



# **AIR INDIA AIR TRANSPORT SERVICES LIMITED**

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**BOARD OF DIRECTORS (AS ON 07 December 2017)**

Shri Rajiv Bansal Chairman

Shri Vinod Hejmadi

Ms Gargi Kaul

Shri Satyendra Kumar Mishra

**Chief Executive Officer**

Capt A K Sharma

**Company Secretary**

Smt Poonam Bharwani

**Auditors**

M/s Jain & Jain  
Chartered Accountants, Mumbai

**Bankers**

HDFC Bank Limited

**Registered Office**

Airlines House  
113 Gurudwara Rakabganj Road  
New Delhi 110 001



## **CHAIRMAN'S SPEECH**

### **Dear Shareholders**

It gives me great pleasure to present to you the 14<sup>th</sup> Annual Report of the Company for the year 2016-17. 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 Company was operationalised in February 2013 and since 2014-15, the first year of stand-alone operationalisation, the Company has earned a net profit. During 2016-17 also, AIATSL has earned profit before tax of Rs.61,66,50,805/-. This is a very positive and encouraging trend.

The Government of India announced National Civil Aviation Policy in June 2016 and it was 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. This is the first time that India has had a single document vision for the aviation sector and that is a welcome development.

### **PERFORMANCE OF THE COMPANY**

During 2016-17, total revenue of the Company was Rs.624,52,88,699/- as against total revenue of Rs.636,90,10,471/- during 2015-16. The total expenses were Rs.552,43,46,564/- as against Rs.534,51,37,808/- during 2015-16. After adjusting Exceptional and Extraordinary Items, profit before tax during the year ended 31 March 2017 was Rs.61,66,50,805/- as against Rs.104,77,50,106/- during 2015-16.

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

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 an amount of Rs.75 lakhs was deposited in Prime Minister's National Relief Programme on 31 March 2017. Further, considering the profitability of the Company, an amount of Rs.1,39,99,952/- was required to be spent during 2016-17. It has been decided to spend the said amount for rural development by March 2018. A detailed report on the CSR activities forms part of the Directors' Report and is annexed at Annexure-I.

### **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.

**Pradeep Singh Kharola**



## **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 service 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 Fourteenth 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 2017.

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

Particulars	2016-17	2015-16
Total Revenue	<b>62452.88</b>	63690.10
Total Expenses	<b>55243.46</b>	53451.37
<b>Profit(Loss) before Extraordinary Items and Tax</b>	<b>7209.42</b>	10238.72
Prior Period Tax Adjustments	<b>1042.91</b>	(252.61)
<b>Profit(Loss) before Tax</b>	<b>6166.50</b>	10477.50
Current Tax	<b>1925.00</b>	350.00
Deferred Tax Asset	<b>898.35</b>	(13.28)
<b>Net Profit(Loss) after Tax</b>	<b>3343.15</b>	10140.78

During 2016-17, total revenue of the Company was Rs.624,52,88,699/- as against total revenue of Rs.636,90,10,471/- during 2015-16. The total expenses were Rs.552,43,46,564/- as against Rs.534,51,37,808/- during 2015-16. After adjusting Exceptional and Extraordinary Items, profit before tax during the year ended 31 March 2017 was Rs.61,66,50,805/- as against Rs.104,77,50,106/- during 2015-16.

**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**

There was no change in the Authorised and Paid-up Share Capital of the Company.

**STAFF STRENGTH**

Based on the requirements 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 2017 is given below:



Terminal Manager/Airport Manager/Duty Manager/Duty Officer	11
Manager-Finance	4
Asst. Controller	171
Junior Executive Technical	40
Jr Executive-Pax Handling	46
Sr. Customer Agent	67
Customer Agent	1991
Junior Customer Agent	424
Senior Ramp Service Agent	106
Ramp Service Agent	513
Utility Agent cum Ramp Driver	397
Security Agent	1164
Senior Security Agent	851
Handyman	1414
Utility Service Agent	43
(absorbed as per MoU)	-----
<b>Total</b>	<b>7242</b>
	=====

The number of employees deputed and transferred from Air India to AIATSL as on 31 March 2017 were 1003 and 1791, respectively.

#### 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 2017

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
7242	1488	20.55	330	4.56	1581	21.83

#### ACTIVITIES OF AIATSL

As per MOCA's direction that outsourcing will not be permitted at airports due security reasons effective 31 December 2016, AIATSL takes pride in implementing Government's decision at all the 70 Airports in India where Ground Handling Services are provided by AIATSL. There is NIL outsourcing of manpower as of date in AIATSL.

#### 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 2016-17.

### **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. 8 Assistant Public Information Officers (APIOs), 5 Public Information Officers (PIOs) and an Appellate Authority have been appointed for speedy disposal of applications / appeals.

During 2016-17, 40 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.33,43,15,548/- for the year 2016-17 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 2017 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 2016-17 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	23 May 2016	4	4
2	14 September 2016	4	2
3	8 February 2017	4	3
4	16 March 2017	4	4

## 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 2017 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 2016-17 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 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 2016-17. The Secretarial Audit Report for the Financial Year ended 31 March 2017 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 14 September 2016 and 8 February 2017 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 financial year 2016-17, the Cost Audit Report has been filed with the Ministry of Corporate Affairs on 18 May 2017. This Cost Audit Report pertains to the year 2015-16 and the Cost Auditors were M/s Meena Gupta & Associates, Cost Accountants, Mumbai. The same Cost Auditors have been appointed for the Financial Year 2016-17.

## **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 Absorbtion**

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 3,58,89,319.2

Outgo                USD 35,79,974.0



## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has constituted Corporate Social Responsibility (CSR) Committee as under, in compliance with the provisions of Section 135 of the Companies Act, 2013, the Rules made thereunder and the guidelines formulated by the Department of Public Enterprises :

Shri Ashwani Lohani	Chairman
Ms Gargi Kaul	Member
Shri S K Mishra	Member
Shri V Hejmadi	Member

Shri Rajiv Bansal has been appointed Chairman of the Company with effect from 23 August 2017 *vice* Shri Ashwani Lohani and accordingly, Shri Bansal replaced Shri Lohani on the CSR Committee effective that date.

The Board in its Meeting held on 23 May 2016 approved the CSR Policy and the expenditure of Rs.1,39,99,952/- towards CSR activities during the financial year 2016-17. It has been decided to spend the said amount on activities related to rural development. Necessary action in this direction has been initiated and it is expected that the amount would be spent by March 2018.

