DECEMBER 2016)**

Shri Ashwani Lohani **Chairman**

Shri Vinod Hejmadi

Smt. Gargi Kaul

Shri B S Bhullar

**Chief Executive Officer**

Capt A K Sharma

**Company Secretary**

Smt Poonam Bharwani

**Auditors**

M/s Jain & Jain Co.

Chartered Accountants, Mumbai

**Bankers**

HDFC Bank Limited

**Registered Office**

Airlines House

113 Gurudwara Rakabganj Road

New Delhi 110 001



## **CHAIRMAN'S MESSAGE**

Dear Shareholders

It gives me great pleasure to present to you the 13<sup>th</sup> Annual Report of the Company for the year 2015-16. The Company was operationalised in February 2013 and during 2014-15, the first year of stand-alone operationalisation, the Company had earned a net profit of Rs.90.68 Crores and in the second year also, the Company has earned net profit of Rs.101.40 Crores. This is a very positive and encouraging trend.

Air India Air Transport Services Limited is a leading ground handling service provider in India and offers ground handling services at most of the airports in India.

The Government of India has announced National Civil Aviation Policy 2016 and it is expected that this would have an impact on the size and structure of India's ground handling sector which will be dramatically transformed - significantly increasing the size of the contestable market for third party handlers almost overnight. CAPA estimates the market will be worth USD1 billion annually within the next ten years.

Indian carriers currently self-handle the majority of their domestic and international operations. The primary customers of third party handlers in India are foreign airlines, who are not permitted to self-handle. This is supplemented by some under-the-wing activities for Indian carriers.

As per the New Policy, it is essential that the airport operators ensure that there are three Ground Handling Agencies including Air India's subsidiary / JV at all major airports (six metro airports and at Cochin) for both terminal and ramp handling, to ensure fair competition. This would open up a significantly larger market opportunity for third party ground handling for AIATSL. Further, MRO, Ground Handling, Cargo and ATF infrastructure facilities co-located at an airport will be covered under the Harmonised List of Infrastructure and will get the benefit of Infrastructure Sector.

CAPA estimates the third party handling market was worth around USD200-220 million in FY 2013 and that the new business for third party handlers could be worth an additional USD130 million per annum.

With air traffic in India projected to triple over the next decade, CAPA expects to see India become a USD 1 billion ground handling market by FY 2023.

## **PERFORMANCE OF THE COMPANY**

During 2015-16, total revenue of the Company was Rs.636,90,10,471/- against total revenue of Rs.647,01,21,986/- during 2014-15. The total expenses were Rs.534,51,37,808/- as against Rs.541,26,95,435/- during 2014-15. After adjusting Exceptional Items and Tax Expenses, the net profit during the year ended 31 March 2016 was Rs.101,40,78,865/- as against Rs.90,68,22,470/- during 2014-15.

## **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

As the Company has earned net profits during 2014-15 and 2015-16, the Board has constituted a CSR Committee in compliance with the provisions of the Companies Act, 2013 and laid down the CSR Policy with the objective of making positive contribution to the society through high impact, sustainable programmes. I am happy to inform that a budget of Rs.93 lakhs to be spent on CSR activities during the year 2016-17 was approved by the Board.

## **ACKNOWLEDGEMENT**

I take this opportunity to thank Air India Limited and Ministry of Civil Aviation for their unstinted support. I also acknowledge the support extended by all other authorities including banks and regulatory agencies and assure



that we will continue our course on a growth trajectory, taking Air India Air Transport Services Limited to greater heights. I would like to thank my colleagues on the Board for their valuable guidance.

I would like to thank all employees of Air India Air Transport Services Limited for exemplary efforts to show the world the strength and resilience of our team spirit in pursuit of excellence. I want to thank each one of our employees for their contribution, who have always upheld the image of Air India Air Transport Services Limited.

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

**Ashwani Lohani**



**Vision**

- To be an industry leader and preferred ground handling company with its service quality, reliability and competition power.
- To become number one ground handling services provider in India.

**Mission**

- To becoming a leader in the provision of any kind of service related to ground handling industry.
- To enable an approach of reliable, high quality and uninterrupted service that will develop the Ground Handling Service image and leverage marketing opportunities.
- To help its customers attain excellence in their services by providing ground handling services of the highest standards.

**DIRECTORS' REPORT**

The Directors take pleasure in presenting the Thirteenth Annual Report of the Company, together with the Audited Accounts, Auditors' Report and Comments by the Comptroller and Auditor General of India, for the year ended 31 March 2016.

**FINANCIAL PERFORMANCE****(Rupees in Lakhs)**

<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
Total Revenue	<b>63690.10</b>	64701.21
Total Expenses	<b>53451.37</b>	54126.95
<b>Profit (Loss) before Extraordinary Items and Tax</b>	<b>10238.72</b>	10574.26
Prior Period Tax Adjustments	<b>(238.77)</b>	198.69
<b>Profit(Loss) before Tax</b>	<b>10477.50</b>	10375.57
Provisions for Tax	<b>350.00</b>	2375.00
Deferred Tax Asset	<b>(13.28)</b>	(1067.65)
<b>Net Profit (Loss) after Tax</b>	<b>10140.78</b>	9068.22

During 2015-16, total revenue of the Company was Rs.636,90,10,471/- against total revenue of Rs.647,01,21,986/- during 2014-15. The total expenses were Rs.534,51,37,808/- as against Rs.541,26,95,435/- during 2014-15. After adjusting Exceptional Items and Tax Expenses, the net profit during the year ended 31 March 2016 was Rs.101,40,78,865/- as against Rs.90,68,22,470/- during 2014-15.

**OTHER FINANCIAL INFORMATION****Share Capital :**

The Authorised Share Capital of the Company is Rs.1000,00,00,000/- (Rupees One Thousand Crores). The Paid-up Share Capital of the Company, amounting to Rs.138,42,42,000/- (13,84,24,200 Equity Shares of Rs.10/- each) has been subscribed and paid-up by Air India Limited.

**CHANGES IN SHARE CAPITAL, IF ANY**

The Paid-up Share Capital of the Company was increased from Rs.5,00,000/- to Rs.138,42,42,000/- in December 2015. However, there was no change in the Authorised Share Capital of the Company.

**STAFF STRENGTH**

Based on the requirement for handling of Air India, Air India Express, Alliance Air and Customer airline flights at various Indian stations, the number of staff inducted on contract under various categories as on 31 March 2016 is given below:





Asst. Controller	159
Junior Executive Technical	45
Sr. Customer Agent	20
Customer Agent	1677
Junior Customer Agent	243
Senior Ramp Service Agent	97
Ramp Service Agent	477
Utility Agent cum Ramp Driver	225
Security Agent	1075
Senior Security Agent	842
Handyman	259
Utility Service Agent (absorbed as per MoU)	42
<b>Total</b>	<b>5161</b>

The number of employees deputed and transferred from Air India to AIATSL as on 31 March 2016 were 1332 and 2068, respectively.

Security Handling of all the flights at all stations is carried out by AIATSL staff, as the same is not permitted to be outsourced to any agency.

#### 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 2016

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
8561	1559	18.21	535	6.25	1063	12.42

#### ACTIVITIES OF AIATSL

Following activities were taken over and outsourced by AIATSL during the Financial Year 2015-16, after following necessary tender procedure :

**At TRICHY**, Passenger / Cargo Facilitation / Baggage and Ramp Operation / Cabin Cleaning were taken over by M/s Khullar Hospitality Pvt. Ltd. effective 1 November 2015.

**At AHMEDABAD**, Providing Passenger Facilitation and Baggage Handling Services were taken over by M/s Khullar Hospitality Pvt. Ltd. effective 1 January 2016.

#### IMPLEMENTATION OF OFFICIAL LANGUAGE

The Company is taking effective steps for implementation of the provisions of the Official Language Act and Rules framed under the Act.

**SEXUAL HARASSMENT**

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this Policy.

No complaints of sexual harassment were received during the year 2015-16.

**COMPLIANCE WITH THE RTI ACT, 2005**

Air India Air Transport Services Limited has successfully ensured compliance with the provisions of Right to Information Act for providing information to the citizens.

Air India Air Transport Services Limited has decentralized its structure to deal with the applications / appeals received under RTI Act with effect from 18 February 2014. 3 Assistant Public Information Officers (APIOs), 4 Public Information Officers (PIOs) and an Appellate Authority have been appointed for speedy disposal of applications / appeals.

During 2015-16, 19 Requests / Appeals were received and all have been disposed off.

**CHANGE IN NATURE OF BUSINESS**

There is no change in the nature of business of the Company.

**DIVIDEND**

With a view to expand the business operations of the Company, no dividend is recommended by the Board of Directors.

**TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND**

Since there was no unpaid / unclaimed dividend for the past years, the provisions of Section 125 of the Companies Act, 2013 did not apply.

**AMOUNT TRANSFERRED TO RESERVES**

The Board of Directors have decided / proposed to carry Rs.101.40 Crores to Reserves.

**INFORMATION ABOUT SUBSIDIARY / JOINT VENTURE / ASSOCIATE COMPANIES**

The Company does not have any Subsidiary, Joint Venture or Associate Company.

**MATERIAL CHANGES AND COMMITMENTS**

No material changes have occurred between 31 March 2016 and the date of the Board's Report affecting the financial position of the Company.

**MEETINGS OF THE BOARD OF DIRECTORS**

As required under Section 173 of the Companies Act, 2013, Four Meetings of the Board of Directors of the Company were held during the Financial Year 2015-16 as detailed below, and the provisions of the Companies Act, 2013 were adhered to while considering the time gap between two Meetings:



Sr.No.	Date of Meeting	Board Strength	No. of Directors Present
1	1 July 2015	4	3
2	28 September 2015	4	4
3	28 December 2015	4	4
4	20 January 2016	4	3

## DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm :

1. that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and there has been no material departure;
2. that the selected accounting policies were applied consistently and the Directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2016 and of the profit or loss of the Company for the year ended on that date;
3. 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;
4. the Company being an unlisted Company, provisions of Section 134(3)(e) are not applicable;.
5. that the annual accounts have been prepared on a going concern basis; and
6. The Directors have devised proper systems to ensure compliance with the provisions of all applicable Laws and that such systems were adequate and operating effectively.

## AUDIT COMMITTEE

As per the provisions of Section 177 of the Companies Act, 2013, Audit Committee comprising of the following Directors was constituted in November 2014 :

Name of the Director	Position Held in the Committee	Category of the Director
Additional Secretary & Financial Advisor, MOCA	Chairperson	Government Nominee Director
Chairman & Managing Director, Air India Limited	Member	Chairman (Nominee Director)
Air India Nominee Director	Member	Nominee Director

The Board has accepted the recommendations of the Audit Committee.

**AUDITORS**

M/s Jain & Jain, Chartered Accountants, Mumbai, were appointed as Statutory Auditors for the year 2015-16 by the Comptroller & Auditor General of India.

Management clarifications / explanations to the observations / qualifications or adverse remarks in the Auditor's Report is attached. The Notes on financial statements are self-explanatory and need no further explanation.

**LOANS, GUARANTEES AND INVESTMENTS**

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the provisions of the Section 186 are not applicable to the Company.

**SECRETARIAL AUDITORS**

The Board has appointed M/s Hussain Wagh & Co., Company Secretaries, Mumbai to conduct the Secretarial Audit for Financial Year 2015-16. The Secretarial Audit Report for the Financial Year ended 31 March 2016 is annexed at Annexure IV to this Report.

The Managements' Comments on Secretarial Auditors' observations are as under:

Secretarial Auditor's Observation	Management's Reply						
<p>The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and hence no meeting of the Independent Directors could be held during the Audit Period.</p>	<p>AIATSL is a wholly owned Subsidiary of Air India Limited. As per the provisions of Article 98 of the Articles of Association of the Company, the number of Directors of the Company shall not be less than three and not more than twelve all of whom shall be appointed by Air India Limited, who in turn can do so subject to the directions of the Government of India.</p> <p>Accordingly, the matter regarding appointment of Independent Directors on the Board of AIATSL has been taken up by Air India Limited with the Ministry of Civil Aviation, Government of India.</p>						
<p>Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.</p>	<p>As per the provisions of Section 177(2) of the Companies Act, Audit Committee shall consist of a minimum of three Directors with Independent Directors forming a majority. AIATSL, however, has constituted Audit Committee consisting of following Members :</p> <table data-bbox="812 1675 1500 1885"> <tr> <td>Addl Secretary &amp; Financial Advisor, MOCA</td><td>Chairman</td></tr> <tr> <td>CMD, Air India</td><td>Member</td></tr> <tr> <td>AIL Nominee Director</td><td>Member</td></tr> </table>	Addl Secretary & Financial Advisor, MOCA	Chairman	CMD, Air India	Member	AIL Nominee Director	Member
Addl Secretary & Financial Advisor, MOCA	Chairman						
CMD, Air India	Member						
AIL Nominee Director	Member						



Secretarial Auditor's Observation	Management's Reply
<p>The gap between the Board Meetings held on 26 February 2015 and 1 July 2015 was more than 120 days which is in violation of Section 173(1) of the Companies Act, 2013.</p>	<p>As required under section 178, the Nomination and Remuneration Committee should consist of 3 or more Non Executive Directors out of which not less than one half should be Independent Directors.</p> <p>As presently there is no Independent Director on the Board of AIATSL, Nomination and Remuneration Committee has not been constituted. However, the matter has been taken up with the Ministry of Civil Aviation by Air India Limited.</p> <p>This is a Statement of Fact.</p>

## COST AUDIT

During the year 2015-16, the Cost Audit Report has been filed with the Ministry of Corporate Affairs on 4 October 2016. This Cost Audit Report pertains to the year 2014-15 and the Cost Auditors were M/s Meena Gupta & Associates, Cost Accountants, Mumbai. The same Cost Auditors have been appointed for the Financial Year 2015-16.

## SIGNIFICANT & MATERIAL ORDERS

During the year no significant and material orders were passed by the Regulators, Courts or Tribunals impacting the Going Concern Status and Company's operations in future.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

### (A) Conservation of Energy and Technology Absorption

The particulars as required under the provisions of Section 134(3)(m) of the Companies Act, 2013 in respect of Conservation of Energy and Technology Absorption have not been furnished considering the nature of activities undertaken by the Company during the year under review.

However, the Company has installed Roof Top Grid Tied Solar Power System of 50kw power capacity in Chennai, which can yield around 220kwh electric energy per day on an average and it is performing well.

### (B) Foreign Exchange Earnings and Outgo

The foreign exchange earnings and outgo during the year under review was as under :

Earnings	USD 54559645
Outgo	NIL



## CORPORATE SOCIAL RESPONSIBILITY (CSR)

AIATSL is committed to society through its Corporate Social Responsibility initiatives. As per the new Companies Act, 2013 we have our CSR Policy and guidelines in place, the highlights of the same are as below :

As per Section 135(5) of the Companies Act, 2013 and Rule 8 of the companies (Corporate Social Responsibility Policy) Rules, 2014 and Schedule VII of the Companies Act, 2013, the Company has duly constituted CSR Committee. The Committee has decided the activities to be undertaken by the Company and the expenditures to be incurred on the same and recommended the same to the Board, which, along with the CSR Policy, has been approved by the Board.

Schedule VII of the new Companies Act, 2013 has given a list of ten activities under which CSR activities may be taken up. Within these ten activities, AIATSL would take up CSR projects largely in the interest of Rural Development.

### Composition of the CSR Committee as on 31 March 2016 :

Shri Ashwani Lohani	Chairman
Ms Gargi Kaul	Member
Shri B S Bhullar	Member
Shri V Hejmadi	Member

Meeting of the CSR Committee was held on 23 May 2016 wherein the Committee approved the CSR Policy and the expenditure towards CSR activities.

The Company proposes to spend Rs.72 Lakhs on CSR activities by making a contribution in Prime Minister's National Relief Fund. As CSR is a new concept to the Company, it could not implement CSR activities up to the targeted level. However, necessary action has been taken to broaden the CSR activities in near future.

A copy of the CSR Policy together with the financial data pertaining to the Company's CSR activities for the Financial Year 2015-16 in the prescribed Format is attached at Annexure I and Annexure II, respectively.