Some of the projects of the last year would be continued and other new projects are under consideration.

## 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 by the Parent Company 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 2016-17, 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 B S Bhullar	Nominee Director (MOCA)	01.01.2015	02.02.2017	Nomination not extended by MOCA
2	Shri S K Mishra	Nominee Director (MOCA)	02.02.2017		

## 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 62<sup>nd</sup> Meeting held on 15 September 2017 to enter into contracts / arrangements with Air India Limited and its subsidiary companies (Government Companies) for an estimated amount of approximately Rs.400 Crores during 2017-18.

## 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 2017 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**

**(PRADEEP SINGH KHAROLA)**  
Chairman

Place : New Delhi  
Date : 13 December 2017



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### 1. ANALYSIS OF FINANCIAL PERFORMANCE

#### Revenue

- ❖ Total revenue earned during the year was Rs.624,52,88,699/- as against Rs.636,90,10,471/- during 2015-16.

#### Expenditure

- ❖ The total expenditure incurred during the year was Rs.552,43,46,564/- as compared to the previous year's figure of Rs. 534,51,37,808/-.

### 2. FUTURE OUTLOOK

AIATSL, a wholly owned subsidiary of Air India Limited was operationalised on 1 February 2013 and started its independent operations effective April 2014. Presently, it provides ground handling services at 68 Airports in India. Apart from handling the flights of Air India and its Subsidiary Companies, ground handling is also provided to 33 Foreign Scheduled Airlines, 3 Domestic Scheduled Airlines, 4 Regional Airlines, 12 Seasonal Charter Airlines, 23 Foreign Airlines availing Perishable Cargo handling. Ground Handling was provided for 96526 flights (Air India and Subsidiaries) and 33501 flights of scheduled and non-scheduled customer airlines during 2016-17.

Further, AIATSL was considered favourably as Service Provider at the Greenfield Kannur Airport in Kerala expected to be operationalised effective January 2018 whereby Revenue of AIATSL will get a boost.

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, Indian airlines could place orders for 250-300 aircraft in the next 3-6 months. 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.33,43,15,548/- during 2016-17.

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 that Indian airlines could place orders for 250-300 aircraft in the next 3-6 months. This would lead to considerable growth in ground handling and ancillary activities.

CAPA also estimates that 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 2017 was 7242. The number of employees deputed and transferred from Air India to AIATSL were 1003 and 1791, 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 2017

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

Government Nominee Director

Shri Satyendra Kumar Mishra  
Joint Secretary,  
Ministry of Civil Aviation

Government Nominee Director

Shri Balwinder Singh Bhullar, Jt Secretary, Ministry of Civil Aviation ceased to be Director on the Board of the Company with effect from 2 February 2017.

Shri Ashwani Lohani ceased to be Chairman of the Company with effect from 23 August 2017 and Shri Rajiv Bansal, AS&FA, Ministry of Petroleum & Natural Gas was appointed Chairman effective that date.

The Board places on record its appreciation of the valuable services rendered by Shri Ashwani Lohani as Chairman and Shri Balwinder Singh Bhullar as Director 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 :

23 May 2016 (57<sup>th</sup> Meeting)  
14 September 2016 (58<sup>th</sup> Meeting)  
8 February 2017 (59<sup>th</sup> Meeting)  
16 March 2017 (60<sup>th</sup> Meeting)



Particulars of Directors including their attendance at the Board / Shareholders' Meetings during the financial year 2016-17:

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 Ashwani Lohani Chairman	Mechanical Engineer & Fellow of Chartered Institute of Logistic & Transport	4	<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 Audit Committee-AIESL Audit Committee-AASL <u>Member</u> Corporate Social Responsibility and Sustainability Committee, AIL Nomination & Remuneration Committee, AIL Audit Committee – HCI Audit Committee – AIXL Corporate Social Responsibility Committee-AIATSL Audit Committee-AIATSL
Ms Gargi Kaul Jt Secretary & Financial Advisor, Ministry of Civil Aviation	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-AIATSL Audit Committee - AIESL Audit Committee-HCI
Shri Balwinder Singh Bhullar Jt Secretary, Ministry of Civil Aviation (upto 2 February 2017)	Post Graduation in Business Administration	1	<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 Audit Committee-AIESL Audit Committee-HCI



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 Vinod Hejmadi	B.Com., ACA	3	<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-HCI Audit Committee-AIXL Audit Committee-AIESL Audit Committee-AASL
Shri Satyendra Kumar Mishra, Jt Secretary, Ministry of Civil Aviation (effective 2 February 2017)	M.Tech. (Applied Geology), MA (Public Policy)	1	<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 Audit Committee-AIESL Audit Committee-HCI

## 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 2017, the following were the Members of the Audit Committee :

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

Chairman  
Member  
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>
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
13 <sup>th</sup>	21 December 2016 at 1230hrs	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>
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	NIL
13 <sup>th</sup>	21 December 2016 at 1230hrs	NIL



## CODE OF CONDUCT

### DECLARATION

I hereby declare that all the Board Members & Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors for the year ended 31 March 2017.

**(Pradeep Singh Kharola)**  
Chairman  
Air India Air Transport Services Limited

Place : Delhi

Date : 13 December 2017

**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 2016-17****1 A brief outline of the Company's CSR Policy including overview of projects or programmes proposed to be undertaken and a reference to the weblink to the CSR Policy and projects or programmes**

- The Board of Directors of the Company have adopted a CSR Policy, which includes implementation of CSR activities in the areas of Education, Skill Development, Women Empowerment, Environment, Rural Development, Child and Women Health, etc. The Company's Policy is to focus on making positive contribution to the society through high impact, sustainable programmes. At least 60% of the CSR budget would be allocated for CSR activities in a project mode. The Company will implement CSR activities to empower weaker, less privileged and marginalised sections of the society to create social capital.
- The CSR focus area projects / programmes / activities are inspired by the National Development Policies and would cover various areas as detailed in the CSR Policy. These activities could be undertaken in the proximity of the Company's operation area, BRGF districts as identified by Planning Commission and where there was a strategic connect for the Company.
- The CSR projects / programmes / activities would be implemented through implementing partners / specialised agencies, the selection of whom would be based on the laid down criteria.

**2 The Composition of the CSR Committee**

We have a Board Committee (CSR Committee) that inter alia formulates the CSR Policy, recommends CSR Budget for approval of the Board, approves CSR projects with a monetary value of Rs.50 lakhs and above and monitor CSR Policy to ensure that the CSR objectives are met. The CSR Committee comprises of

Shri Rajiv Bansal	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.70,22,47,583/- (Rupees Seventy Crores Twenty Two Lakhs Forty Seven Thousand Five Hundred & Eighty Three Only)

**4 Prescribed CSR Expenditure (Two Per Cent of the amount as in Item 3 above)**

Rs.1,40,44,952/- (Rupees One Crore Forty Lakhs Forty Four Thousand Nine Hundred & Fifty Two Only). However, during 2015-16, an amount of Rs.72,00,000/- (Rupees Seventy Two Lakhs Only) was required



to be spent during 2015-16 but as approved by the Board, an amount of Rs.75,00,000/- (Rupees Seventy Five Lakhs Only) was deposited in the Prime Minister's National Relief Fund during 2016-17. Accordingly, during 2016-17, it was proposed to spend Rs. 1,39,99,952/- (Rupees One Crore Thirty Nine Lakhs Ninety Nine Thousand Nine Hundred & Fifty Two Only).

**5 Details of CSR spent during the Financial Year**

**(a) Total amount to be spend for the Financial Year**

Rs.1,39,99,952/- (Rupees One Crore Thirty Nine Lakhs Ninety Nine Thousand Nine Hundred & Fifty Two Only)

**(b) Amount unspent, if any**

Rs.1,39,99,952/- (Rupees One Crore Thirty Nine Lakhs Ninety Nine Thousand Nine Hundred & Fifty Two 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.1,39,99,952/- on CSR activities during Financial Year 2016-17. A Meeting was held on 8 August 2017 in the Office of Dr Kaushal Kumar Sharma, Professor, Jawaharlal Nehru University, wherein it was decided to identify a village, preferably with tribal population so that CSR activities like women empowerment, child education, women and child healthcare facilities could be undertaken for overall development of the village. It is expected that the said project will be initiated before March 2018.

**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/-  
Pradeep Singh Kharola  
Chairman of CSR Committee**

**Sd/-  
Ashvini Sharma  
Chief Executive Officer**

**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 Programme</b>	<b>Amount Outlay (Budget)</b>	<b>Amount spent on the Projects or Programmes</b>
(1)	(2)	(3)	(4)	(5)	(6)

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

1	Women empowerment, child education, women and child healthcare facilities for overall development of the village	Rural Development	Delhi	Rs.1,39,99,952/-	0
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**(ii) Overhead****For Air India Air Transport Services Limited**

**Sd/-**  
**Pradeep Singh Kharola**  
**Chairman of CSR Committee**

**Sd/-**  
**Ashvini Sharma**  
**Chief Executive Officer**



**Annexure to Directors' Report for the year 2016-17  
FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN**

**As on financial year ended on 31.03.2017**

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 01-04-2016]				No. of Shares held at the end of the year [As on 31-03-2017]				% 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.	-	138424200	138424200	100		138424200	138424200	100	
e) Banks / FI									
f) Any other									
Total shareholding of Promoter (A)		138424200	138424200	100	-	138424200	138424200	100	
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 01-04-2016]				No. of Shares held at the end of the year [As on 31-03-2017]				% 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)		138424200	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 / encumbered to total shares	
1	Air India Limited	138424200	100	NIL	138424200	100	NIL	

**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	138424200	100	138424200	100
	<b>At the end of the year</b>				
	Air India Limited	138424200	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

**FORM NO. MR.3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

[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, 2017 ('**Audit Period**') complied with the statutory provisions listed hereunder 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, 2017 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, 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 (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.

I further report that, based on the information provided and the representation made by the Company, in my opinion, adequate systems and processes exist in the Company to monitor and ensure compliance with provisions of applicable general laws including like labour laws.

I further report that, the compliance by the Company of applicable financial laws like direct and indirect tax laws and maintenance of financial records and books of accounts has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated 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.
- (ii) Equity Listing Agreement and Debt Listing Agreement entered with National Stock Exchange of India Limited and BSE Limited and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 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 14<sup>th</sup> September, 2016 and 8<sup>th</sup> February, 2017 was more than 120 days which is in violation of Section 173(1) of the Companies Act, 2013.*

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.

Sd/-  
Husain Y. Wagh  
Practicing Company Secretary  
(ICSI Unique Code S2013MH227200)

ACS No: 32996  
Certificate of Practice No-12153

Mumbai  
13 December 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. Wherever 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.

Sd/-  
Husain Y. Wagh  
Practicing Company Secretary  
(ICSI Unique Code S2013MH227200)  
ACS No: 32996  
Certificate of Practice No-12153

Mumbai  
13 December 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 2017**

The preparation of financial statements of **Air India Air Transport Services Ltd.** for the year ended 31 March 2017 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 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 13 December 2017.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of Air India Air Transport Services Ltd. for the year ended 31 March 2017. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

**For and on 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 : 09 February 2018



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

To,  
**The Members of  
Air India Air Transport Services Ltd. (AIATSL)**

**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, 2017, 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 audit opinion on the standalone financial statements.

**Audit Opinion**

In our opinion and to the best of our information and according to the explanations given to us, 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, 2017;
- (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 36 to the financial statement, at Cochin Station, CIAL is the authority for charging the levy and an agreement is executed with the airlines where in the rates are inclusive of levy. In some cases, levy is wrongly debited resulting in excess revenue booking.
- 2. Note - 35 to the financial statement, there are certain un-reconciled entries pertaining to the earlier period between Parent and Group Companies which needs to be reconciled, financial impact of the same needs to be ascertained.
- 3. Note – 37 to the financial statement, in some cases Service Tax and /or Levies were not charged. Further, different type of accounting practices were followed where in some cases Service Tax, Swatch Bharat Cess (SBC), Krishi Kalyan Cess (KKC) on levies is accounted along with levies where as in other cases SBC and /or KKC on levies is accounted along with Service Tax, etc.
- 4. Note - 32 to the financial statement, the Company has debited to AIL towards Salary of Security agents of INR 88.17 Crores which comprises of actual salary plus 10% mark up. No Service Tax has been charged on the same.

Our opinion is not qualified in respect of above matters.