## CORPORATE GOVERNANCE

The Company has complied with the requirements of Corporate Governance with the exception of appointment of Independent Directors on the Board. This matter is being pursued with the Administrative Ministry.

The detailed Corporate Governance Report forms part of this Annual Report separately.

## EXTRACT OF ANNUAL RETURN

In compliance with the provisions of Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of Annual Return is Annexed at Annexure III.

## PARTICULARS OF EMPLOYEES

As per Ministry of Corporate Affairs Notification dated 5 June 2015, provisions of Section 134(3)(e) are not applicable to a Government Company.



Consequently, details on Company's policy on Directors' appointment and other matters are not provided under Section 178(3).

Similarly, Section 197 shall not apply to a Government Company. Consequently, statement showing the names and other particulars of every employee of the Company, who if employed throughout / part of the Financial Year, was in receipt of remuneration in excess of the limits set out in the Rules, is not provided in terms of Section 197(12) read with Rule 5(1) / (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

AIATSL being a Government Company, its Directors are appointed / nominated by the government of India as per the Government / DPE Guidelines which also include fixation of pay criteria for determining qualifications and other matters.

## **DEPOSITS**

The Company has not accepted any deposits during the year under review.

## **ANNUAL EVALUATION**

Vide Notification No.G.S.R.463(E) dated 5 June 2015, the provisions of Section 134(3)(p) relating to Board Evaluation are not applicable since the Directors are evaluated by the Ministry of Civil Aviation.

## **INDEPENDENT DIRECTORS AND DECLARATION**

AIATSL is a wholly owned Subsidiary of Air India Limited. As per the provisions of Article 98 of the Articles of Association of the Company, the number of Directors of the Company shall not be less than three and not more than twelve all of whom shall be appointed by Air India Limited, who in turn can do so subject to the directions of the Government of India.

Accordingly, the matter regarding appointment of Independent Directors on the Board of AIATSL has been taken up by Air India Limited with the Ministry of Civil Aviation, Government of India.

## **NOMINATION & REMUNERATION COMMITTEE**

As required under Section 178 of the Companies Act, 2013 the Nomination & Remuneration Committee should consist of 3 or more Non-Executive Directors out of which not less than one half should be Independent Directors.

As presently there is no Independent Director on the Board of the Company, Nomination & Remuneration Committee has not been constituted. However, the matter has been taken up with the Ministry of Civil Aviation by Air India Limited.

Further, AIATSL is a Government Company and as per Ministry of Corporate Affairs Circular dated 5 June 2015, exemption has been given to Government Companies from the applicability of Section 178 (2) (3) (4) pertaining to Directors.

## **REMUNERATION POLICY**

### **Remuneration to Executive Directors and Non-Executive Directors**

Provisions of Section 197 of the Companies Act, 2013 in respect of remuneration to Directors of the Company are not applicable to Government Companies vide Notification No.G.S.R.463(E) dated 5 June 2015.





## RISK MANAGEMENT

The Company is in the process of formulating the Risk Management Policy with the following objectives :

- Provide an overview of the principles of Risk Management
- Explain approach adopted by the Company for Risk Management
- Define the Organisational Structure for effective Risk Management
- Develop a “risk” culture that encourages all employees to identify risks and associated opportunities and to respond to them with effective actions
- Identify, assess and manage existing and new risks in a planned and co-ordinated manner with minimum disruption and cost, to protect and preserve Company's human, physical and financial assets.

## DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the Financial Year 2015-16, the following changes have occurred in the constitution of Directors of the Company :

Sr No.	Name	Designation	Date of Appointment	Date of Cessation	Mode of Cessation
1	Shri Rohit Nandan	Chairman	13.09.2011	31.08.2015	Nomination not extended by MOCA
2	Shri S Venkat	AI Nominee Director	27.12.2013	31.10.2015	Superannuated
3	Shri S S Mohanty	Nominee Director (MOCA)	11.02.2015	06.05.2015	Nomination not extended by MOCA
4	Ms Gargi Kaul	Nominee Director (MOCA)	06.05.2015		
5	Shri Ashwani Lohani	Chairman	31.08.2015		
6	Shri Vinod Hejmadi	AI Nominee Director	07.12.2015		

## RELATED PARTY TRANSACTIONS

The Company, during the Financial Year, entered into contracts or arrangements with related parties, which were in the ordinary course of business and on an arm's length basis. These transactions are not falling under the provisions of Section 188(1) of the Act.

Exemption from the first and second proviso to sub-Section (1) of Section 188 with regard to obtaining approval of the Company in General Meeting, has been provided to a Government Company in respect of contracts or arrangements entered into by it with any other Government Company.





The Company has obtained approval of the Board in its 59<sup>th</sup> Meeting held on 8 February 2017 to enter into contracts / arrangements with Air India Limited and its Subsidiary Companies (Government Companies) for an estimated amount of approximately Rs.250 Crores during 2016-17.

#### **COMMENTS OF COMPTROLLER AND AUDITOR GENERAL OF INDIA**

The comments of the Comptroller and Auditor General of India under Section 143 (6) (b) of the Companies Act, 2013 on the accounts of the Company for the year ended 31 March 2016 are annexed to this Report.

#### **ACKNOWLEDGEMENTS**

The Board gratefully acknowledges the support and guidance received from Air India Limited, the Ministry of Civil Aviation, Airport Authority of India, Bureau of Civil Aviation Security. The Board expresses its grateful thanks to the Comptroller and Auditor General of India, the Ministry of Corporate Affairs, the Statutory Auditors and various other Government Departments.

**For & on behalf of the Board**

**ASHWANI LOHANI**  
Chairman

Place : New Delhi  
Date : 16 March 2017



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### 1. Analysis of Financial Performance

#### Revenue

- ❖ Total revenue earned during the year was Rs.636,90,10,471/- as against Rs. 647,01,21,986/- during 2014-15.

#### Expenditure

- ❖ The total expenditure incurred during the year was Rs. 534,51,37,808/- as compared to the previous year's figure of Rs. 541,26,95,435/- (decrease of Rs.6,75,57,627/-)

### 2. Future Outlook

AIATSL presently provides ground handling services at 65 airports. Apart from handling the flights of Air India Limited and its Subsidiary Companies, ground handling is also provided for 24 foreign scheduled airlines, 4 domestic scheduled airlines, 3 regional airlines, 16 Seasonal charter airlines, 23 foreign airlines availing Perishable Cargo handling. Ground Handling is provided for approx.119218 flights of Air India and its Subsidiary Companies and Scheduled and Non-Scheduled customer airlines.

AIATSL operations along with financials will continue to achieve higher trajectory growth in the coming years. The major earnings are from handling international flights thereby the foreign exchange inflow will be available towards foreign procurement as well as possibly deriving foreign exchange gains in revenue earnings to the Company. AIATSL with Pan India presence is to be the market leader in the country and with its capability should be able to venture into few of the foreign countries wherever Air India is operating.

As per CAPA, India is the ninth largest aviation market in the world by annual seat capacity and CAPA also projects it will be the third largest aviation market in the world by 2025. Today, approximately 80 Indian airports handle scheduled services, operated by nine domestic airlines, with a combined fleet of some 400 aircraft. More than 70 foreign passenger and cargo airline operators also serve Indian airports. In FY2015-16, total passenger traffic at Indian airports surpassed 190 million.

Development in Air Traffic Management (ATM) procedures and technology are enabling greater growth. A major institutional change in structure is planned, with the possible corporatisation of the Air Navigation Services (ANS), a division of the AAI before the end of FY2016. This would lead to considerable growth in ground handling and ancillary activities and AIATSL would stand to gain by this development.

### 3. Going Concern

The Company has earned net profit since 2012-13 which has increased from Rs.50,64,197/- during 2012-13 to Rs.101,40,78,865/- during 2015-16.

With the National Civil Aviation Policy-2016 coming into effect, it is expected that India's ground handling sector will be dramatically transformed - significantly increasing the size of the contestable market for third party handlers almost overnight. CAPA estimates the market will be worth USD1 billion annually within the next ten years. There would be a significantly larger market opportunity for third party ground handling for AIATSL as it would be essential that the airport operators ensure that there are



three Ground Handling Agencies including Air India's subsidiary / JV at all major airports for both terminal and ramp handling under the New Policy and AIATSL would stand to gain by this development.

#### **4. Human Resources**

##### **Staff Strength**

The number of staff inducted on Contract under various categories as on 31 March 2016 was 5161. The number of employees deputed and transferred from Air India to AIATSL were 1332 and 2068, respectively.

#### **5. RISK MITIGATION STRATEGIES**

The Company continuously monitors the risk perceptions and takes preventive action for mitigation of risks on various fronts.

#### **6. INTERNAL CONTROL SYSTEMS**

M/s Kakaria & Associates, Chartered Accountants, Mumbai have been appointed as Internal Auditors to review the business processes and controls to assess the adequacy of internal control system, to ensure compliance with all applicable laws and regulations and facilitate in optimum utilisation of resources and protect the Company's assets.



## REPORT ON CORPORATE GOVERNANCE

### **Board of Directors**

As per Articles of Association of the Company, the number of Directors shall not be less than three and not more than twelve.

### **BOARD OF DIRECTORS AS ON 31 MARCH 2016**

Shri Ashwani Lohani  
Chairman & Managing Director  
Air India Limited

Chairman

Shri Vinod Hejmadi  
Director(Finance), Air India Limited

Air India Nominee Director

Ms Gargi Kaul  
Jt Secretary & Financial Advisor  
Ministry of Civil Aviation

Shri Balwinder Singh Bhullar  
Joint Secretary, Ministry of Civil Aviation

Ms Gargi Kaul, Jt Secretary & Financial Advisor, Ministry of Civil Aviation was appointed Director on the Board of the Company *vice* Shri S S Mohanty, who ceased to be Director on the Board of the Company with effect from 6 May 2015.

Shri Ashwani Lohani was appointed as Chairman of the Company *vice* Shri Rohit Nandan who ceased to be Chairman with effect from 31 August 2015.

Shri Vinod Hejmadi was appointed as AI Nominee Director on the Board of the Company *vice* Shri S Venkat who ceased to be Director with effect from 31 October 2015.

The Board places on record its appreciation of the valuable services rendered by Shri Rohit Nandan as Chairman and Shri S S Mohanty and Shri S Venkat as Directors of the Company.

During the year, all Meetings of the Board and the Annual General Meeting were chaired by the Chairman.

Details regarding the Board Meetings, Annual General Meeting, Directors' Attendance thereat, Directorships and Committee positions held by the Directors are as under :

### **Board Meetings**

Four Board Meetings were held during the financial year on the following dates :

1 July 2015 (53<sup>rd</sup> Meeting)

28 September 2015 (54<sup>th</sup> Meeting)

28 December 2015 (55<sup>th</sup> Meeting)

20 January 2016 (56<sup>th</sup> Meeting)



Particulars of Directors including their attendance at the Board / Shareholders' Meetings during the financial year 2015-16:

<b>Name of the Director</b>	<b>Academic Qualifications</b>	<b>Attendance out of 4 Board Meetings held during the year</b>	<b>Details of Directorships held in other Companies</b>	<b>Memberships held in Committees</b>
Shri Rohit Nandan Chairman (upto 31 August 2015)	Post Graduation in History & MBA from UK	1	<u>Chairman</u> Air India Limited Air India Charters Limited Air India Engineering Services Limited Airlines Allied Services Limited Hotel Corporation of India Limited <u>Director</u> Air India SATS Airport Services Pvt Ltd Air Mauritius Ltd Air Mauritius Holdings Ltd	<u>Chairman</u> Finance Committee, AIL HR Committee, AIL Strategic Committee, AIL <u>Permanent Invitee</u> Audit Committee, AIL <u>Member</u> Corporate Social Responsibility and Sustainability Committee, AIL Nomination & Remuneration Committee, AIL Audit Committee – Hotel Corporation of India Ltd Audit Committee – Air India Charters Ltd.
Shri S Venkat Director(Finance), Air India Limited (upto 31 October 2015)	B.Com.,FCA,FCWA,FCS & CPA (US)	1	<u>Director</u> Air India Ltd Air India Charters Ltd Airline Allied Services Ltd Hotel Corporation of India Ltd Air India Engineering Services Ltd Air India SATS Airport Services Pvt Ltd.	<u>Member</u> Finance Committee, AIL <u>Special Invitee</u> Audit Committee, AIL <u>Co-opted Member</u> Strategic Committee, AIL <u>Member</u> Audit Committee, Hotel Corporation of India Ltd Audit Committee, Air India Charters Ltd.
Ms Gargi Kaul Jt Secretary & Financial Advisor,Ministry of Civil Aviation (effective 6 May 2015)	M.Phil.	4	<u>Government Director</u> Air India Limited Air India Engineering Services Limited Hotel Corporation of India Limited	<u>Member</u> Audit Committee, AIL Strategic Committee, AIL Finance Committee, AIL CSR Committee, AIATSL <u>Chairperson</u> Audit Committee, Air India Air Transport Services Ltd.



Name of the Director	Academic Qualifications	Attendance out of 4 Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
Shri Balwinder Singh Bhullar Jt Secretary, Ministry of Civil Aviation	Post Graduation in Business Administration	3	<u>Government Director</u> Air India Limited Air India Engineering Services Ltd Hotel Corporation of India Ltd	<u>Member</u> Nomination & Remuneration Committee, AIL HR Committee, AIL Strategic Committee, AIL CSR Committee, AIATSL
Shri Ashwani Lohani (effective 31 August 2015)	Mechanical Engineer & Fellow of Chartered Institute of Logistic and Transport	3	<u>Chairman</u> Air India Limited Air India Charters Limited Air India Engineering Services Limited Airlines Allied Services Limited Hotel Corporation of India Limited <u>Director</u> Air India SATS Airport Services Pvt Ltd Air Mauritius Ltd Air Mauritius Holdings Ltd	<u>Chairman</u> Finance Committee, AIL HR Committee, AIL Strategic Committee, AIL <u>Permanent Invitee</u> Audit Committee, AIL <u>Member</u> Corporate Social Responsibility and Sustainability Committee, AIL Nomination & Remuneration Committee, AIL Audit Committee – Hotel Corporation of India Ltd Audit Committee – Air India Charters Ltd.
Shri Vinod Hejmadi (effective 7 December 2015)	B.Com., ACA	2	<u>Director</u> Air India Ltd Air India Charters Ltd Airline Allied Services Ltd Hotel Corporation of India Ltd Air India Engineering Services Ltd Air India SATS Airport Services Pvt Ltd	<u>Member</u> Finance Committee, AIL <u>Special Invitee</u> Audit Committee, AIL <u>Co-opted Member</u> Strategic Committee, AIL <u>Member</u> Audit Committee, Hotel Corporation of India Ltd Audit Committee, Air India Charters Ltd



## **Board Committees**

### **Audit Committee**

As part of the Corporate Governance and in compliance with the provisions of the Companies Act, 2013 and DPE Guidelines, the Company constituted the Audit Committee of the Board in November 2014.

As on 31 March 2016, the following were the Members of the Audit Committee :

Addl Secretary & Financial Advisor, MOCA	Chairman
Chairman & Managing Director, Air India Ltd	Member
Air India Nominee Director	Member

The terms of reference of this Committee are:

- To recommend for appointment, remuneration and terms of appointment of auditors of the company;
- To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- To review the Internal Audit program & ensure co-ordination between the Internal & External Auditors as well as determine whether the Internal Audit function is commensurate with the size and nature of the Company's Business;
- To discuss with the Auditor before the audit commences the nature & scope of the audit;
- To examine the financial statements and the auditors' report thereon;
- To review the Statutory Auditor's Report, Management's response thereto and to take steps to ensure implementation of the recommendations of the Statutory Auditors ;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters.
- To consider any other matter as desired by the Board.