**Other Matters**

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

- 1. In some of the cases of invoices raised, no supporting were made available to us such as APEDA, Non IATA invoices.
- 2. MBS and SAP Revenue reconciliation w.r.t. to Non IATA revenue has not been done.

**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, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) 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) 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) Section 164 (2) of the Companies Act, 2013, Disqualification of directors is not applicable to the Government Company.
- f) 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**”.
- g) 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 41 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.
  - iv. The Company has provided requisite disclosures in the financial statements as regards to its holding and dealings in Specified Bank Notes as defined in MCA notification G.S.R. 308(E) dated 30th March, 2017, during the period from 08/11/2016 to 30/12/2016.
- h) 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

CAAjay\_B Jain  
(Partner)  
M. No.110372

Place: Delhi  
Date: 13th Dec 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, 2017.

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 per Company's policy, Physical Verification of Assets is to be done on a rotational basis so that every asset is verified in every two years. Management has not physically verified the fixed assets from last 3 years. However during the financial year 2017-18, an external chartered accountant firm has been appointed to conduct the physical verification.***  
  
(c) Company is not holding any immovable property hence clause is not applicable.
2. The inventory continues in the books of Air India Ltd. (Holding Company) 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 3 (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 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. The Company has appointed the Cost Auditor but the cost records are yet to be provided.***
7. (a) According to the records of the company, undisputed statutory dues including Provident 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. ***Since Books does not matches with Returns filed, the dues outstanding for more than six months from the date they became payable are unable to detect.***  
  
(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. 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. Since section 188 is not applicable to Government Company hence this clause is not applicable.
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

CAAjay\_B Jain  
(Partner)  
M. No.110372

Place: Delhi  
Date: 13th Dec 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, 2017 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 judgment, 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 me / us and based on my / our audit, the following material weaknesses have been identified as at March 31, 2017:

1. Company does not have an Automated Control for Attendance and payroll, in spite of the large employee strength. The time office functions such as attendance, leave, over time, etc. which should be controlled by HR are being managed by the Finance which is a major risk as this may lead to short / excess payments and fraudulent payments to non-existent employees. The financial signing powers up to limit of 5 crores are available with the HR personnel. And the same grade of HR personnel has more Banking powers than the person holding the same position in the Finance Department.
2. As per the Board Resolution of 43<sup>rd</sup> Meeting held on 11<sup>th</sup> February, 2013, any two of the six senior executives have unlimited financial powers including Banking powers on joint basis. Further, they can also delegate unlimited Banking powers to the officials nominated by them irrespective of their designation. The Bank account operation is on joint basis but requiring only one of the signatory to have the requisite Banking powers, and the other signatory need not have Banking power for the transaction amount. For instance, a signatory having 10 lakhs signing limit can sign jointly with the other signatory having 1 crore limit. This is inappropriate, as in our view the Banking powers or limits should be defined at each levels with reference to each class of bank account (Collection account and expense account). This is high Risk area.
3. The delegation of banking powers are not reviewed by the company since year 2013. In most of the cases, the company has not revoked the Banking powers of officials who have got separated from the company.
4. In case of Material Banking transactions following three critical functions are not segregated: -
  - i. Approval of Transactions,
  - ii. Accounting in SAP / MBS and
  - iii. Custody of Assets (e.g. Issue of cheques, Banking passwords, Bank Authority letter, Keys of lockers, etc.)
5. The Company does not have an appropriate internal financial control system over financial reporting since the internal controls adopted by the Company did not adequately consider risk assessment, which is



one of the essential components of internal control, with regard to the potential for fraud when performing risk assessment. Further the adequacy and operating effectiveness of Internal Financial Controls over Financial Reporting and essential components of internal controls are not adequately considered, controlled and managed in the internal financial controls established by the company.

**6. List of other deficiencies identified are as under: -**

1. The company does not have independent Standard Operating Procedures for its Departments / Processes.
2. The company has appointed the Independent External Firm of Chartered Accountants as an Internal Auditor. The audit is in progress and the report is awaited.
3. The company does not have an appropriate process for obtaining confirmation of balances and reconciliation of Receivables and Payables on a periodic basis.
4. In some cases the Direct Payment entries are passed instead of routing through the Party / Vendor Ledger. TDS should be deducted on booking or payment, whichever is earlier. The Company does not have an appropriate mechanism for deduction, deposit and reconciliation of statutory dues including Service Tax, TDS, PF, etc. for ensuring compliance. The relevant Controls are inadequate and the consequent impact cannot be ascertained.
5. There is a time gap between the services provided and invoices raised. Revenue from Handling Services is recognized on rendering of services and in certain cases it is not as per the terms of relevant agreement. Instances of Excess and Short Revenue booking were identified. It shows the material weakness exist in the process of Raising the Invoices.
6. 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 transactions and reports from the IT systems. The working files and folders are not stored on a centralized or common drive which leads to difficulty in backup. The SAP, MBS and Email data is maintained at Air India Servers and backed up by Air India. The IT controls needs to be strengthened.
7. The company could not provide the relevant supporting documents evidencing the letter / resolution submitted to the Bank for all the Accounts, with reference to the change in the Banking powers. Further, the list of current signatories active with the Bank for all the accounts along with the limit and mode of operation has also not being provided to us.
8. The Bank Reconciliation of the company is not carried at regular intervals.
9. The Company has not defined and documented the Job Description duties and responsibilities for its Employees / Contract staff, etc.
10. While passing the accounting entries, uniformity of Document Code is not maintained for similar types of transactions. Due to this, the controls cannot established for identification and scrutiny.
11. The Company and regions are following different practices for invoicing. The invoices are raised through MBS system, SAP as well as Manual mode. Overall invoicing system needs strong Automated Controls. The MBS billing software is linked with SAP and all the invoices are posted from MBS to SAP. The time period of synchronization with SAP is on daily basis however, the approval for





authorizing the transaction is delayed. The edit in MBS is possible but not in SAP. It is only possible to reverse the transaction in SAP. The reconciliation of entries in MBS with SAP is done partially.

12. We were informed that with the existing human resources, the company could not complete the accounting function in timely manner. Further, the existing staff has to be provided appropriate training to perform their assigned duties.
13. 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 airlines. This non-renewal may have legal connotations for AIATSL in the long run.
14. Accounting is being done in SAP by the company but the concept of maker and checker is not being followed. The same person has access to both the sets of Books; i.e. AIATSL and Air India. This leads to un-identification of the user in case of error or Fraud.
15. Fixed Assets register is maintained in SAP. Majority of assets have been transferred from Air India Limited (AIL). Physical Verification and identification of assets was not conducted at the time of transfer from AIL. During the Financial Year 2017-18, the company has appointed an external CA Firm for carrying on the activity of physical verification and reconciliation.
16. Whistle Blower policy is adopted by the company from the parent company but the same has not been minutized.

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, 2017, 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

CAAjay\_B Jain  
(Partner)  
M. No.110372

Place: Delhi  
Date: 13th Dec 2017



**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."

**The company has been selected for Disinvestment, in view of the NITI Aayog recommendations on the Disinvestment of Air India Ltd and followed by the recommendations of the Core Group of Secretaries on Disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) has given an 'In-Principle' approval for considering the strategic Disinvestment of Air India Ltd, five of its Subsidiaries (which includes AIATSL) and a Joint Venture in its meeting held on 28<sup>th</sup> June 2017.**

**CCEA has also approved the constitution of an Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment. As of date, Transaction Advisor, Legal Advisor and Asset Valuer have been appointed to carry forward the process of 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.**

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 27 pending legal/ arbitration cases. Details of the cases are attached in Table A.**

For Jain & Jain  
Chartered Accountants  
FRN:103869W

CAAjay\_B Jain  
(Partner)  
M. No.110372

Place: Mumbai  
Date: 13th Dec 2017


**TABLE A**

Sr. No.	Name of Case / Parties	Subject Matter	Court / Quasi Judicial Authority e.g. SC / HC / NCDRC / State Commn/ District Forum / Tribunal etc.	Current Status	Region
1	WP 4295 of 2015 Quashing of Atrocity Case- CEO,ED-P,GM-GH,NR and GM-GH, WR	Against the cancellation of FIR filed by Mr. Dhoke the then Sr. AGM – GS	Bombay High Court	The High Court vide Interim Order dated 07.03.2016 has directed "No coherise step shall be taken against Petitioners in respect of FIRs. Investigation report to be submitted by Police Authorities within two weeks" - Matter adjourned for hearing at a later date. Interim order prevails.	Western
2	WP 4772 of 2015 Quashing of Atrocity Case- by Mr. K. R.Suresh the then GM- GH & Others	Against the cancellation of FIR filed by Mr. M.D.Mokal	Bombay High Court		
3	Mr. S. G Ghawali Utility Service Agent	For Payment of gratuity	Gratuity matter before Controlling Authority undr P/G Act, 1972	Adjourned for arguments.	Western
4	Ref. CGIT - 2 of 11 2007 Hemangi Prabhu & others Vs AIATSL	The reference relates to the demand of the workmen to make them permanent in the services of Air India / AICL etc. from the date of their initial appointment with full back wages and all consequential benefits as paid to the permenent employees of Air India.	Industrial Court Mumbai	The reference is reserved for award.	Western
5	Ref. CGIT - 2 of 12 of 2016 Mr. M.L. Shetty, Sr. Ch AEO	The workmen is challenging removal order dated 05.10.2016 with full back wages.	Industrial Court Mumbai	Written statement filed by the Management on 11.05.2017. The matter is adjourned to later date for filing rejoinder by the workman.	Western
6	Ref. CGIT - 2 of 13 of 2016 Mr. S.K. Katkar, Officer - Planning	The workmen is challenging his removal order dated 01.03.2016 and demanding continuity his	Industrial Court Mumbai	The workman has filed an application regarding correction of technical type mistake in the title in respect of statement of claim, for which	Western



Sr. No.	Name of Case / Parties	Subject Matter	Court / Quasi Judicial Authority e.g. SC / HC / NCDRC / State Commn/ District Forum / Tribunal etc.	Current Status	Region
		services with full back wages.		Management has filed the SAY opposing the application. The matter is reserved for orders.	
7	Ref. CGIT-1 of 2007 Bahujan kamgar Union	Regularisation of services of Causal Loders.	Industrial Court Mumbai	The matter stands adjourned to later date for agrument	Western
8	WP 29563/2012 D.Sounder Raj vs AIL	Arising out of the disciplinary proceedings, Mr.D.Sounder Raj, St.No.21651 was awarded the punishment of reduction to a lower post. Against this he filed a WP 29563/2012 and the High Court of Madras disposed off the matter with a direction to modify the order within two weeks with a liberty to the petitioner to prefer an appeal provided under Clause 24 of the Certified Standing Orders before the Appellate Authroity. A modified order vide letter No.GSD/GH/06-01/2/46 dated 31 Aug 2012 against which Mr.D.Sounder Raj filed a WP 29563/2012 calling for the records passed by RM-GS and quash the same and confer all consequential benefits	High Court, Chennai.	Pending for hearing.	Southern
9	WP No:14022/2017 D Sounderaj vs	The employee was awarded the punishment of	High Court, Chennai.	Pending for hearing.	Southern



Sr. No.	Name of Case / Parties	Subject Matter	Court / Quasi Judicial Authority e.g. SC / HC / NCDRC / State Commn/ District Forum / Tribunal etc.	Current Status	Region
	1.CMD 2.Manager-GS 3.RM-GS	"dismissed without retirement benefits in full" vide order dated 29.04.2017. The Petitioner has called for the records pertaining to the said order and quas the same, and direct the Respondents to confer all consequential benefit to the Petitioner.			
10	Case.No 269 / 2017 Kerala Police Official M/s.Khullar Hospitality and AIATSL	PF & ESIC Matter	CJM Court, Manjeri, Malappuram	Investigation is going on	Southern
11	WPC 15734 of 2011/ -CS Ravindran & 9 others v. Union of India & Ors	Claim for regularisation/ absorption into service and same benefits.	High Court,Cochin.	Counter Affidavit is filed by Management. Pending for hearing.	Southern
12	WPC 23157 of 2011 - KG Suresh Kumar & Ors. v. Union of India & Ors.,	Allegation that some in the same situation as the Petitioners were absorbed. Prayer for regularisation/ absorption into service and same benefits.	High Court,Cochin.	Counter Affidavit is filed by Management. Pending for hearing.	Southern
13	WPC 27989 of 2011 - Narayana Radhakrishna Pillai & 109 others v. Union of India & Ors.,	Claim for regularisation/ absorption into service and same benefits.	High Court,Cochin.	Counter Affidavit is filed by Management. Pending for hearing.	Southern
14	WPC 15186 of 2012 -Binesh Thalappilly & Ors. v. Union of India & Ors.	Claim for regularisation/ absorption into service and same benefits.	High Court,Cochin.	Counter Affidavit is filed by Management. Pending for hearing.	Southern