**Annual General Meetings (AGM) during the last three years :**

<b>AGM Number</b>	<b>Date and time of the Meeting</b>	<b>Venue</b>
10 <sup>th</sup>	30 December 2013 at 1400hrs	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi 110 001
11 <sup>th</sup>	29 December 2014 at 1400hrs	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi 110 001
12 <sup>th</sup>	28 December 2015 at 1400hrs	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi 110 001

<b>AGM Number</b>	<b>Date and time of the Meeting</b>	<b>Special Resolution</b>
10 <sup>th</sup>	30 December 2013 at 1400hrs	
11 <sup>th</sup>	29 December 2014 at 1400hrs	To rearrange & Increase the Authorised share Capital of the Company from Rs. 100,00,00,000/- to Rs. 1000,00,00,000/-
12 <sup>th</sup>	28 December 2015 at 1400hrs	



**AIR INDIA AIR TRANSPORT SERVICES LIMITED****CSR POLICY****A. Background**

The new Companies Act, 2013 has introduced the concept of Corporate Social Responsibility (CSR) through its 'comply' – explain mandate. In terms of the provisions of this Act, w.e.f. 1 April 2014 every Company, Private Limited or Public Limited, which has a net worth of Rs.500 crores or a turnover of Rs.1000 crores or net profit of Rs.5 crores has to spend at least 2% of its average net profit for the immediately preceding three financial years on CSR activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the Act. The Companies (CSR Policy) Rules, 2014 place down the framework and modalities of carrying out CSR activities.

**B. CSR Policy****I. Objective and Scope**

The main objective of the CSR Policy is to lay down guidelines for Air India Air Transport Services Limited (AIATSL) to make CSR as one of the areas which focuses on making a positive contribution to society through high impact, sustainable programmes.

AIATSL will focus on CSR activities in and around areas of Company's operations viz., airports and city offices. AIATSL is committed to allocate at least 60% of the CSR budget for these local communities.

AIATSL will implement CSR activities to empower weaker, less privileged and marginalized sections of the society to create social capital.

**II. CSR Organisation Structure****a) CSR Committee**

The Company will have a Board Level Sub Committee, hereinafter referred to as CSR Committee, consisting of three or more Directors out of which at least one shall be an Independent Director, if any. The roles / responsibilities of the CSR Committee include :

- (i) Formulate and recommend a CSR Policy to the Board of Directors for approval.
- (ii) Recommend CSR activities as stated in the Schedule VII of the Companies Act 2013.
- (iii) Recommend the CSR budget to be incurred on the activities referred to in clause (ii) above.
- (iv) Spend the allocated amount on the CSR activities once the same is approved by the Board.
- (v) Monitor the CSR Policy of the Company from time to time.



- (vi) Create a transparent monitoring mechanism for implementation of the CSR projects / programmes / activities.
- (vii) Approve projects / programmes / activities with monetary value of Rs.50 lakhs and above in each case.
- (viii) Approve projects / programmes / activities of any value which are outside AIATSL's focus areas.

b) CSR Working Committee

Members of CSR Working Committee :

- (i) Chief Executive Officer Chariman
- (ii) Chief of Finance
- (iii) Chief of Personnel
- (iv) Company Secretary

The roles and responsibilities of the CSR Working Committee include :

- (i) Review the proposals for CSR projects / programmes / activities received from various locations.
- (ii) Approve proposals of value less than Rs.10 lakhs against approved allocated budget.

III. CSR Focus Area Projects / Programmes / Activities

- (a) AIATSL's CSR focus area projects / programmes / activities are inspired by national developmental policies for development of children, women and weaker sections of the society and are based on inspiration from legislations on child rights, child development and education, national skilled development mission, Swach Bharat Mission and policies on community / rural development.
- (b) The Company proposes to implement its CSR activities in the areas of
  - Education
  - Skilled development
  - Environment and community development
  - Drinking water
  - Rural development
  - Child care
  - Conservation of natural resources
  - Promoting and development of art and culture
  - Public libraries
  - Promotion and development of traditional arts and handicrafts
  - Sports
- (c) Detailed break up of projects / programmes / activities under each of the above areas will be approved in line with the limits of authority manual.



- (d) Any projects / programmes / activities in areas other than the above will be taken up with the approval of the CSR Committee.
- (e) These projects / programmes / activities shall be undertaken at any of the following :
  - The area in the proximity to AIATSL's operation area / locations
  - In Backward Region Grant Fund (BRGF) districts as identified by Planning Commission
  - Where there is a strategic connect for AIATSL
- (f) CSR projects / programmes / activities will be implemented through implementing partners / specialized agencies. The minimum eligibility criteria for an implementing partner are as follows :
  - It must be a registered society, trust, company or any specialized agency having minimum of three years of experience post registration in handling activities of similar nature.
  - Experience of working with any government body or public sector enterprise will be preferred.

However, the selection authority can request any other qualification on a mandatory basis from the applicants while selecting the implementing partners.

#### IV. CSR Budget / CSR Spend

- (i) As provided under the Companies Act, 2013 AIATSL shall earmark as CSR Budget at least 2% of the average net profits of the Company during the three immediately preceding financial years.
- (ii) Budgetary allocation :
  - (a) Not less than 60% of the budget will be allocated for activities in a project mode.
  - (b) Not more than 5% of the budget will be allocated for capacity building and communications.
  - (c) Balance budget could be for one time and other social activities.
  - (d) In case the Company fails to spend the budget in any particular financial year, the Committee shall submit a report in writing to the Board of Directors specifying the reasons for not spending the amount which shall be reported by the Board in the Directors' Report for that particular financial year. Any surplus arising out of the CSR projects / programmes / activities shall not form part of the business profit of the Company.

#### V. Monitoring Mechanism

- (i) Monitoring process will be a two tier mechanism through
  - (a) CSR Committee on quarterly basis



- (b) CSR Working Committee and Representatives of entities with which the Company decides to collaborate together would ensure effective implementation and monitoring of the projects / programmes / activities approved by the CSR Committee. They will submit periodic reports to the CSR Committee on the progress of various projects / programmes / activities approved by the Committee.
- (ii) In addition to the above, at the end of the year third party impact assessment of major projects will be carried out.

VI. Publication of CSR Policy and Programmes

As per the CSR Rules, the contents of the CSR Policy shall be included in the Directors' Report and the same shall be displayed on the Company's website.

VII. Policy Review and Future Amendment

The Committee shall annually review its CSR Policy and make suitable changes as may be required and submit the same for the approval of the Board.

**AIR INDIA AIR TRANSPORT SERVICES LIMITED****PROJECT REPORT ON CSR ACTIVITIES****FINANCIAL YEAR 2015-16**

1. **A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs**
  - The Board of Directors of the Company have adopted a CSR Policy, which includes Education, Skill Development, Environment, community development and Sports. The Company's Policy is to conduct its business responsibly and improve the quality of life of people especially in the society close to our area of operation while creating long term value for all stake holders. Besides this, contribution to Prime Minister's Relief Fund is also the part of CSR Policy of the Company.
  - The Company will work towards enhancing environmental and natural capital supporting rural development; promoting education including skill development; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, preserving and promoting sports, supporting in times of natural calamity or other national / state requirements and providing funds to technology incubators in academic institutions, among others. In addition, the Company would like to promote sustainability in partnership with industry associations to have a multiplier impact.
  - The Company will implement CSR programs through Company personnel, or through external implementing agencies and ensure proper governance, monitoring and reporting thereof.
2. **The Composition of the CSR Committee** We have a Board Committee (CSR Committee) that provides oversight of CSR Policy execution to ensure that the CSR objectives of the Company are met. Our CSR Committee comprises of :

Shri Ashwani Lohani	Chairman
Ms Gargi Kaul	Member
Shri Satyendra Kumar Mishra	Member
Shri V Hejmadi	Member
3. **Average net profit of the company for last three financial years** Rs. 35,77,60,568/- (Rupees Thirty-five Crores Seventy seven Lacs Sixty Thousand Five Hundred and Sixty-eight only)
4. **Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)** Rs. 71,55,211/- (Rupees Seventy one Lacs Fifty-five Thousand Two Hundred and Eleven only)
5. **Details of CSR spent during the financial year:**
  - (a) **Total amount to be spent for the financial year** Rs. 72,00,000/- (Rupees Seventy Two Lacs only)
  - (b) **Amount unspent, if any** Rs. 72,00,000/- (Rupees Seventy Two Lacs only)
  - (c) **Manner in which the amount spent during the financial year** See Annexure attached



- 6. In case company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report**

The Company was required to spend Rs. 71,55,212/- on CSR activities during financial year 2015-16 and with the efforts of the Members of the CSR Committee, Company has proposed to spend Rs. 71,55,212/- on CSR activities by making a contribution in Prime Minister's National Relief Fund. As CSR is a new concept to the Company, it could not implement these activities up to the targeted level. However, we have contributed many efforts and expect to continue and broaden the CSR activities in near future.

- 7 A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR Objectives and Policy of the Company.**

We hereby affirm that the CSR Policy, as approved by the Board, has been implemented and the CSR Committee monitors the implementation of the CSR projects and activities in compliance with our CSR Objectives.

**For AIR INDIA AIR TRANSPORT SERVICES LIMITED**

**Sd/-  
Ashwani Lohani  
Chairman of CSR Committee**

**Sd/-  
Ashvini Sharma  
CEO**

**Annexure to Project Report On CSR Activities***(Amount in Rs.)*

<b>S. No.</b>	<b>CSR Project or activity identified</b>	<b>Sector in which the project is covered</b>	<b>Location of the Project or Program</b>	<b>Amount Outlay (Budget)</b>	<b>Amount spent on the Projects or Programmes</b>	<b>Cumul-ative expenditure up to the reporting period</b>	<b>Amount spent Direct or through Implementing Agency</b>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

**(i) Expenditure on Projects / Programmes**

1	Prime Minister's National Relief Fund	Prime Minister's National Relief Fund	All India	72,00,000	0	0	Direct

**(ii) Overhead****For AIR INDIA AIR TRANSPORT SERVICES LIMITED**

**Sd/-**  
**Ashwani Lohani**  
**Chairman of CSR Committee**

**Sd/-**  
**Ashvini Sharma**  
**CEO**



**Annexure to Directors' Report for the year 2015-16  
FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN**

**As on financial year ended on 31.03.2016**

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014.

**I. REGISTRATION & OTHER DETAILS:**

1	CIN	U63090DL2003PLC120790
2	Registration Date	9 June 2003
3	Name of the Company	AIR INDIA AIR TRANSPORT SERVICES LIMITED
4	Category/Sub-category of the Company	Government Company
5	Address of the Registered Office & contact details	Airlines House, 113 Gurudwara Rakabganj Road New Delhi 110 001
6	Whether listed company	No
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	N.A.

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated) -

Sr No	Name and Description of main products / services	NIC Code of the Product/ service	% to total Turnover of Company
1	Service activities incidental to air transportation	522	100

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:**

Sr. No.	Name and Address of the Company	CIN/GIN	Holding / Subsidiary / Associate	% of Shares	Applicable Section
1	Air India Limited Airlines House, 113, Gurudwara Rakabganj Road, New Delhi, 110 001.	U62200DL2007 GOI161431	Holding	100%	2 (46)





**IV. SHARE HOLDING PATTERN** (Equity Share Capital Breakup as percentage of Total Equity) :  
Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2015]				No. of Shares held at the end of the year [As on 31-03-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF									
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	-	50000	138424200	100		138424200	138424200	100	Paid-up Capital increased
e) Banks / FI									
f) Any other									
Total shareholding of Promoter (A)		50000	138424200	100	-	138424200	138424200	100	Paid-up Capital increased
B. Public Shareholding	Not Applicable								
1. Institutions									
a) Mutual Funds/UTI									
b) Banks / FI									
c) Central Govt.									
d) State Govt.(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify) Foreign Banks									
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-



Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2015]				No. of Shares held at the end of the year [As on 31-03-2016]				% Change during the year
	Demat	Physical	Total	% of Total Share	Demat	Physical	Total	% of Total Share	
2. Non-Institutions	Not Applicable								
a) Bodies Corp. (Market Maker + LLP)									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh									
c) Others (specify)									
I) Non Resident Indians									
ii) Non Resident Indians - Non Repatriable									
iii)Office Bearers									
iv)Directors									
v)HUF									
vi)Overseas Corporate Bodies									
vi)Foreign Nationals									
vii)Clearing Members									
viii)Trusts									
ix)Foreign Bodies-D R									
Sub-total (B)(2):-	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B) = (B)(1)+ (B)(2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)		50000	138424200	100		138424200	138424200	100	



**B) Shareholding of Promoter-**

Sr.No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumber to total shares	
1	Air India Limited	50000	100	NIL	138424200	100	NIL	Paid-up Capital increased

**C) Change in Promoters' Shareholding** (please specify, if there is no change)

Sr No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	<b>At the beginning of the year</b>				
	Air India Limited	50000	100	138424200	100
	<b>At the end of the year</b>				
	Air India Limited (Paid-up Capital increased by allotment of further 138374200 Equity Shares to the existing Shareholders)	50000	100	138424200	100

**D) Shareholding Pattern of top ten Shareholders:**

(Other than Directors, Promoters and Holders of GDRs and ADRs):

Sr No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	NOT APPLICABLE				
2					
3					
4					
5					
6					
7					
8					
9					
10					



**E) Shareholding of Directors and Key Managerial Personnel:**

S. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Shri Ashwani Lohani (As Nominee of Air India Limited)	1	0	1	0
2	Shri Vinod Hejmadi (As Nominee of Air India Limited)	1	0	1	0
	<b>Total</b>	2	0	2	0

**V. INDEBTEDNESS -**

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(In Rs Crore)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>i) Principal Amount</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ii) Interest due but not paid</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>iii) Interest accrued but not due</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Change in Indebtedness during the financial year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>* Addition</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>* Reduction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Indebtedness at the end of the financial year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>i) Principal Amount</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ii) Interest due but not paid</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>iii) Interest accrued but not due</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager: NOT APPLICABLE (In figures)

Sr No.	Particulars of Remuneration	Name of MD/WTD/ Manager					Total Amount
1	Gross salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961						
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961						
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961						
2	Stock Option						
3	Sweat Equity						
4	Commission as % of profit others, specify.						
5	Others : (PF, DCS, House Perks tax etc)						
	Total (A)						
	Ceiling as per the Act						

\*There are no Managing, Whole Time Directors in the Company.

### B. Remuneration to other directors

Sr No.	Particulars of Remuneration	Name of Directors					Total Amount
1	Independent Directors						
	Fee for attending board committee meetings						
	Commission	-	-	-	-	-	-
	Others, please specify (Fees for attending Board Sub Committee Meetings)	-	-	-	-	-	-
	Total(1)	-	-	-	-	-	-
2	Other Non-Executive Directors	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-
	Total (B)=(1+2)	-	-	-	-	-	-
	Total Managerial Remuneration	-	-	-	-	-	-
	Overall Ceiling as per the Act	-	-	-	-	-	-
		-	-	-	-	-	-



**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WT**

( figures in Rs)

Sr No.	Particulars of Remuneration	Key Managerial Personnel			
					Total
1	Gross salary		**	**	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		-	-	
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	
2	Stock Option	-	-	-	
3	Sweat Equity	-	-	-	
4	Commission	-	-	-	
	- as % of profit	-	-	-	
	Others, specify.	-	-	-	
5	Others: (PF, DCS, House Perks tax etc)	-	-	-	
	Total		-	-	

\* Not applicable to Government Companies. Only CFO and CS are KMPs.

\*\* The Company Secretary is holding the position in addition to her responsibilities as Dy. Manager-Corporate Affairs, Air India Ltd.