<b>Sr. No.</b>	<b>Name of Case / Parties</b>	<b>Subject Matter</b>	<b>Court / Quasi Judicial Authority e.g. SC / HC / NCDRC / State Commn/ District Forum / Tribunal etc.</b>	<b>Current Status</b>	<b>Region</b>
15	WPC 23727 of 2016 -Alimuthe v. Union of India & Ors.,	Non-renewal of contract of the Petitioner Alimuthe as Ramp Service Agent	High Court,Cochin.	Interim order to continue engagement on contract.	Southern
16	WPC 32923 of 2016 - VP Sony v. Union of India & Ors.	Non-renewal of contract of the Petitioner as Ramp Service Agent	High Court,Cochin.	Counter Affidavit filed by the Management. No interim order	Southern
17	WPC 32450 of 2016 - Rajeev S. v. Union of India & Ors.	Non-renewal of contract.	High Court,Cochin.	Counter Affidavit filed by the Management. Interim order to continue engagement of contract	Southern
18	WPC 38381 of 2016 - Nishanth TG v. Union of India & Ors.	Challenge to the Ramp Service Agent contract and posting in Vizag on grounds of victimization	High Court,Cochin.	Counter Affidavit filed by the Management. No interim order	Southern
19	WPC 12501 of 2013 - VP Sony	Challenging the recruitment of Senior Ramp Service Agents	High Court,Cochin.	Written statement has been filed by the Management. Interim order that engagement to the post will be subject to the outcome of Writ Petition.	Southern
20	WPC 37068 of 2016 - Nishanth TG	Challenging the recruitment of Senior Ramp Service Agents	High Court,Cochin.	Counter Affidavit yet to be filed by the Management. Interim order that final appointments to be made after taking permission of the court.	Southern
21	WPC 36627 of 2016 - VP Sony v. Union of India & Ors.	Challenging the appointment of Handymen	High Court,Cochin.	Counter Affidavit yet to be filed. No interim order.	Southern
22	AIATSL - ID NO. 8/2016	Whether AIATSL Management has denied the entitled benefits of their contractual employees as alleged by the Union? To what benefit they are entitled to get	Labour Court, Cochin.	Written Statement has been filed by Management	Southern



Sr. No.	Name of Case / Parties	Subject Matter	Court / Quasi Judicial Authority e.g. SC / HC / NCDRC / State Commn/ District Forum / Tribunal etc.	Current Status	Region
23	AICL – ID No. 9/2016	Whether the action of AICL Management in denying opportunity to the members of the Aviation Industries Contractual Employees Union to participate in the interview for Station Coordinators in AICL as they were possessing requisite qualification and experience in justifiable? To what relief the Union/ workman is entitled to?	Labour Court, Cochin.	Statement of claim yet to be filed by the Union.	Southern
24	AIATSL – ID No. 10/2016	Whether the action of the AIATSL Management unilaterally curtailing existing rules and regulations pertaining to the various benefits extended to the contractual employees is justifiable? To what relief the Union/ Workmen are entitled to	Labour Court, Cochin.	Statement of claim yet to be filed by the Union.	Southern
25	AIATSL – ID No. 23/2016	Whether the action of management of AIATSL, Mumbai in implementing six days shift pattern is justified? If not, what relief the workmen concerned are entitled to?	Labour Court, Cochin.	Statement of claim yet to be filed by the Union.	Southern
26	AIATSL – ID No. 37/2014	Whether the action of AIATSL management in inducting 7 ramp supervisors at CIAL	Labour Court, Cochin.	For production of documents. Reply to Written Statement has been filed.	Southern



Sr. No.	Name of Case / Parties	Subject Matter	Court / Quasi Judicial Authority e.g. SC / HC / NCDRC / State Commn/ District Forum / Tribunal etc.	Current Status	Region
		through an outsourcing agency and thereby denying promotion to the existing qualified and experienced Senior Ramp Agents of the company correct? To what relief the concerned workmen are entitled to?			
27	AIATSL Vs Pritam Majumder - CA WP 68 of 2016	Mr. Majumder was removed from the services of the Company for charging excess fair from the passenger vide order dated 28.04.2016 his services were terminated.	Hon'ble High Court of Agartala & Tripura	Matter will come up for hearing in November 2017.	Eastern





**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
	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.	This is a statement of Fact
	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 audit opinion on the standalone financial statements.	
	<b>Audit Opinion</b>  In our opinion and to the best of our information and according to the explanations given to us, 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:	



Sl.No.	Audit Observations	Management Reply
	<p>(a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2017;</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>	Audit comments noted
	<p><b>Emphasis of Matter</b></p> <p>We draw attention to the following matters in the Notes to the financial statements:</p>	
1	Note 36 to the financial statement, at Cochin Station, CIAL is the authority for charging the levy and an agreement is executed with the airlines where in the rates are inclusive of levy. In some cases, levy is wrongly debited resulting in excess revenue booking.	Audit comments are noted for future compliance
2	Note - 35 to the financial statement, there are certain unreconciled entries pertaining to the earlier period between Parent and Group Companies which needs to be reconciled, financial impact of the same needs to be ascertained.	The accounts of Group Companies excepting the Holding Company have been closed prior to completion of Audit of the Company, leaving reconciliation items. The audit comments are noted for future compliance.
3	Note – 37 to the financial statement, in some cases Service Tax and /or Levies were not charged. Further, different type of accounting practices were followed where in some cases Service Tax, Swatch Bharat Cess (SBC), Krishi Kalyan Cess (KKC) on levies is accounted along with levies where as in other cases SBC and /or KKC on levies is accounted along with Service Tax, etc.	Audit comments are noted for future compliance
4	Note - 32 to the financial statement, the Company has debited to AIL towards Salary of Security agents of INR 88.17 Crores which comprises of actual salary plus 10% mark up. No Service Tax has been charged on the same. Our opinion is not qualified in respect of above matters.	Audit comments are noted for future compliance



Sl.No.	Audit Observations	Management Reply
	<b>Other Matters</b>  Records/Financial Transactions/Information of under mentioned were not made available:	
1.	In some of the cases of invoices raised, no supporting were made available to us such as APEDA, Non IATA invoices.	Audit Comments Noted for future compliance
2.	MBS and SAP Revenue reconciliation w.r.t. to Non IATA revenue has not been done.	
	<b>Report on Other Legal and Regulatory Requirements</b>  <b>1</b> 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.	This is a statement of Fact.
<b>2</b>	<b>As required by Section 143(3) of the Act, we report that -</b>  <b>a)</b> We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;	This is a statement of Fact
	<b>b)</b> 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.	This is a statement of Fact
	<b>c)</b> 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.	
	<b>d)</b> 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.	
	<b>e)</b> Section 164 (2) of the Companies Act, 2013 Disqualification of directors is not applicable to the Government Company.	



Sl.No.	Audit Observations	Management Reply
	<p><b>f)</b> 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 “<b>Annexure B</b>” based on the Report of the Internal Financial Controls issued by M/s T J Mehta &amp; Co.</p>	
	<p><b>g)</b> 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 38 to the financial statements;</p>	<p>Pending litigations are constantly monitored by Senior Executives. The details of pending litigations have been annexed as per Table A.</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>iv. The Company has provided requisite disclosures in the financial statements as regards to its holding and dealings in Specified Bank Notes as defined in MCA notification G.S.R. 308(E) dated 30th March, 2017, during the period from 08/11/2016 to 30/12/2016.</p>	
	<p><b>h)</b> 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>This is a statement of fact.</p>



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

Sl.No.	Audit Observations	Management Reply
	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, 2017.	
	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;	This is a statement of Fact.
1(b)	As per Company's policy, Physical Verification of Assets is to be done on a rotational basis so that every asset is verified in every two years. Management has not physically verified the fixed assets from last 3 years. However during the financial year 2017-18, an external chartered accountant firm has been appointed to conduct the physical verification.	This is statement of fact.
1(c)	Company is not holding any immovable property hence clause is not applicable.	This is a statement of Fact.
2	The inventory continues in the books of Air India Ltd., hence physical verification of the same does not arise.	This is a statement of Fact.
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.	This is a statement of Fact.
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.	This is a statement of Fact.
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	This is a statement of Fact.



Sl.No.	Audit Observations	Management Reply
	regard to the deposits accepted from the public are not applicable.	
6	As per 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. The Company has appointed the Cost Auditor but the cost records are yet to be provided.	The Cost Audit has been completed and the draft audit report has been submitted.
7 (a)	According to the records of the company, undisputed statutory dues including Provident 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. Since Books does not matches with Returns filed, the dues outstanding for more than six months from the date they became payable are unable to detect.	This is a statement of Fact.
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.	This is a statement of Fact.
8	Company has not taken any loan either from financial institutions or from the government and has not issued any debentures.	This is a statement of Fact.
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.	This is a statement of Fact.
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.	This is a statement of Fact.
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;	This is a statement of Fact.



Sl.No.	Audit Observations	Management Reply
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.	This is a statement of Fact.
13	Since section 188 is not applicable to Government Company hence this clause is not applicable.	This is a statement of Fact.
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.	This is a statement of Fact.
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.	This is a statement of Fact.
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.	This is a statement of Fact



**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, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.</p>	
	<p><b>Management’s Responsibility for Internal Financial Controls</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>Auditors’ Responsibility</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
	established and maintained and if such controls operated effectively in all material respects.	
	<p>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>	
	<b>Meaning of Internal Financial Controls Over Financial Reporting</b>	
	<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
	<b>Inherent Limitations of Internal Financial Controls Over Financial Reporting</b>	
	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.	
	<b>Qualified Opinion</b>  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, 2017:	
1	Company does not have an Automated Control for Attendance and payroll, in spite of the large employee strength. The time office functions such as attendance, leave, over time, etc. which should be controlled by HR are being managed by the Finance which is a major risk as this may lead to short / excess payments and fraudulent payments to non-existent employees. The financial signing powers up to limit of 5 crores are available with the HR personnel. And the same grade of HR personnel has more Banking powers than the person holding the same position in the Finance Department.	<p>Strict control for Attendance is maintained by the respective Divisional Heads by maintaining Muster Register and Punching Cards in various sections .</p> <p>As regard Automated Control for Attendance (Bio-Metric) System, Air India had purchased a system for all the employees of AIATSL including FTC staff.</p> <p>However, considering the delay in implementation of Bio-Metric Machine by Air India, AIATSL has initiated the process of having independent Bio-Metric system and initially will start with the FTC employees.</p> <p>The implementation of Bio-Metric system will take a couple of months. As regards the segregation of role(s), audit comments are noted for future compliance</p>



Sl.No.	Audit Observations	Management Reply
2	<p>As per the Board Resolution of 43<sup>rd</sup> Meeting held on 11<sup>th</sup> February, 2013, any two of the six senior executives have unlimited financial powers including Banking powers on joint basis. Further, they can also delegate unlimited Banking powers to the officials nominated by them irrespective of their designation. The Bank account operation is on joint basis but requiring only one of the signatory to have the requisite Banking powers, and the other signatory need not have Banking power for the transaction amount. For instance, a signatory having 10 lakhs signing limit can sign jointly with the other signatory having 1 crore limit. This is inappropriate, as in our view the Banking powers or limits should be defined at each levels with reference to each class of bank account (Collection account and expense account). This is high Risk area.</p>	<p>This is a statement of fact. However, corrective actions are being initiated.</p>
3	<p>The delegation of banking powers are not reviewed by the company since year 2013. In most of the cases, the company has not revoked the Banking powers of officials who have got separated from the company.</p>	<p>This is a statement of fact. However, corrective actions are being initiated.</p>
4	<p>In case of Material Banking transactions following three critical functions are not segregated: -</p> <ul style="list-style-type: none"><li>I. Approval of Transactions</li><li>II. Accounting in SAP/MBS and;</li><li>III. Custody of Assets (e.g. Issue of cheques, Banking Passwords, Bank Authority Letters, Keys of Lockers etc).</li></ul>	<p>Because of limited permanent finance personnel the authority is vested with these limited people. However, each transaction is signed jointly by two signatories.</p>
5	<p>The Company does not have an appropriate internal financial control system over financial reporting since the internal controls adopted by the Company did not adequately consider risk assessment, which is one of the essential components of internal control, with regard to the potential for fraud when performing risk assessment. Further the adequacy and operating effectiveness of Internal Financial Controls over Financial Reporting and essential components of internal controls are not adequately considered, controlled and managed in the internal financial controls established by the company.</p>	<p>This is statement of fact. The Company is in process of defining the appropriate Internal Financial Control System.</p>