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. DIRECTORS</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-



## ANNEXURE - IV

**SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
AIR INDIA AIR TRANSPORT SERVICES LIMITED,  
CIN-U63090DL2003PLC120790  
AIRLINES HOUSE,  
113 GURUDWARA RAKABGANJ ROAD,  
Delhi-110001

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by AIR INDIA AIR TRANSPORT SERVICES LIMITED [CIN-U63090DL2003PLC120790] (hereinafter called '**the Company**'). The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit and as per the explanations given to me and the representation made by the Management, I hereby report that in my opinion, the Company has, during the Audit Period covering the financial year ended on 31<sup>st</sup> March, 2016 ('**Audit Period**') generally complied with the statutory provisions listed here under and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the applicable provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder (**In so far as they are applicable**);
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder (**Not applicable to the Company during the Audit Period**);
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; (**Not applicable to the Company during the Audit Period**);
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (**Not applicable to the Company during the Audit Period**);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (**Not applicable to the Company during the Audit Period**);



- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (up to 14th May 2015) and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (effective 15<sup>th</sup> May 2015); **(Not applicable to the Company during the Audit Period);**
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **(Not applicable to the Company during the Audit Period);**
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. **(Not applicable to the Company during the Audit Period);**
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during the Audit Period);**
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client **(Not applicable to the Company during the Audit Period);**
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during the Audit Period);** and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not applicable to the Company during the Audit Period);**

Having regard to the compliance system prevailing in the Company and on the basis of the Compliance Certificates/Management Representation Letters issued by the designated officers of the Company, the Company has complied with the following laws applicable specifically to the Company:

- (a) The Payment of Gratuity Act, 1972;
- (b) The Payment of Bonus Act, 1965;
- (c) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

As regards applicable laws, other than those listed above have not been reviewed in this Audit since the same are subject to review by other designated officers and professionals.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India and made effective 1<sup>st</sup> July, 2015).
- (ii) Equity Listing Agreement and Debt Listing Agreement entered with National Stock Exchange of India Limited and BSE Limited and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (effective from 1<sup>st</sup> December, 2015) **(Not applicable to the Company);**





During the Audit Period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

- I. The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.
- ii. Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.
- iii. The gap between the Board meetings held on 26<sup>th</sup> February, 2015 and 1<sup>st</sup> July, 2015 was more than 120 days which is in violation of Section 173(1) of the Companies Act, 2013.

**I further report**, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals;

Subject to what is stated herein above as regards the appointment of Independent Directors, the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the Board Meetings, as represented by the Management, were taken unanimously.

As represented and explained to us, I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, there are no specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

**Husain Y. Wagh**  
Practicing Company Secretary  
(ICSI Unique Code S2013MH227200)

ACS No: 32996  
Certificate of Practice No-12153

Mumbai  
16 March 2017

This Report is to be read with our letter of even date which is annexed as '**Appendix A**' and forms an integral part of this report.



**'Appendix A'**

To,  
The Members,  
AIR INDIA AIR TRANSPORT SERVICES LIMITED,  
CIN-U63090DL2003PLC120790  
AIRLINES HOUSE,  
113 GURUDWARA RAKABGANJ ROAD,  
Delhi-110001

My report of even date is to be read along with this letter.

1. The maintenance of the secretarial records is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test check basis to ensure that the correct facts are reflected in the secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of the financial records and books of accounts of the Company.
4. Where-ever required, I have obtained the Management Representations about the compliance of laws, rules and regulations and occurrence of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. My examination was limited to the verification of procedures on test check basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

**Husain Y. Wagh**  
Practicing Company Secretary  
(ICSI Unique Code S2013MH227200)

ACS No: 32996  
Certificate of Practice No-12153

Mumbai  
16 March 2017



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AIR INDIA AIR TRANSPORT SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2016**

The preparation of financial statements of **AIR INDIA AIR TRANSPORT SERVICES LIMITED** for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 8 February 2017.

I, on the behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the financial statements of **AIR INDIA AIR TRANSPORT SERVICES LTD.** for the year ended 31 March 2016 under section 143(6)(a) of the Act.

**For and on the behalf of the  
Comptroller & Auditor General of India**

Sd/-  
**(Neelesh Kumar Sah)**  
Principal Director of Commercial Audit &  
Ex-officio Member, Audit Board-I, New Delhi

Place : New Delhi  
Date : 31 March 2017

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIR INDIA AIR TRANSPORT SERVICES LTD.****Report on financial Statement**

We have audited the accompanying financial statements of **Air India Air Transport Services Ltd. (AIATSL)** (the Company), which comprises the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

**Basis for Qualified Opinion**

- 1) The Company has not complied with, AS 15 – “Employees Benefits” to the extent of the correct measurements and recognition of the other post retirements medical benefits as per the requirement of Para 50 and 51 of Accounting Standard -15. The overall impact remains to be ascertained.
- 2) The impact of following adjustments arising out of the reconciliation/confirmation of balances as stated in Note – 35, 37 (d) and 47 on the financial statement is not ascertained:
  - i) Standard on Auditing 505 – “External Evidence” of certain receivables and payables and its consequential impact, if any (CIAL, MIAL, AAI, DIAL)
  - ii) Reconciliation of Vendors, Customers and loan and advances as stated in Note 35 and 47.
- 3) During the year some of the Income and Expenditure is transferred from Air India Limited. Details of Income and Expenditure transferred from Air India Limited are mentioned in Note -28. Related all supporting documents, invoices, vouchers, etc and also basis for transferring the revenue and expenditure are not in the possession of the Company.
- 4) Component Accounting as per the Schedule II of Companies Act, 2013 is not followed by the Company. In lack of the technical evaluation of the assets financial impact cannot be determined.
- 5) Company has not transferred Rs. 3.64 Crores towards Security Revenue to the Air India Limited and some of the security revenue of Eastern Region had booked in the ground handling revenue (Note 42). Hence Revenue and Profit is inflated by that extent. Eastern Region figures remains to be ascertained.

**Qualified Opinion**

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 matter described in the Basis for Qualified Opinion paragraph, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- (b) In the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**Emphasis of Matter**

We draw attention to the following matters in the Notes to the financial statements:

1. Note – 32 to the financial statement, Company has transferred Security Business to the Air India. This major decision is taken without the BOD approval. The financial impact on profit and loss account due to transfer of security business cannot be quantified.



2. Note – 29 to the financial statement, Company has accounted Rs. 13.15 Crore under SEIS Incentive Receivable from DGFT. In our view Services provided by the Company is not an export of Service hence the claim would require confirmation from the concerned authorities.
3. Note – 30 to the financial statement, Company has charged interest on Group Company outstanding balance which is as per the parent company policy.
4. Note – 31 to the financial statement, Contract/Agreement with HAL-AI JWG is not on record. Based on the financial statements of the HAL-AI JWG entry has been passed. Financial impact on lack of the document cannot be ascertained.
5. Note – 41 to the financial statement, Revenue Auditor has identified the Leakage of Revenue and Over Invoicing but the impact of the same is not given in the financial statement. Accordingly Profit overstated/understated.
6. Note - 43 to the financial statements, in some of the cases Levy and/or Service Tax not charged.
7. Note - 44 to the financial statements, Company is charging Service Tax on Levy and accounting the same in the Levy ledger. Not paying to the Department. The overall impact needs to be ascertained.
8. Note - 46 to the financial statements, in respect of certain contracts of handling activities with third party airlines are expired and also Novated agreements are not signed from the third party.
9. Note - 28 to the financial statement, aging and/or details and/or nature/nomenclature of the Ledgers not available with the Company.
10. Note - 52 to the financial statements, section 135 and 149(4) provisions of Companies Act, 2013 not complied.
11. Note – 52 to the financial statement, Gap between the two meetings was more than 120 days which is a violation of Section 173(1) of the Companies Act, 2013.

Our opinion is not qualified in respect of above matters.

### **Other Matters**

Records/Financial Transactions/Information of under mentioned were not made available:

1. Personnel Master Records of the Fixed Term Contract Employees are not provided for the verification.
2. Tender Process/Contract for various Purchase Order / Service Order, entered during the year, not provided for the verification.

### **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, MCA in terms of Section 143(11) of the Act, we give in the **Annexure A**, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have obtained all the information and explanations except for the matters described in the Basis for Qualified Opinion paragraph, which to the best of our knowledge and belief were necessary for the purpose of our audit;



- b) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the financials (understatement/overstatement) of the Company.
- f) Section 164 (2) of the Companies Act, 2013 Disqualification of directors is not applicable to the Government Company.
- g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".
- i) 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 not disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 39 to the financial statements;
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
  - iii. The clause for transfer of an amount to the Investor Education and Protection fund by the Company is not applicable.
- j) As required by Section 143(5) of the Act, we give in **Annexure – C**, a Statement on the Matters specified by the Comptroller and Auditor General of India for the Company.

For Jain & Jain  
Chartered Accountants  
FRN:103869W

CA Ajay B Jain  
(Partner)  
M. No.110372

Place:Mumbai  
Date: 8th February 2017



**Annexure - A**

The Annexure referred to in paragraph 1 of the Our Report of even date to the members of **Air India Air Transport Services Ltd. (AIATSL)** on the accounts of the company for the year ended 31st March, 2016.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

1. (a) Company is under the process of updating proper records showing full particulars, including quantitative details and situation of fixed assets;  
  
(b) *As informed to us the Company has a policy for physical verification of fixed assets once in two year from third party but the same is not conducted / carried out.*  
  
(c) Company is not holding any immovable property hence clause is not applicable.
2. The inventory continues in the books of Air India Ltd., hence physical verification of the same does not arise.
3. As per the verification of records, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Consequently, the provisions of clauses iii (a) and (b) of the order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security are not applicable to the Company.
5. Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
6. *As per the understating of the provision of section 148 sub-section (1) of the Companies Act, 2013 and central government notification maintenance of cost records and Cost Audit is applicable to the Company and the same is maintained and complied.*
7. (a) According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Value added Tax, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2016 for a period of more than six months from the date they became payable.  
  
(b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
8. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. Company has not taken any loan either from financial institutions or from the government and has not issued any debentures.





9. Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
10. Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by Company or on the company by its officers or employees has been noticed or reported during the year.
11. Provisions of section 197 read with Schedule V to the Companies Act 2013 are not applicable for the Government Company hence clause is not applicable;
12. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
13. In our opinion all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
14. Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
15. Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
16. In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For Jain & Jain  
Chartered Accountants  
FRN:103869W

CA Ajay B Jain  
(Partner)  
M. No.110372

Place : Mumbai  
Date: 8th February 2017

**“Annexure B” to the Independent Auditor's Report of even date on the Standalone Financial Statements of Air India Air Transport Services Ltd. (AIATSL)****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 Air Transport Services Ltd. (AIATSL (“the Company”))** as of March 31, 2016 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 policies, procedures, practices adopted by the organization. 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”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 system 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 audit opinion on the Company's internal financial controls system 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 as at March 31, 2016:

1. Company is not having the Internal Audit System, in spite of high volume and material weaknesses in the establishment of controls.
2. Company did not have the Standard Operating Procedure for any of the Department/Process.
3. The company did not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables.
4. The Company did not have an appropriate internal control system for deduction, deposit and reconciliation of statutory dues including Service Tax, TDS, PF, etc.
5. Internal controls for raising invoices on time are being strengthened. Revenue from Handling Services is recognized on rendering of services and is as per the terms of relevant agreement. There is a time gap between the services provided and invoices raised.
6. Revenue of services provided to group companies is not confirmed due to non-availability of supporting documents for these services.
7. The Company does not have process to identify the financial impact of pending litigations, whether as provision or as contingent liability.
8. Some of the cases it is also noted Direct Bank entry is passed instead of Rotating through the Party/Vender Ledger. Controls cannot be established.
9. While passing the accounting entry uniformity of Documents is not maintained like Payment entries with one initial code, Journal entries with another initial code, etc. So control is not established for identification and scrutiny.
10. Company is having MBS system for invoicing, but all the invoices are not raised through MBS. Regions are following the separate set of practices. Manual invoice rising is also observed. Overall invoicing system needs strong Automated Control.
11. Differences in MBS master records rates and ground handling agreement rates also observed.



12. Instances of Excess and Short Revenue booking were identified during the Revenue Audit of the Company. It clearly shows the material weakness exist in the process of Raising the Invoices.
13. In some of the cases of Indian Air Force (Indian Party), Invoices is raised in the USD.
14. Accounting is being done in SAP in the company but the concept of maker and checker is not being followed. This is due to a shortage of manpower and it lead to control issues in financial accounting.
15. Air India Limited has been debiting expenses and crediting some revenue without any supporting documents as mentioned in Note 27. There is no way by which these expenses/revenue can be verified by the Company.
16. Fixed Assets register is maintained in the SAP system, but that is also adopted as it is from Air India Limited (AIL). No Physical Verification conducted while transferring of Assets from AIL. Till date also identification and physical verification of Fixed Assets not conducted in all the Stations.
17. In certain instances the Company has not followed the TDS provision i.e. TDS should be deducted on Booking or payment whichever is earlier.
18. The company does not have an appropriate system of updating contracts of handling activities with 3rd party airlines which have expired. Although such contracts are taken as renewed till they are revoked by third party airline. This non-renewal may have legal connotations for AIATSL in the long run.
19. Company did not have an Automated Control for Attendance and payroll, in spite of the large employee strength.
20. The Company did not have an effective information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from the IT system.

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 financial statements will not be prevented or detected on a timely basis.

In our evaluation, except for the above effects /possible impacts 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 as of March 31,2016, 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.

For Jain & Jain  
Chartered Accountants  
FRN:103869W

CA Ajay B Jain  
(Partner)  
M. No.110372

Place: Mumbai  
Date: 8th February 2017



**Annexure – C**

**Reporting in Compliance with the Directions/sub-Directions received from  
Comptroller and Auditor General of India.**

1. If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process.”

**Company has not selected for Disinvestment, hence clause is not applicable to the Company.**

2. Please report whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons therefor and the amount involved.

**No such waiver/write off observed.**

3. Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.

**As informed to us, during the year no such inventory lying with third parties & no such assets received as gift from Govt. or other authorities.**

4. A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence/ effectiveness of a monitoring mechanism for expenditure on all legal cases(foreign and local) may be given.

**As informed to us, there are 16 pending legal/ arbitration cases. Details of the cases are attached in Table A.**

For Jain & Jain  
Chartered Accountants  
FRN:103869W

CA Ajay B Jain  
(Partner)  
M. No.110372

Place : Mumbai  
Date : 8th February 2017



**List of Pending Court Cases/Industrial Disputes - 31.3.2016**

Sl.No.	Court	WP No.	Filed By	Brief Facts of the case	Status	Remarks
1	High Court of Delhi	WP 7112 /2008	Mr. Mukesh	Challenging his medical unfitness for the post of RSA.	Counter Affidavit of Management has already been filed. Posted to a later date for final disposal.	Handled by Delhi Office
2	High Court of Delhi	Company Petition No 628/2013	JP Aviation Services Pvt. Ltd.	Praying for winding up of the Company in view of the failure on the part of AIATSL for payment of 11890441/- inclusive of rate of 18% PA.	Posted to a later date for hearing	Handled by Delhi Office
3	Patiala House Court - Delhi	CC No. 148/21/13	LEO ( C ) New Delhi	Under Section 23/24 CL (R & A) Act for violation of contract labour act	Adjourned to a later date for hearing	Handled by Delhi Office
4	High Court of Kerala	WP 12501/2013	Mr. V.P. Sony	Challenging Employment Notification for various posts, regularizing the services of the petitioner and promotion to the post of Sr. RSA	WP has been admitted listed for final hearing	
		WP ( C ) No. 21571/2015	Mr. Nishanth T.G. , RSA	Against the termination of his contract.	The Honourable High Court has passed the order of his reinstatement. We have complied with the order of High Court however this BCA have not issued AEP to him. The Court has given one	Matter will come up in next week for further hearing.



## List of Pending Court Cases/Industrial Disputes - 31.3.2016

Sl.No.	Court	WP No.	Filed By	Brief Facts of the case	Status	Remarks
		WP (C) No. 23727/2016	Mr. Ali Muthe U.P., RSA	Against the termination of his contract.	week's time to BCA for issuance of AEP  The Honourable High Court has passed the interim order wherein the termination of employment of the petitioner has been stayed and the petitioner is to be again re-engaged on FTC under new contract.	The Management has decided to make an appeal against the said interim order which is under process.
		WP ( C ) No. 32450/2016	Mr. Rajeev S., SSA	Against the termination of his contract.	The Honourable High Court has passed the interim order to re-engaged him against the new contract.	The Management has decided to make an appeal against the said interim order which is under process.
5.	Allahabad High Court - Lucknow Bench	WP 81/2013	Mr. O.P. Pandey	Challenging his termination as RSA vide order dated 18.05.2012	Listed for admission will come up for hearing soon	Handled by Delhi Office
6	High Court of Madras	WP 32951/2012	Global facilitation Management Services	Challenging disqualification during tender process	Matter to be listed before appropriate bench	
7	High Court of Tripura-Agartala	WP 68/2016	Mr. Pritam Majumdar - CA	Challenging his termination issued on 28.04.2015	Affidavit has been filed by the Management listed for hearing	


**List of Pending Court Cases/Industrial Disputes - 31.3.2016**

Sl.No.	Court	WP No.	Filed By	Brief Facts of the case	Status	Remarks
8	High Court of Bombay	WP 3302/2009	Mr. H.D. Mahale	Challenging his termination as RSA vide order dated 16.11.2009	The Court has given the directions to the petitioner to ammend the petition. Case is yet to come for hearing.	
9	High Court of Bombay	WP 4772/2015 (Atrocity Case)	Mr. K.Suresh against Sr. PI, Sahar Police Station	Against the cancellation of FIR filed by Mr. M.D. Mokal, Master Aircraft Equipment Operator	Listed for hearing on June 07, 2016 but couldn't reach for hearing. Adjourned to a later date.	
		WP 4295/2015 (Atrocity Case)	Capt. A.K. Sharma	Against the cancellation of FIR filed by Mr. Dhoke, Sr. Asst. Gen. Manager - GS	Listed for hearing on June 07, 2016 but couldn't reach for hearing. Adjourned to a later date.	
<b>References - Industrial Tribunal</b>						
1	Mumbai CGIT- 2/11/07		Hemangi Prabhu & others	Regularization of Services	Evidence of MM is in progress	
2	CGIT - 1/15/07		Bahujan Kamgar Union	Regularization of Services	Evidence of MM is in progress	
3	Kerala 1ID - 37 of 2014		AICL & Air India Contract Employees Association	Over outsourcing and denying pramotions to RSA	Hearing is in progress	



**List of Pending Court Cases/Industrial Disputes - 31.3.2016**

Sl.No.	Court	WP No.	Filed By	Brief Facts of the case	Status	Remarks
<b>Gratuity Matters - Mumbai</b>						
1	S.G. Ghawali 1/36/2013		S. G. Ghawali - UARD	For Gratuity	Case is adjourned for hearig to a later date	
2	Mr. P.Muthu 1/36 (29/2014)		P. Muthu - UARD	For Gratuity	Case is adjourned for hearig to a later date	
<b>Industrial Disputes</b>						
1	ID by AIEG over the issue of transfer of Mr. M.P. Desai, Vice President & Check off System - The matter was listed for hearing before the Authority on 27.10.2016 and adjourned to 28.11.2016.					



**MANAGEMENT REPLIES TO THE INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENT OF AIR INDIA AIR TRANSPORT SERVICES LTD.  
FOR THE FINANCIAL YEAR 2015-2016**

Sl.No.	Audit Observations	Management Reply
	<p>Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.</p>	<p><b>This is a statement of Fact</b></p>
1.	<p>The Company has not complied with, AS 15 – "Employees Benefits" to the extent of the correct measurements and recognition of post retirements medical benefits as per the requirement of Para 50 and 51 of Accounting Standard -15. The impact remains to be ascertained.</p>	<p><b>Necessary provisions have been made in the books of Holding Company Air India since the medical facilities are being offered to the transferred employees by the Holding Company and at the year end the expenses are debited to the Company as per the agreement</b></p>



Sl.No.	Audit Observations	Management Reply
2.	<p>The impact of following adjustments arising out of the reconciliation/confirmation of balances as stated in Note – 35, 37 (d) and 47 on the financial statement is not ascertained:</p> <p>i) Standard on Auditing 505 – “External Evidence” of certain receivables and payables and its consequential impact, if any (CIAL, MIAL, AAI, DIAL)</p> <p>ii) Reconciliation of Vendors, Customers and loan and advances as stated in Note 35 and 47.</p>	<p><b>Reconciliation with financial records have been completed and the Company has already sought the confirmation of balances from Vendors</b></p> <p><b>Reconciliation with financial records have been completed and the Company has already sought the confirmation of balances from Vendors, Customers and other sundry parties.</b></p>
3.	<p>During the year some of the Income and Expenditure is transferred from Air India Limited. Details of Income and Expenditure transferred from Air India Limited are mentioned in Note -28. Related all supporting documents, invoices, vouchers, etc and also basis for transferring the revenue and expenditure are not in the possession of the Company.</p>	<p><b>The transfers have been done by Stations / Regions and all the supporting and related documents are available at the respective stations for verification</b></p>
4.	<p>Component Accounting as per the Schedule II of Companies Act, 2013 is not followed by the Company. In lack of the technical evaluation of the assets financial impact cannot be determined.</p>	<p><b>The Assets (Ground Handling Equipments) comprises of components which have no separate life or value, if separated from the original assets. Hence Component Accounting as per Schedule II of Companies Act, 2013 is not applicable</b></p>
5.	<p>Company has not transferred Rs. 3.64 Crores towards Security Revenue to the Air India Limited and some of the security revenue of Eastern Region had booked in the ground handling revenue (Note 42). Hence Revenue and Profit is inflated by that extent. Eastern Region figures remains to be ascertained.</p> <p><b>Qualified Opinion</b></p> <p>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 matter described in the Basis for Qualified Opinion paragraph, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in</p>	<p><b>The amount has been retained to meet any rejections which can arise in future. Normally the 3rd parties of IATA can take about 18 months to reject and / or re-charge the billings. The revenue has been retained to meet the reversals / re-charges.</b></p> <p><b>Audit comments noted</b></p>



Sl.No.	Audit Observations	Management Reply
	<p>conformity with the accounting principles generally accepted in India:</p> <p>(a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;</p> <p>(b) In the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and</p> <p>(c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.</p> <p><b>Emphasis of Matter</b></p> <p>We draw attention to the following matters in the Notes to the financial statements:</p> <p><b>1</b> Note – 32 to the financial statement, Company has transferred Security Business to the Air India. This major decision is taken without the BOD approval. The financial impact on profit and loss account due to transfer of security business cannot be quantified.</p> <p><b>2</b> Note – 29 to the financial statement, Company has accounted Rs. 13.15 Crore under SEIS Incentive Receivable from DGFT. In our view Services provided by the Company is not an export of Service hence the claim would require confirmation from the concerned authorities.</p> <p><b>3</b> Note – 30 to the financial statement, Company has charged interest on Group Company outstanding balance which is as per the parent company policy.</p> <p><b>4</b> Note – 31 to the financial statement, Contract/Agreement with HAL-AI JWG is not on record. Based on the financial statements of the HAL-AI JWG entry has been passed. Financial impact on lack of the document cannot be ascertained.</p> <p><b>5</b> Note – 41 to the financial statement, Revenue Auditor has identified the Leakage of Revenue and Over Invoicing but the impact of the same is not given in the financial statement. Accordingly Profit overstated/understated.</p>	<p><b>This is a statement of fact. This is an Executive decision.</b></p> <p><b>This is a statement of fact. The process of obtaining confirmation from the appropriate authority is in progress.</b></p> <p><b>This is a statement of fact</b></p> <p><b>This is a statement of fact</b></p> <p><b>The revenue audit is in progress and the interim and / or final report has not been shared with the Company. In the absence of the report, the impact if any, is not assessable</b></p>



Sl.No.	Audit Observations	Management Reply
6	Note - 43 to the financial statements, in some of the cases Levy and/or Service Tax not charged.	<b>Corrective action of Levy and / or Service Tax has been taken and subsequently charged in the FY 2016-17</b>
7	Note - 44 to the financial statements, Company is charging Service Tax on Levy and accounting the same in the Levy ledger. Not paying to the Department. The overall impact needs to be ascertained.	<b>The service-tax is on the levy (AAI, DIAL, MIAL and CIAL) for which the liability for payment vests with the respective vendor. The details of collection of Levy including service tax is passed on to the vendors for necessary payment action periodically.</b>
8	Note - 46 to the financial statements, in respect of certain contracts of handling activities with third party airlines are expired and also Novated agreements are not signed from the third party.	<b>As per SGHA, the contracts are valid till such time, they are terminated in writing by either of the parties concerned. The Company provides service and is being paid by the parties concerned. As regards novation, the Company is following up with the parties for written confirmation.</b>
9	Note - 28 to the financial statement, aging and/or details and/or nature/nomenclature of the Ledgers not available with the Company.	<b>This is a statement of fact</b>
10	Note - 52 to the financial statements, section 135 and 149(4) provisions of Companies Act, 2013 not complied.	<b>The Company is wholly owned subsidiary of Air India. The appointment of independent director on the Board of the Company has been taken up with the Ministry of Civil Aviation by Air India under Section 149(4).The Committee on Corporate Social Responsibility has been formed during FY 2016-17 and will comply with the provisions of the Companies Act.</b>
11	Note – 52 to the financial statement, Gap between the two meetings was more than 120 days which is a violation of Section 173(1) of the Companies Act, 2013.	<b>This is a statement of fact</b>
<b>Other Matters</b>		
Records/Financial Transactions/Information of under mentioned were not made available:		
1.	Personnel Master Records of the Fixed Term	<b>Audit Comments Noted</b>



Sl.No.	Audit Observations	Management Reply
	<p>Contract Employees are not provided for the verification.</p> <p>2. Tender Process/Contract for various Purchase Order / Service Order, entered during the year, not provided for the verification.</p> <p><b>Report on Other Legal and Regulatory Requirements</b></p> <p>1 As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government, MCA in terms of Section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.</p> <p>2 <b>As required by Section 143(3) of the Act, we report that -</b></p> <p>a) We have obtained all the information and explanations except for the matters described in the Basis for Qualified Opinion paragraph, which to the best of our knowledge and belief were necessary for the purpose of our audit;</p> <p>b) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.</p> <p>c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.</p> <p>d) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.</p> <p>e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may</p>	<p><b>This is a statement of Fact</b></p> <p><b>This is a statement of Fact</b></p> <p><b>This is a statement of Fact</b></p>



Sl.No.	Audit Observations	Management Reply
	<p>have an effect on the financials (understatement/overstatement) of the Company.</p> <p>f) Section 164 (2) of the Companies Act, 2013 Disqualification of directors is not applicable to the Government Company.</p> <p>g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.</p> <p>h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure B”.</p> <p>i) 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:</p> <p>i. The Company has not disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 39 to the financial statements;</p> <p>ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.</p> <p>iii. The clause for transfer of an amount to the Investor Education and Protection fund by the Company is not applicable.</p> <p>j) As required by Section 143(5) of the Act, we give in Annexure-C, a Statement on the Matters specified by the Comptroller and Auditor General of India for the Company.</p>	<p><b>Pending litigations are constantly monitored by Senior Executives. The details of pending litigations have been annexed as per Table A.</b></p>





### Annexure A to the Independent Auditor's Report

Sl.No.	Audit Observations	Management Reply
	<p>The Annexure referred to in paragraph 1 of the Our Report of even date to the members of Air India Air Transport Services Ltd. (AIATSL) on the accounts of the company for the year ended 31st March, 2016.</p> <p>On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:</p>	
1(a)	Company is under the process of updating proper records showing full particulars, including quantitative details and situation of fixed assets;	<b>This is a statement of Fact</b>
1(b)	As informed to us the Company has a policy for physical verification of fixed assets once in two year from third party but the same is not conducted / carried out.	<b>This is statement of fact. External Agency for complete Physical Verification of Assets is proposed to be appointed shortly.</b>
1(c)	Company is not holding any immovable property hence clause is not applicable.	<b>This is a statement of Fact</b>
2	The inventory continues in the books of Air India Ltd., hence physical verification of the same does not arise.	<b>This is a statement of Fact</b>
3	As per the verification of records, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Consequently, the provisions of clauses iii (a) and (b) of the order are not applicable to the Company.	<b>This is a statement of Fact</b>
4	In our opinion and according to the information and explanations given to us, section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security are not applicable to the Company.	<b>This is a statement of Fact</b>
5	Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.	<b>This is a statement of Fact</b>





Sl.No.	Audit Observations	Management Reply
6	As per the understating of the provision of section 148 sub-section (1) of the Companies Act, 2013 and central government notification maintenance of cost records. The Company has appointed the Cost Auditor but the cost records are yet to be provided.	<b>The Cost Audit has been completed and the draft audit report has been submitted.</b>
7 (a)	According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Value added Tax, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2016 for a period of more than six months from the date they became payable.	<b>This is a statement of Fact</b>
7 (b)	According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.	<b>This is a statement of Fact</b>
8	In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. Company has not taken any loan either from financial institutions or from the government and has not issued any debentures.	<b>This is a statement of Fact</b>
9	Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.	<b>This is a statement of Fact</b>
10	Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.	<b>This is a statement of Fact</b>



Sl.No.	Audit Observations	Management Reply
11	Provisions of section 197 read with Schedule V to the Companies Act 2013 are not applicable for the Government Company hence clause is not applicable;	<b>This is a statement of Fact</b>
12	In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.	<b>This is a statement of Fact</b>
13	In our opinion all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.	<b>This is a statement of Fact</b>
14	Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.	<b>This is a statement of Fact</b>
15	Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.	<b>This is a statement of Fact</b>
16	In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.	<b>This is a statement of Fact</b>



## Annexure B to the Independent Auditor's Report

Sl.No.	Audit Observations	Management Reply
	<p><b>Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)</b></p> <p>We have audited the internal financial controls over financial reporting of <b>Air India Air Transport Services Ltd. (AIATSL (“the Company”))</b> as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.</p> <p><b><u>Management’s Responsibility for Internal Financial Controls</u></b></p> <p>The Company’s management is responsible for establishing and maintaining internal financial controls based on the policies, procedures, practices adopted by the organization. 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.</p> <p><b><u>Auditors’ Responsibility</u></b></p> <p>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”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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</p>	



Sl.No.	Audit Observations	Management Reply
	<p>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 system 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.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.</p> <p><b><u>Meaning of Internal Financial Controls Over Financial Reporting</u></b></p> <p>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.</p>	



Sl.No.	Audit Observations	Management Reply
	<p><b><u>Inherent Limitations of Internal Financial Controls Over Financial Reporting</u></b></p> <p>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.</p> <p><b><u>Qualified Opinion</u></b></p> <p>According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2016:</p>	
1	Company is not having the Internal Audit System, in spite of high volume and material weaknesses in the establishment of controls.	<b>External Agency have been appointed as Internal auditors for the FY 2016-17, while the same Agency has conducted Revenue Audit for the FY 2015-16</b>
2	Company does not have the Standard Operating Procedure for any of the Department/Process.	<b>SoP for different departments / process is under preparation</b>
3	The company does not have an appropriate internal control system for obtaining confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables.	<b>Reconciliation of receivables and payables are done periodically. Balance confirmation is sought from the Vendors, Customers only at the year end, as a practice</b>
4	The Company does not have an appropriate internal control system for deduction, deposit and reconciliation of statutory dues including Service Tax, TDS, PF, etc.	<b>The collection and / or recovery of statutory dues are done as per the rule(s) and are deposited on or before the due date(s). A systematic reconciliation is done periodically</b>
5	Internal controls for raising invoices on time are being strengthened. Revenue from Handling Services is recognized on rendering of services and is as per the terms of relevant agreement. There is a time gap between the services provided and invoices raised.	<b>This is statement of fact</b>



Sl.No.	Audit Observations	Management Reply
6	Revenue of services provided to group companies is not confirmed due to non-availability of supporting documents for these services.	Invoices for services rendered are raised based on documentation shared by Air India, who keep track of aircraft movements. The same have been provided to audit for verification.
7	The Company does not have process to identify the financial impact of pending litigations, whether as provision or as contingent liability.	The matter(s) are always under review by Senior Executives of the Company.
8	Some of the cases it is also noted Direct Bank entry is passed instead of Rotating through the Party/Vender Ledger. Controls cannot be established.	This is statement of fact. Users are being trained on the proper usage of SAP
9	While passing the accounting entry uniformity of Documents is not maintained like Payment entries with one initial code, Journal entries with another initial code, etc. So control is not established for identification and scrutiny.	This is statement of fact. Users are being trained on the proper usage of SAP
10	Company is having MBS system for invoicing, but all the invoices are not raised through MBS. Regions are following the separate set of practices. Manual invoice rising is also observed. Overall invoicing system needs strong Automated Control.	Currently development of SAP for billing module is underway. This is statement of fact.
11	Differences in MBS master records rates and ground handling agreement rates also observed.	Efforts are on to identify and rectify the errors.
12	Instances of Excess and Short Revenue booking were identified during the Revenue Audit of the Company. It clearly shows the material weakness exist in the process of Raising the Invoices.	Necessary corrective actions have been taken.
13	In some of the cases of Indian Air Force (Indian Party), Invoices is raised in the USD.	Necessary corrective actions are being taken.
14	Accounting is being done in SAP in the company but the concept of maker and checker is not being followed. This is due to a shortage of manpower and it lead to control issues in financial accounting.	Structure for Maker and Checker has been configured in SAP. Efforts are on to position available manpower to have better control
15	Air India Limited has been debiting expenses and crediting some revenue without any supporting documents as mentioned in Note 28. There is no way by which these expenses/revenue can be verified by the Company	This is statement of fact, efforts are being taken for necessary corrective action in the Financial Year 2016-17





Sl.No.	Audit Observations	Management Reply
16	Fixed Assets register is maintained in the SAP system, but that is also adopted as it is from Air India Limited (AIL). No Physical Verification conducted while transferring of Assets from AIL. Till date also identification and physical verification of Fixed Assets not conducted in all the Stations.	<b>This is statement of fact. External Agency for complete Physical Verification of Assets is proposed to be appointed shortly.</b>
17	In certain instances the Company has not followed the TDS provision i.e. TDS should be deducted on Booking or payment whichever is earlier.	<b>This is statement of fact Company is in the process of streamlining the deduction as per the IT Act.</b>
18	The company does not have an appropriate system of updating contracts of handling activities with 3rd party airlines which have expired. Although such contracts are taken as renewed till they are revoked by third party airline. This non-renewal may have legal connotations for AIATSL in the long run.	<b>The contracts are based on SGHA of IATA. The contracts are valid till such time they are expressly revoked by the parties concerned. Efforts are on to get the contracts renewed by 3rd party airlines in time.</b>
19	Company does not have an Automated Control for Attendance and payroll, in spite of the large employee strength.	<b>This is statement of fact. Integrated attendance system linked to SAP is under implementation by Air India and all its subsidiaries including AIATSL.</b>
20	<p>The Company does not have an effective information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from the IT system.</p> <p>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 financial statements will not be prevented or detected on a timely basis. In our evaluation, except for the above effects /possible impacts 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 as of March 31,2016, 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.</p>	<b>This is statement of fact.</b>



### Annexure C to the Independent Auditor's Report

Sl.No.	Directions U/s 143(5) of the Companies Act 2013	Auditor's Comments	Impact on Financial Statements	Management Reply
1	If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process."	Company has been not selected for Disinvestment, hence clause is not applicable to the Company	Nil	The Company has not been selected for disinvestment.
2	Please report whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.	No such waiver/write off observed.	Nil	During the year, there has been no waiver / write-off of debts / loans / Interest
3	Whether proper records are maintained for inventories lying with third parties & assets received as gifts from Government or other authorities	As informed to us, during the year no such inventory lying with third parties & no such assets received as gift from Govt. or other authorities	Nil	During the year, there are no such inventory lying with 3rd parties. Also no assets have been received as gift from Government or other authorities
4	A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence/effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.	As informed to us, there are 16 pending legal/ arbitration cases. Details of the cases are attached in Table A.	Nil	An age-wise analysis of pending legal cases have already been provided to the Statutory Auditors. These cases are at various stages of pendency before the court / authorities and are being followed up for clearance. In respect of employee cases, which are mainly wage related, the same are pending before appropriate authorities for a decision



**BALANCE SHEET AS AT MARCH 31, 2016****(Amount in Rupees)**

Particulars	Note Ref	As at March 31, 2016	As at March 31, 2015
<b>I EQUITY &amp; LIABILITIES</b>			
1 Shareholders' Funds			
(a) Share Capital	2	1,384,242,000	500,000
(b) Reserves and Surplus	3	1,918,328,879	904,250,014
(c) Money Received Against Share Warrants			-
		<b>3,302,570,879</b>	904,750,014
2 Share Application Money Pending Allotment		-	1,383,742,000
3 Non-Current Liabilities			
(a) Long-Term Borrowings		-	-
(b) Deferred Tax Liabilities (Net)	4	-	-
(c) Other Long Term Liabilities	5	3,070,000	2,870,000
(d) Long Term Provisions	6	1,617,052,629	1,447,232,503
		<b>1,620,122,629</b>	1,450,102,503
4 Current Liabilities			
(a) Short-Term Borrowings		-	-
(b) Trade Payables	7	86,799,634	57,272,986
(c) Other Current Liabilities	8	800,772,985	590,871,984
(d) Short-Term Provisions	6	329,701,706	322,171,375
		<b>1,217,274,325</b>	970,316,346
<b>Total</b>		<b>6,139,967,833</b>	<b>4,708,910,863</b>
<b>II ASSETS</b>			
Non-Current Assets			
1 (a) Fixed Assets			
(i) Tangible Assets	9	1,377,843,295	1,552,518,219
(ii) Intangible Assets		-	-
(iii) Capital Work-in-Progress		-	-
(iv) Intangible Assets Under Development		-	-
		<b>1,377,843,295</b>	1,552,518,219
(b) Non-Current Investments		-	-
(c) Deferred Tax Assets (Net)	4	115,124,668	113,795,908
(d) Long-Term Loans & Advances	10	709,982,816	164,543,691
(e) Other Non-Current Assets		-	-
		<b>825,107,484</b>	278,339,599
		<b>2,202,950,779</b>	1,830,857,818
2 Current Assets			
(a) Current Investments		-	-
(b) Inventories		-	-
(c) Trade Receivables	11	3,223,017,283	2,419,164,592
(d) Cash and Bank Balances	12	551,061,084	450,830,034
(e) Short-Term Loans and Advances	10	-	-
(f) Other Current Assets	13	162,938,687	8,058,419
		<b>3,937,017,055</b>	2,878,053,045
<b>Total</b>		<b>6,139,967,833</b>	<b>4,708,910,863</b>

Statement of Significant Accounting policies and Other Explanatory Notes

1

As Per Our Report Of Even Date Attached

For and on behalf of  
**Jain & Jain**  
Chartered Accountants  
FRN : 103869W

For and on behalf of the Board  
Sd/-  
**Shri Ashwani Lohani**  
Chairman

Sd/-  
**Shri Vinod Hejmedi**  
Director

Sd/-  
**Ajay Jain**  
Partner  
M.No. 110372  
Place: Mumbai  
Date : 8 February 2017

Sd/-  
**Shri Sanjiv Dua**  
Chief of Finance

Sd/-  
**Capt. A.K.Sharma**  
Chief Executive Officer

Sd/-  
**Smt. Poonam Bharwani**  
Company Secretary



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016**  
(Amount in Rupees)

Particulars	Note Ref	2015-16	2014-15
I Revenue from Operations (Gross):			
- Revenue from Handling Services	14	5,943,017,535	6,449,330,355
II Other Income:	15	425,992,936	20,791,631
III <b>Total Revenue (I + II )</b>		<b>6,369,010,471</b>	<b>6,470,121,986</b>
IV Expenses:			
Employee Benefit Expenses	16	4,055,538,314	4,413,288,461
Finance Cost	17	-	-
Depreciation and Amortisation	18	179,336,158	156,098,523
Other Expenses	19	1,110,263,335	843,308,452
<b>Total Expenses</b>		<b>5,345,137,808</b>	<b>5,412,695,435</b>
V <b>Profit Before exceptional and extraordinary items and Tax (III-IV)</b>		<b>1,023,872,663</b>	<b>1,057,426,551</b>
VI Exceptional Items		1,383,742	19,869,000
Prior Period Adjustments (Net)		(25,261,185)	-
VII <b>Profit Before extraordinary items and Tax (V-VI)</b>		<b>1,047,750,106</b>	<b>1,037,557,551</b>
VIII Extraordinary Items		-	-
IX <b>Profit Before Tax (VII-VIII)</b>		<b>1,047,750,106</b>	<b>1,037,557,551</b>
X Tax Expense			
1. Current Tax		35,000,000	237,500,000
2. Short/ (Excess) Provision of Tax		-	-
3. Deferred Tax Liability / (asset)		(1,328,760)	(106,764,919)
XI <b>Profit For the period from Continuing Operations (IX-X)</b>		<b>1,014,078,865</b>	<b>906,822,470</b>
XV <b>Profit For the period ( XIV+XI)</b>		<b>1,014,078,865</b>	<b>906,822,470</b>
XVI Earnings per Equity Share:			
Basic		7.33	18,136.45
Diluted		7.33	6.55

As Per Our Report Of Even Date Attached

For and on behalf of  
**Jain & Jain**  
Chartered Accountants  
FRN : 103869W

Sd/-  
**Ajay Jain**  
Partner  
M.No. 110372  
Place: Mumbai  
Date : 8 February 2017

For and on behalf of the Board  
Sd/-  
**Shri Ashwani Lohani**  
Chairman

Sd/-  
**Shri Sanjiv Dua**  
Chief of Finance

Sd/-  
**Shri Vinod Hejmedi**  
Director

Sd/-  
**Capt. A.K.Sharma**  
Chief Executive Officer

Sd/-  
**Smt. Poonam Bharwani**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016****(Amount in Rupees)**

Particulars	2015-16		2014-15	
<b>A Cash Flow From Operating Activities</b>				
Net Profit Before tax		1,047,750,106		1,037,557,551
Adjustments for:				
Depreciation / Amortisation	179,336,158		156,098,523	
Interest Received on Tax Refund	(13,215)		(2,085,480)	
Preliminary Expenses written off	-	179,322,943	-	154,013,043
<b>Operating profit before working capital changes</b>		<b>1,227,073,049</b>		<b>1,191,570,594</b>
(Increase) / Decrease in Trade Receivables	(803,852,691)		(1,349,330,774)	
(Increase) / Decrease in Other Current Assets	(154,880,268)		(7,918,919)	
Increase / (Decrease) in Provisions	142,350,459		1,537,113,589	
Increase / (Decrease) in Current Liabilities and Trade Payables	239,627,648	(576,754,853)	477,019,071	656,882,967
		<b>650,318,197</b>		<b>1,848,453,561</b>
<b>Cash Generated from Operations</b>				
Income Tax Paid (net of refund)		(554,748,381)		(26,195,200)
<b>Net Cash from Operating Activities</b>		<b>95,569,816</b>		<b>1,822,258,361</b>
<b>B Cash Flow From Investing Activities</b>				
Purchase of fixed assets		4,661,234		6,868,554
<b>Net Cash From Investing Activities</b>		<b>4,661,234</b>		<b>6,868,554</b>
<b>C Cash Flow From Financing Activities*</b>				
Net (Decrease)/Increase in Cash or Cash Equivalents		-		(1,383,742,000)
<b>Cash and Cash Equivalents</b>		<b>100,231,050</b>		<b>445,384,915</b>
- at the beginning of the year		450,830,034		5,445,119
- at the end of the year		551,061,084		450,830,034
		<b>100,231,050</b>		<b>445,384,915</b>
<b>Component of Cash and Cash Equivalents</b>				
Cash on hand		2,215		13,029
Balance in Current Account		551,058,869		450,817,005
		<b>551,061,084</b>		<b>450,830,034</b>

Significant Accounting Policies and Explanatory Notes form an integral part of the Financial Statements.

As Per Our Report Of Even Date Attached

For and on behalf of  
**Jain & Jain**  
Chartered Accountants  
FRN : 103869W

Sd/-  
**Ajay Jain**  
Partner  
M.No. 110372  
Place: Mumbai  
Date : 8 February 2017

For and on behalf of the Board  
Sd/-  
**Shri Ashwani Lohani**  
Chairman

Sd/-  
**Shri Sanjiv Dua**  
Chief of Finance

Sd/-  
**Shri Vinod Hejmedi**  
Director

Sd/-  
**Capt. A.K.Sharma**  
Chief Executive Officer

Sd/-  
**Smt. Poonam Bharwani**  
Company Secretary

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016****NOTE "1"****A. CORPORATE INFORMATION**

Air India Air Transport Services Limited is a subsidiary of Air India Limited. Consequent to the hiving-off of handling activities by Air India Ltd., the Company has been entrusted with the provisioning of Ground Handling and other handling related activities within India (excluding Bangalore, Delhi, Hyderabad, Mangalore and Trivandrum) to Air India and its Group Companies, as also 3<sup>rd</sup> party airlines operating into India.

**B. ACCOUNTING CONVENTION**

- i) The Financial Statements have been prepared on going concern concept on accrual basis (except as specifically stated) under historical cost convention, and are in compliance with generally accepted accounting principles and the Accounting Standards notified under the Section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules 2014.
- ii) The preparation of financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which results are known / materialized.
- iii) The Company being in service sector, there is no specific operating cycle; 12 months period has been adopted as "the Operating Cycle" in-terms of the provisions of Schedule III to the Companies Act 2013.

**C. SIGNIFICANT ACCOUNTING POLICIES****1. FIXED ASSETS**

- a) Assets are recorded at cost of acquisition or construction. Cost of acquisition comprises of its purchase price including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use. Trade discounts and rebates, if any, are reduced in arriving at the purchase price.
- b) Physical Verification of Assets is done on a rotational basis so that every asset is verified in every two years and the discrepancies observed in the course of the verification are adjusted in the year in which report is submitted.

**2. DEPRECIATION /AMORTIZATION**

- a) Depreciation is provided on all assets on Straight Line Method over the useful life of assets as per Schedule II of Companies Act 2013.
- b) Intangible assets which have a useful economic life are amortized over the estimated useful life.



- c) Assets of small value not exceeding INR 5,000, in each case, are fully provided for in the year of Purchase.

### **3. REVENUE RECOGNITION**

- a) Ground Handling and other related services are recognized when the services are provided. Un-billed services at the end of each financial year, based on available data, are estimated and are recognized as Revenue.
- b) Income from Interest is recognized on a time proportion basis.
- c) Other Operating Revenue is recognized when services rendered during the year.

### **4. PROVISION FOR DOUBTFUL DEBTS**

Debts pertaining to the Government / Government Departments/ Public Sector Undertakings are provided for if they are more than three years old except for debts which are known to be recoverable with certainty. All other debts are provided for, if they are either more than three years old or specifically known to be doubtful.

### **5. FOREIGN CURRENCY TRANSACTIONS**

- a) Interline settlement on account of ICH bills settlement is carried out at the exchange rate published by IATA for respective month.
- b) Foreign exchange monetary items at the year-end are converted at the year-end exchange rate circulated by Foreign Exchange Dealers Association of India (FEDAI) and the gains / losses arising out of fluctuations in exchange rates are recognized in the statement of Profit and Loss.
- c) Exchange variation is not considered at the year-end in respect of Debts and Loans & Advances for which doubtful provision exists.

### **6. RETIREMENT BENEFITS**

The retirement benefits to the employees comprise of defined contribution plans and defined benefit plans.

- a) Defined contribution plan consists of contribution to Employees Provident Fund. The Parent Company has separate trust(s) to administer Provident Fund contributions to which contributions are made regularly.
- b) The Company's defined benefit plans, which are not funded, consist of Gratuity, Leave Encashment including Sick Leave and Post-Retirement Medical Benefits and other benefits. The liability for these benefits except for Medical Benefits and other benefits is actuarially determined under the Projected Unit Credit Method at the year-end as per Indian Laws.

### **7. TAXES ON INCOME**

Provision for current tax is made in accordance with the provisions of Income-Tax Act, 1961.



Deferred tax is recognized on timing differences between book and taxable profit using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The Deferred tax assets are recognized and carried forward to the extent that there is a virtual certainty based on operational and financial restructuring, revenue generation and cost reduction program of the company that the assets will be realized in the future.

**8. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS**

- a) Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.
- b) Contingent liabilities exceeding INR 10 Lakhs in each case are disclosed in respect of possible obligations that may arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.
- c) Contingent Assets are neither recognized nor disclosed in the financial statements.

**9. OTHER LIABILITIES**

Liabilities which are more than three years old are re-written back unless such liabilities are specifically known to be payable in the future.

**10. PREPAID EXPENSES / LIABILITY FOR EXPENSES**

Pre-paid expenses / Liabilities for expenses are recognized if more than INR 10,000 and above in each case



## NOTE “2” : SHARE CAPITAL

(Amount in Rupees)

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	(Rs)	Number	(Rs)
<b>Authorised Capital</b> Equity Shares of Rs 10/- each	1,000,000,000	10,000,000,000	1,000,000,000	10,000,000,000
<b>Issued, Subscribed and Fully Paid up Capital</b> Equity Shares of Rs 10/- each	138,424,200	1,384,242,000	50000	500,000
	138,424,200	1,384,242,000	50000	500,000

The company is a wholly owned subsidiary of Air India Ltd.

### i Details of Shareholding in excess of 5%

(Amount in Rupees)

Name of Shareholder	As at March 31, 2016		As at March 31, 2015	
	Number of shares held	%	Number of shares held	%
Air India Ltd.- Holding Company	138,424,200	100	50000	100

As per the records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of the shares.

### ii Reconciliation of the equity shares outstanding at the beginning and at the end of the year

(Amount in Rupees)

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount	Number	Amount
At the beginning of the year	50,000	500,000	50000	500,000
Issued during the period	138,374,200	1,383,742,000	-	-
Outstanding at the end of the year	138,424,200	1,384,242,000	50000	500,000

iii The Company has issued only one class of shares referred to as equity shares having a par value of Rs10/- per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after payment of all external liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders after distribution of all preferential amounts, if any.

iv There were no instances of shares being issued/allotted by way of bonus shares or for consideration other than cash and no shares have been bought back by the company during the period of five years immediately preceding the date of Balance Sheet.

## NOTE “3” : RESERVES & SURPLUS

(Amount in Rupees)

Particulars	As at March 31, 2016		As at March 31, 2015	
<b>Surplus in Profit and Loss Account:</b>				
Balance as per last Balance Sheet		904,250,014		(2,572,456)
Add :				
Profit / (loss) for the year	1,014,078,865		906,822,470	
Less:				
Transfer to General Reserve	-		-	
Interim Dividend	-		-	
Tax on Interim Dividend	-		-	
Sub Total		-		-
<b>Net Surplus</b>		1,014,078.865		906,822,470
<b>Total Reserves &amp; Surplus</b>		1,918,328,879		904,250,014


**NOTE “4” : DEFERRED TAX LIABILITY (NET)**
**(Amount in Rupees)**

Particulars	As at March 31, 2016		As at March 31, 2015	
<b>Deferred Tax Liability on account of (DTL)</b>				
Depreciation	45,114,943	45,114,943	31,374,538	31,374,538
Total Deferred Tax Liability				
<b>Deferred Tax Asset on account of (DTA)</b>				
Unabsorbed Depreciation	-	160,239,611	-	145,170,447
Other Tax disallowances	160,239,611		145,170,447	
<b>Net Deferred Tax Asset</b>		<b>115,124,668</b>		<b>113,795,909</b>

**NOTE “5” : OTHER LONG TERM LIABILITIES**
**(Amount in Rupees)**

Particulars	As at March 31, 2016	As at March 31, 2015
Earnest Money Deposit	3,070,000	2,870,000
<b>Total</b>	<b>3,070,000</b>	<b>2,870,000</b>

**NOTE “6” : PROVISIONS**
**(Amount in Rupees)**

Particulars	Long Term		Short Term	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Provision for Leave encashment	438,424,157	469,680,212	104,157,532	40,344,007
Provision for Gratuity	941,128,472	977,552,291	190,544,174	44,327,368
Provision for Tax	237,500,000	-	35,000,000	237,500,000
<b>Total</b>	<b>1,617,052,629</b>	<b>1,447,232,503</b>	<b>329,701,706</b>	<b>322,171,375</b>

The following table summarises the components of net benefit expense recognized in the Statement of Profit and Loss and the funded status and amounts recognized in the Balance Sheet.

**Gratuity**
**(Amount in Rupees)**

Particulars	2015-16	2014-15
<b>Change in Benefit Obligation</b>		
Liability at the Beginning of the year	1,021,879,659	613,820,678
Interest Cost		
Current Service Cost	337,895,369	269,926,511
Past Service Cost		-
Benefit Paid	-228,102,382	(250,615,397)
Actuarial loss/(Gain)	-	388,747,867
<b>TOTAL</b>	<b>1,131,672,646</b>	<b>1,021,879,659</b>
<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Fair Value of Plan Assets</b>		
Fair Value at the Beginning of the year	-	-
Expected Return on Plan Assets	-	-
Benefit Paid	-	-
Actuarial loss/(Gain)	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>





(Amount in Rupees)		
Particulars	2015-16	2014-15
<b>Actuarial Gain / Loss</b>		
On Obligation	-	388,747,867
On Assets	-	388,747,867
<b>TOTAL</b>		
<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Return On Plan Assets</b>		
Expected Return on Plan Assets	-	-
Actuarial Gain / Loss on Plan Assets	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>
<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Amount Recognised in Balance Sheet</b>		
Liability at the end of the year	1,131,672,646	1,021,879,659
Fair Value of Plan Assets at the end of the year	-	-
Difference	-	-
Unrecognised Past Service Cost	-	-
<b>(Liability)/Asset Recognised in Balance Sheet</b>	<b>1,131,672,646</b>	<b>1,021,879,659</b>
<b>Break up</b>		
Current	190,544,174	44,327,368
Non - Current	941,128,472	977,552,291
<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Expenses Recognised in Income Statement</b>		
Current Service Cost	337,895,369	269,926,511
Interest Cost	-	-
Expected Return on Plan Assets	-	-
Net Actuarial Gain / Loss Recognised	-	-
<b>Expenses Recognised in Income Statement</b>	<b>337,895,369</b>	<b>269,926,511</b>
<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Balance Sheet Reconciliation</b>		
Opening Net Liability	1,021,879,659	613,820,678
Expense as above	337,895,369	269,926,511
Past Service Cost	-	-
Employer's Contribution	(228,102,382)	138,132,470
<b>Amount Recognised in Balance Sheet</b>	<b>1,131,672,646</b>	<b>1,021,879,659</b>

The principal assumptions used in determining the gratuity obligations are as follows :

Assumptions	As at March 31, 2016	As at March 31, 2015
Discount Rate	8.00%	8.00%
Expected rate of return on plan assets	N.A	N.A
Expected rate of salary increase	5.00%	5.00%
Attrition rate	1-3%	1-3%

#### Experience Adjustment

Particulars	As at March 31, 2016	As at March 31, 2015
On Plan Liability (Gains) / Losses	-	-

The Gratuity liability is not funded. The detailed disclosure as required provided for by AS-15 was not the previous year and therefore the same is not disclosed.


**NOTE “7” : TRADE PAYABLES**
**(Amount in Rupees)**

Particulars	As at March 31, 2016	As at March 31, 2015
Trade Payables		
- Micro Small and Medium Enterprises	-	-
- Other Payables	86,799,634	57,272,986
<b>TOTAL</b>	<b>86,799,634</b>	<b>57,272,986</b>

As per the intimation available with the Company, there are no Micro, Small and Medium Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with the interest and accordingly no additional disclosure have been made. The above information regarding Micro, Small and Medium Enterprises have been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors'.

**NOTE “8” : OTHER CURRENT LIABILITIES**
**(Amount in Rupees)**

Particulars	As at March 31, 2016	As at March 31, 2015
Statutory Dues	57,833,721	65,108,241
Dues to Group Companies	-	32,269,918
Vendor Financial Institutions	5,055,237	5,655,477
Vendor Employees	11,151,839	78,251
Other Current Liabilities	643,501,020	326,018,344
Provisions	41,053,748	153,836,253
Deposits Against Bank Guarantee	3,350,000	3,350,000
Earnest Money Deposits	38,827,420	4,555,500
<b>TOTAL</b>	<b>800,772,985</b>	<b>590,871,984</b>

**NOTE “9” : TANGIBLE ASSETS**
**(I) Tangible Assets**
**(Amount in Rupees)**

	Copier Machine - Office Equipment	Ramp Equipments	Furniture & Fixtures	Electrical Fittings	Computers	Total
<b>Cost</b>						
As at 1st April 2015	1,084,494	3,077,473,253	129,829	4,682,996	1,062,891	3,084,433,463
Additions	-	-	-	4,062,241	598,993	4,661,234
Disposals/Adjustments	-	-	-	-	-	-
<b>As at 31st March 2016</b>	<b>1,084,494</b>	<b>3,077,473,253</b>	<b>129,829</b>	<b>8,745,237</b>	<b>1,661,884</b>	<b>3,089,094,697</b>
<b>Depreciation</b>						
As at 1st April 2015	132,252	1,531,535,286	9,428	104,687	133,591	1,531,915,244
Disposals/Adjustments	-	-	-	-	-	-
Charge for the Year	206,054	178,100,827	12,334	554,981	461,963	179,336,158
<b>As at 31st March 2016</b>	<b>338,305.98</b>	<b>1,709,636,113</b>	<b>21,762</b>	<b>659,668</b>	<b>595,554</b>	<b>1,711,251,402</b>
<b>Net Block</b>						
As at 31st March 2015	952,242	1,545,937,967	120,401	4,578,309	929,300	1,552,518,219
<b>As at 31st March 2016</b>	<b>746,188</b>	<b>1,367,837,140</b>	<b>108,067</b>	<b>8,085,569</b>	<b>1,066,330</b>	<b>1,377,843,295</b>
<b>Rate of Depreciation</b>	19%	6.33%	9.50%	9.50%	31.67%	


**NOTE “10” : LOANS AND ADVANCES**
**(Amount in Rupees)**

Particulars	Non - Current		Current	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
<b>Unsecured, considered good</b>				
Deposits	-	324,000	-	-
<i>Income Tax - net of provisions</i>	<b>709,982,816</b>		-	-
Income Tax AY 2005-06 (FY 2004-05)	-	110,115		
Income Tax AY 2008-09 (FY 2007-08)	-	7,800,568		
Income Tax AY 2009-10 (FY 2008-09)	-	12,296,298		
Income Tax AY 2010-11 (FY 2009-10)	-	15,222,918		
Income Tax AY 2011-12 (FY 2010-11)	-	2,199,294		
Income Tax AY 2012-13 (FY 2011-12)	-	12,643,840		
Income Tax AY 2013-14 (FY 2012-13)	-	-3,612,776		
Income Tax AY 2014-15 (FY 2013-14)	-	-11,024,504		
Income Tax AY 2015-16 (FY 2014-15)	-	128,504,728		
<i>Advance Fringe Benefit Tax (Net)</i>	-	-	-	-
Fringe Benefit Tax FY 2008-09	-	17,660		
Fringe Benefit Tax FY 2007-08	-	61,550		
<b>TOTAL</b>	<b>709,982,816</b>	164,543,691	-	-

**NOTE “11” : TRADE RECEIVABLES**
**(Amount in Rupees)**

Particulars	Non - Current		Current	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
<b>Unsecured, considered good</b>				
Outstanding for more than six months	-	-	<b>237,472,490</b>	-
Other Debts			<b>1,057,976,020</b>	956,818,321
Dues from Group Companies	-	-	<b>1,927,568,773</b>	1,462,346,271
<b>TOTAL</b>	-	-	<b>3,223,017,283</b>	2,419,164,592

Trade receivables represents the amounts due from the holding Company - Air India.

**NOTE “12” : CASH AND BANK BALANCES**
**(Amount in Rupees)**

Particulars	Non - Current		Current	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
<b>Cash and Cash Equivalents</b>				
i Cash Balance	-	-	<b>2,215</b>	13,029
ii Balance with Bank in Current Account	-	-	<b>316,931,869</b>	370,817,005
iii Balance with Bank in Term Deposit	-	-	<b>234,127,000</b>	80,000,000
<b>TOTAL</b>	-	-	<b>551,061,084</b>	450,830,034


**NOTE “13” : OTHER CURRENT ASSETS**
**(Amount in Rupees)**

Particulars	2015-16	2014-15
Advance against Salary	6,178,679	3,602,029
Prepaid Office expenses	14,636,052	1,106,776
Other Advances	142,123,955	3,349,614
<b>TOTAL</b>	<b>162,938,687</b>	<b>8,058,419</b>

**NOTE “14” : REVENUE FROM OPERATIONS (GROSS)**
**(Amount in Rupees)**

Particulars	2015-16		2014-15	
i. Revenue from Handling Services	2,898,312,350		2,516,608,420	
Revenue from Group Companies	3,055,362,621		3,114,498,484	
Revenue from 3rd Party Handling	36,422,599		1,035,220,772	
Security Handling Revenue	-		14,096,653	
Rev frm Govt Parties	70,693,770		3,955,233	
Rev Frm Casual Handling		6,060,791,339		6,684,379,563
<u>Less</u> : Revenue Sharing with Air India		611,072,524		622,899,697
		5,449,718,815		6,061,479,866
ii. APEDA Revenue		454,454,911		374,899,014
iii. Equipment Loaning		38,843,808		12,951,475
<b>TOTAL</b>		<b>5,943,017,535</b>		<b>6,449,330,355</b>

**NOTE “15” : OTHER INCOME**
**(Amount in Rupees)**

Particulars	2015-16	2014-15
Recruitment Application Money	1,163,208	5,438,260
Interest on tax refund	13,215	2,085,480
Interest on Call & FD	30,892,082	4,848,012
Foreign Exchange Loss / Gain	54,010,660	6,931,239
Other Income	339,823,771	1,488,640
<b>TOTAL</b>	<b>425,992,936</b>	<b>20,791,631</b>

**NOTE “16” : EMPLOYEE BENEFIT EXPENSES**
**(Amount in Rupees)**

Particulars	2015-16	2014-15
Salaries	3,231,987,798	3,665,711,343
Bonus	16,609,301	1,610,306
Contribution to ESI Scheme	5,937,070	148,031
Gratuity	337,895,369	271,056,197
Leave Encashment	125,054,359	132,235,681
PF Employer's contribution	158,125,468	97,729,719
Staff Welfare Expenses	179,928,949	244,797,183
<b>TOTAL</b>	<b>4,055,538,314</b>	<b>4,413,288,461</b>

**NOTE “17” : FINANCE COST****(Amount in Rupees)**

<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
Interest Payments		
<b>TOTAL</b>		

**NOTE “18” : DEPRECIATION AND AMORTISATION****(Amount in Rupees)**

<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
Depreciation	<b>179,336,158</b>	156,098,523
<b>TOTAL</b>	<b>179,336,158</b>	<b>156,098,523</b>

**NOTE “19” : OTHER EXPENSES****(Amount in Rupees)**

<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
Handling Charges	<b>480,646,930</b>	452,142,382
Establishment Support Charges	<b>1,310,259</b>	
Recruitment Expenses	<b>1,279,379</b>	549,957
Insurance	<b>6,803,875</b>	6,200,118
Postage & Courier Charges	<b>350,617</b>	303,440
Telephone Charges	<b>230,243</b>	280,104
Repairs & Maintenance - Building	<b>18,300</b>	566,496
Repairs & Maintenance - Others	<b>69,835,021</b>	84,355,811
Fuel & Oil	<b>133,975,073</b>	47,577,239
Electricity & Water Charges	<b>56,784,731</b>	25,923,409
Stores & Spares Consumption	<b>163,808,582</b>	126,165,134
Hire of Transport & Equipments	<b>78,186,231</b>	5,696,420
Printing & Stationary	<b>1,174,532</b>	379,985
Publicity & Sales Promotion	<b>140,258</b>	579,497
General Charges - SAP AMC Charges	<b>13,493,237</b>	20,988,969
General Charges - Others	<b>6,633,674</b>	34,316,626
Rent	<b>39,259,039</b>	10,590,268
Rates And Taxes	<b>12,133,569</b>	13,883,878
Travelling And Conveyance Expenses	<b>22,451,836</b>	10,971,402
Legal And Professional Expenses	<b>480,042</b>	290,066
Membership Fees	<b>14,922,157</b>	-
Bank Charges	<b>529,747</b>	308,409
Interest on Delayed Payment of TDS	<b>15,019</b>	73,860
Interest on Service Tax	<b>-</b>	724,295
Miscellaneous Expenses	<b>5,470,985</b>	140,687
<b>Remuneration To Statutory Auditor</b>		
- Audit fees	<b>300,000</b>	300,000
- Out of Pocket Expenses	<b>30,000</b>	-
<b>Total</b>	<b>1,110,263,335</b>	<b>843,308,452</b>

**NOTE “20” : Disclosure under AS-17 "Segment Reporting" notified under The Company Accounting Standard Rules 2006.**

The Company operates in a single reportable primary business segment viz: Airport Ground Handling Services and hence no disclosure under AS-17 “Segment Reporting” is made. The Company renders services only in India.

**NOTE “21” : EARNING PER SHARE****(Amount in Rupees)**

Particulars	2015-16	2014-15
Profit after tax	<b>1,014,078,865</b>	906,822,470
Weighted Average no. of shares outstanding (Nos.)	<b>138,424,200</b>	138,424,200
Nominal value of equity share (Rs.)	<b>10.00</b>	10.00
Earnings per share (Rs.) - Basic	<b>7.33</b>	18,136.45
Earnings per share (Rs.) - Diluted	<b>7.33</b>	6.55

**i Reconciliation of Weighted Average No. of Shares outstanding during the Year****(Amount in Rupees)**

Particulars	2015-16	2014-15
Total number of equity shares outstanding at the beginning of the year	<b>138,424,200</b>	50,000
Add: Issue of Shares through Right Issue (Date of Allotment 15th Dec 2011)	-	-
Total number of equity shares outstanding at the end of year	<b>138,424,200</b>	138,424,200
Weighted average number of equity shares at the end of the year	<b>138,424,200</b>	138,424,200

Previous Year's figures have been re-grouped / re-arranged to confirm to current year's classification

22. During the Financial Year 2015-16, the Company has allotted 138,374,200 Nos. of Equity Shares amounting to INR 13,873.42 Lakhs by converting the amount parked under Share Application Money pending Allotment.
23. The Company has a policy of physical verification of assets once in two years. No physical verification has been conducted during the current Financial Year.
24. As per the agreement entered into between Air India and the Company an amount of INR 6,110 Lakhs equivalent to 20% of revenue earned on account of ground handling (Previous Year INR 6,229 Lakhs) of 3<sup>rd</sup> party airlines has been shared.
25. The Company has raised invoices for the Engineering Services (Certification) to 3<sup>rd</sup> party airlines to the tune of INR 12.60 Lakhs and the same has been transferred to Air India Engineering Services Limited.
26. Air India has deputed on an average 2,300 employees to assist the Company in their business. An amount of INR 11,175.62 Lakhs has been debited by way of Salaries and allowances payable towards deputed employees during the year.
27. Air India has transferred the cost of stores and spares consumed during the year on account of Ground Handling Equipments. ***The inventory continues to be in the books of Air India and the same has not been transferred to the Company.***
28. During the year, Air India transferred revenue amounting to INR 3,047.30 Lakhs and expenditure to the tune of INR 23,173.64 Lakhs.



Ac Code	Account Description	Debit (INR in Lakhs)	Credit
3304001000	Ground Handling Revenu	317.64	-
3304003030	Misc. Rects-Scrap Sale	-	0.91
3304003125	Handling Revenue-CCX	-	1,243.23
3304003130	Warehouse Revenue-CCX	-	1,020.28
3304003135	Miscellaneous Rev-CCX	-	743.50
3304003145	Cartage Revenue-CCX	-	28.45
3304003225	Strapping & Packing Rev	-	10.93
4401001015	Salaries-Staff India	11,175.63	-
4401001020	Salaries-Casual Labour	2,150.00	-
4401004075	Staff Medical Expenses	56.23	-
4401004165	Other Staff Welfare Exp.	1,647.83	-
4402002100	Insurance Legal Liab Motor Transport	62.28	-
4402003000	Insurance Staff	0.15	-
4408001100	Handling Charges - Commercial	421.30	-
4408003000	Exp. Pax Baggage Claims	44.36	-
4412002000	Staff Travelling India	86.09	-
4412002001	Travel Exp.-Air Ticket Cost	25.52	-
4412002005	Staff Travel - India/Foreign	33.59	-
4412002025	Exp. Temp./Permanent Transport	2.11	-
4412002035	Hotel Exp. Staff On Duty	39.11	-
4417001000	Rates & Taxes	119.95	-
4417001010	Rent Premises	390.97	-
4417001400	GSD Spares Consumption	1,244.55	-
4417001405	MT Spares Consumption	361.74	-
4417001415	DIT Spare Consumption	2.35	-
4417001425	Repair & Maintenance Equipment-O	172.15	-
4417001440	Maintenance of Ramp Equipment	288.52	-
4417001445	Repair by O/s Party MT	3.51	-
4417001455	Hire/Lease of Equipment	18.30	-
4417001460	Maintenance of IT Equipment	48.23	-
4417001475	Hire Manpower Contract	3.18	-
4417001600	Hire of Transport	685.41	-
4417001800	Electricity Heating Charges	478.35	-
4417001850	Fuel Gas Coal Oil Consumption	765.02	-
4417001857	Fuel Oil Surface Transport	522.34	-
4417001900	Water Charges	89.50	-
4417004700	Comm Stores Consumption	9.04	-
4417004705	Non Stock Material Consumption	17.06	-
4417004720	Uniform Material Consumtpion	17.32	-
4417004820	Office Cleaning Expensive	13.06	-
4417004975	General Charges	148.65	-
4418001000	Prior Period Expenses	1,712.60	-
<b>Total</b>		<b>23,173.64</b>	<b>3,047.30</b>





The statutory dues such as Service Tax, VAT, TDS and Airport Royalties have not been transferred and the same have been complied by Air India.

There are certain transfer to account heads for which the Company does not have details such as names and / or nomenclature.

Account Code	Account Description	Amount
1109003175	Pax Cash Refunds - New	1,59,775
1109003700	Staff Ticket Ref Suspension	52,571
1109003765	STS Refund Suspension	23,040
2213009400	Revenue Cheques in H	58,248

29. During the year, an amount of INR 1,315.02 Lakhs has been recognized in the books on account of entitlement under SFIS 2015-16 (Previous Year INR Nil).
30. During the year, interest on outstanding receivable from Group Companies have been charged and recognized to the tune of INR 1,931.00 Lakhs (Previous Year INR 993.00 has been **reflected under Prior Year Revenue during FY 2015-16**)
31. Revenue shared by HAL AI JWG has been recognized during the year amount to INR 148.93 Lakhs (Previous Year INR 126.72 Lakhs has been **reflected under Prior Year Revenue during FY 2015-16**).
32. Security Revenue amounting to INR 7,676.18 Lakhs of which INR 7311.96 Lakhs (bills raised for the period April 2015 to December 2015) have been transferred to Air India. An amount of INR 364.22 Lakhs have been retained with the Company to meet re-charges, if any.

The statutory dues such as Service Tax, TDS and Airport Royalties have not been transferred and the same have been complied by the Company.

33. Salaries paid to Security Agents amounting to INR 5,972.44 Lakhs (including a mark-up of 10% as agreed) by the Company have been transferred to Air India during the Financial Year 2015-16.
34. Net amount of INR 252.61 Lakhs has been credited in the Profit & Loss Account for the year 2015-16, as detailed below –

<b>Prior Year Income</b>	
Handling Revenue	936.06
Share of Profit from HAL AI JWG	126.72
Interest from Subsidiary Companies	993.00
	<b>2,055.78</b>
<b>Prior Year Expenses</b>	
Expenses of 2014-15 debited to AIATSL by Air India	1,672.62
Foreign Exchange Loss / Gain	40.00
Bonus Payments 2013-14	90.55
	<b>1,803.17</b>
<b>Net Income</b>	<b>252.61</b>



**35. Loans & Advances (Long Term & Short Term), Other Assets (Current/Non- Current)**

TDS deducted at source by outside parties for which reconciliation with Income Tax data base (Form No. 26AS) as well as follow up for TDS certificates is in progress. Till such time these have been considered as good for recovery.

The company has sought the confirmation of balances for the receivables and payables. However, in most of the cases the parties have not responded.

Balances of receivables include certain items of unmatched credits /debits and these are stated as per the book balances pending proper matching and reconciliation. Consequent to the above, while compiling, the ageing of trade receivables, such unmatched credits are not netted against the debits outstanding and reconciliation of balances in the receivables accounts is in progress.

Reconciliation in respect of the following accounts are in progress. Necessary adjustments, if any, will be done in the year of completion of reconciliation.

Sr.No.	Ac Code	Account Description	Cl Balance
1	1110002395	Coop/CrSocietyDues	38,531,543.58
2	1110002485	Postal Life Ins.	192,436.95
3	1110002515	Unpaid Salaries & Wage	257,427.72
4	1110002540	Court Attachment	51,671.90
5	1110002545	Death Relief Fund	-100,871.09
6	1110002610	Recovery Union Dues	539,806.17
7	2212001632	IATA Recharge 2014-15	1,261,304.54
8	2212001633	IATA Recharge 2015-16	83,996,665.87
9	2214002170	Advances-Current Assets	2,001,723.50
10	2214002335	Charges Recoverable Gen	4,536,782.52
11	2214005055	TDS Cert Received	25,619,738.00
12	2214006545	Staff Advance-Travel	261,307.00
13	2214006560	Adv Salary Staff India	6,178,679.22
14	2214006575	Charges Recoverable Staff Gen	2,011,615.03
15	2214006580	Staff Claim Recoveries	-308,033.66

**36. Cash and Bank Balances**

The process of year end physical verification of cash in hand has been done by the authorized officials. The certificate of Cash Balance has been duly certified by the official concerned. Bank balances have been fully reconciled and confirmation from Bank obtained.

**37. Current Liabilities:**

- a) The Service Tax including Input credit to be availed and Tax Deducted at source (TDS), Refunds to be received in respect of Income Tax, Employee Provident Fund (EPF), Profession Tax and Airport Royalties are being reconciled to be in line with the Returns filed / statutory records. Necessary adjustments, if any, will be done in the year of completion of reconciliation.



- b) Reversal of CENVAT credit for non-taxable services is being accounted for and Input credit not eligible for availment is charged to revenue at the time of payment of relevant expense. The precise amount in this regard is being ascertained. Necessary adjustments will be done the year of completion of reconciliation.
- c) The company has an outstanding amount of Service Tax liability as on 31/03/2016 as per books of accounts amounting to INR 322.59 Lakhs (Previous Year: INR498.00 Lakhs), is under reconciliation.

The company has an outstanding amount of TDS liability as on 31.03.2016 amounting to INR232.17 Lakhs (Previous Year: INR130.71 Lakhs). TDS liability is recognized as and when bills are paid.

- d) Royalties recovered from clients and payable to Airport Authority of India, Delhi International Airport Limited, Mumbai Airport International Limited and Cochin International Airport Limited are under reconciliation. Financial impacts, if any, arising out of reconciliation will be dealt in the year of completion of reconciliation.
  - e) The bills raised by various vendors/ service providers are accounted /paid after the deductions made by various operations department concerned with such billing. These deductions are not confirmed by AAI / DIAL / MIAL / other vendors and as such the claims relating to these bills cannot be said to have extinguished. No Liability / Contingent Liability have been recognized in this respect in accounts since these are to be ascertained.
- 38.** During the year there were certain delays in payment of statutory dues such as Tax deducted at source and Service Tax. Interest on such delays has been provided for / paid.
- 39.** No provision or contingent liabilities have been made in respect of pending legal cases. Excess Ground Handling Revenue billed on various parties to the tune of INR 120.99Lakhs has not been provided for in the books of accounts, since rejections are accounted on receipt basis.
- 40.** Short billing on client airlines to the tune of INR 58.23 Lakhs has been identified and un-billed services have been recognized as revenue in the Financial Year 2015-16.
- 41.** Revenue Audit (Internal) for the FY 2015-16 is in progress and necessary accounting action, if any, will be taken once the Final Audit report is presented.
- 42.** During the year Eastern Region has billed security revenue of some client airlines under Ground Handling and the same could not be quantified. Hence the same has not been transferred to Air India
- 43.** During the year in some instances, Levies and / or Service Tax have not been charged. Necessary billing and accounting action will be taken on identification of the invoices.
- 44.** The Company charges Service Tax on Levies as directed by the Airport Authorities (AAI, DIAL, MIAL etc). The same is accounted along-with the levies.
- 45.** During the year, the re-charges by 3rd party airlines have been reconciled. There is balance of INR 852.57 Lakhs which needs to be re-charged to the parties concerned. Necessary billing action has been taken in Financial Year 2016-17.
- 46.** There are instances of Ground Handling and Security Contracts with 3rd parties that have expired and not been renewed. However services are continued to be provided and the parties are honoring the invoices based on the SGH agreement. Efforts are on to get the novated agreements duly signed by the Client Airlines.

**47. Reconciliation of Group Company Accounts**

Reconciliation / confirmation of subsidiary accounts including intermediary / transitory accounts, receivable / payable accounts, revenue / inventory / other accounting modules, bank balances, and other assets and liabilities / income and expenditures have been completed.

The process of identification of unmatched items and accounts is in progress. Impact, if any, of consequential adjustment arising out of reconciliation on Financial Statements will be dealt with in the year of completion of reconciliation.

**48.** During the Financial Year 2015-16, the Company has rendered handling services to Group Companies (Air India, Air India Express and Alliance Air). The bills have been prepared based on the data shared by IOCC and the individual Handling Forms have not been annexed as is the case with 3rd party handling.

**49.** There are no related parties as required to be disclosed by Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India.

**50. Employee Benefits****(A) General description of Defined Benefit Plan**

Gratuity is payable to all eligible employees of the Company on superannuation, death, or permanent disablement, in terms of the provisions of the Payment of Gratuity Act.

Actuarial Valuation of Gratuity, Privilege Leave and Sick Leave has been done at the year-end (as 31<sup>st</sup> March 2016).

This provision does not include provision for expenses on Medical Benefits.

**(B) Defined Contribution Plan**

The Parent Company has an Employees Provident Fund Trusts under the Provident Fund Act 1925, which governs the Provident Fund Plans for eligible employees. The Company as well as the employees contributes 10% of the PF Pay to the Fund out of which Provident Fund is paid to the employees.

**51. Deferred Tax Assets**

The Deferred Tax Asset is therefore recognized only to the extent of Deferred Tax Liability as shown below:

(INR in Lakhs)

Particulars	Balance as on 31.03.2015	DTA/DTL Recognized in 2015-16	Total DTA as on 31.03.2016
<b>(A) Deferred Tax Liability</b>			
(i) Related to Fixed Assets	1,137.95	13.29	1,151.24
<b>Sub-Total (A)</b>			
<b>(B) Deferred Tax Asset</b>			
(i) Unabsorbed Depreciation			
(ii) Business Loss			
<b>Sub-Total (B)</b>			
<b>Deferred Tax/(Liability) (Net)</b>	<b>1,137.95</b>	<b>13.29</b>	<b>1,151.24</b>

**52. Corporate Compliance**

As per Companies Act 2013, Sec 149(4), the Company has not appointed independent director. Consequently, the Audit Committee has no independent director. There is no remuneration committee under Sec 177(2) and Sec 178 respectively.

Corporate Social Responsibility committee has been formed by the Company during 2016-17. An amount of Rs. 37.82 Lakhs has been spent during the Financial Year 2015-16.

During the Financial Year 2015-16, Board meetings held on 26<sup>th</sup> Feb 2015 and 1<sup>st</sup> July 2015 were after a gap of more than 120 days.

**53. Remuneration to Auditors**

The details of the audit fees and expenses of the Auditors:-

(Rupees in Lakhs)

Particulars	2015-16	2014-15
Audit Fees - For the Year	3.00	3.00
Out of Pocket Expenses*		0.30
<b>Total</b>	<b>3.00</b>	<b>3.30</b>

\*Accounted on Payment Basis

As Per Our Report Of Even Date Attached

For and on behalf of  
**Jain & Jain**  
Chartered Accountants  
FRN : 103869W

Sd/-  
**Ajay Jain**  
Partner  
M.No. 110372

For and on behalf of the Board  
Sd/-  
**Shri Ashwani Lohani**  
Chairman

Sd/-  
**Shri Sanjiv Dua**  
Chief of Finance

Sd/-  
**Shri Vinod Hejmedi**  
Director

Sd/-  
**Capt. A.K.Sharma**  
Chief Executive Officer

Sd/-  
**Smt. Poonam Bharwani**  
Company Secretary

Place: Mumbai  
Date : 8 February 2017