Sl.No.	Audit Observations	Management Reply
6	<u>List of other deficiencies identified are as under: -</u>	
1	The company does not have independent Standard Operating Procedures for its Departments / Processes.	Standard Operating Procedures for different departments / process is under preparation.
2	The company has appointed the Independent External Firm of Chartered Accountants as an Internal Auditor. The audit is in progress and the report is awaited.	This is a statement of Fact
3	The company does not have an appropriate process for obtaining confirmation of balances and reconciliation of Receivables and Payables on a periodic basis.	This is a statement of fact.
4	In some cases the Direct Payment entries are passed instead of routing through the Party / Vendor Ledger. TDS should be deducted on booking or payment, whichever is earlier. The Company does not have an appropriate mechanism for deduction, deposit and reconciliation of statutory dues including Service Tax, TDS, PF, etc. for ensuring compliance. The relevant Controls are inadequate and the consequent impact cannot be ascertained.	This is statement of fact. Users will be trained on the proper usage of SAP.
5	There is a time gap between the services provided and invoices raised. Revenue from Handling Services is recognized on rendering of services and in certain cases it is not as per the terms of relevant agreement. Instances of Excess and Short Revenue booking were identified. It shows the material weakness exist in the process of Raising the Invoices.	This is statement of fact . We are in the process of automation by introducing the SD module in SAP.
6	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 transactions and reports from the IT systems. The working files and folders are not stored on a centralized or common drive which leads to difficulty in backup. The SAP, MBS and Email data is maintained at Air India Servers and backed up by Air India. The IT controls needs to be strengthened.	This is statement of fact. The Company is in the process to implement the cloud server of AIATSL.



Sl.No.	Audit Observations	Management Reply
7	The company could not provide the relevant supporting documents evidencing the letter / resolution submitted to the Bank for all the Accounts, with reference to the change in the Banking powers. Further, the list of current signatories active with the Bank for all the accounts along with the limit and mode of operation has also not being provided to us.	The requisite data has been shared with the Auditors, indicating the details of Bank Accounts, Mode of Operation, Authorized Signatories and the prescribed limits.
8	The Bank Reconciliation of the company is not carried at regular intervals.	Audit comments noted for future compliance
9	The Company has not defined and documented the Job Description duties and responsibilities for its Employees / Contract staff, etc.	The job description with designation of permanent employees of AIATSL is available with Air India . For FTC staff, there are separate job description with designation is available with HR-AIATSL.
10	While passing the accounting entries, uniformity of Document Code is not maintained for similar types of transactions. Due to this, the controls cannot established for identification and scrutiny.	This is statement of fact. Users are being trained on the proper usage of SAP.
11	The Company and regions are following different practices for invoicing. The invoices are raised through MBS system, SAP as well as Manual mode. Overall invoicing system needs strong Automated Controls. The MBS billing software is linked with SAP and all the invoices are posted from MBS to SAP. The time period of synchronization with SAP is on daily basis however, the approval for authorizing the transaction is delayed. The edit in MBS is possible but not in SAP. It is only possible to reverse the transaction in SAP. The reconciliation of entries in MBS with SAP is done partially.	This is statement of fact . We are in the process of automation by introducing the SD module in SAP.
12	We were informed that with the existing human resources, the company could not complete the accounting function in timely manner. Further, the existing staff has to be provided appropriate training to perform their assigned duties.	Audit comments noted for future compliance
13	The company does not have an appropriate system of updating contracts of handling activities with 3rd party airlines which have	The contracts are based on SGHA of IATA. The contracts are valid till such time they are expressly revoked by the parties



Sl.No.	Audit Observations	Management Reply
	expired, although such contracts are taken as renewed till they are revoked by third party airlines. This non-renewal may have legal connotations for AIATSL in the long run.	concerned. Efforts are on to get the contracts renewed by 3rd party airlines in time.
14	Accounting is being done in SAP by the company but the concept of maker and checker is not being followed. The same person has access to both the sets of Books; i.e. AIATSL and Air India. This leads to un-identification of the user in case of error or Fraud.	Structure for Maker and Checker has been configured in SAP. Efforts are on to position available manpower to have better control.
15	Fixed Assets register is maintained in SAP. Majority of assets have been transferred from Air India Limited (AIL). Physical Verification and identification of assets was not conducted at the time of transfer from AIL. During the Financial Year 2017-18, the company has appointed an external CA Firm for carrying on the activity of physical verification and reconciliation.	This is a statement of Fact
16	<p>Whistle Blower policy is adopted by the company from the parent company but the same has not been minutized.</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.</p> <p>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 31,2017, 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>	Audit comments noted for compliance





### 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."	In view of the NITI Aayog recommendations on the disinvestment of AI and followed by the recommendations of the Core Group of Secretaries on disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) has given an 'In-Principle' approval for considering the strategic disinvestment of AI, five of its Subsidiaries and a Joint Venture in it's meeting held on 28th June 2017. CCEA also approved the constitution of an Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment. As of date, Transaction Advisor, Legal Advisor and Asset Valuer have been appointed to carry forward the process of Disinvestment.	Nil	This is a statement of Fact
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 agencies.
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 27 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, 2017

(Amount in Rupees)

Particulars	Note Ref	As at March 31, 2017	As at March 31, 2016
<b>I EQUITY &amp; LIABILITIES</b>			
1 <b>Shareholders' Funds</b>			
(a) Share Capital	2	1,384,242,000	1,384,242,000
(b) Reserves and Surplus	3	2,252,644,427	1,918,328,879
(c) Money Received Against Share Warrants			
		3,636,886,427	3,302,570,879
2 <b>Share Application Money Pending Allotment</b>		-	-
3 <b>Non-Current Liabilities</b>			
(a) Long-Term Borrowings		-	-
(b) Deferred Tax Liabilities (Net)	4	-	-
(c) Other Long Term Liabilities	5	3,070,000	3,070,000
(d) Long Term Provisions6		1,749,331,663	1,617,052,629
		1,752,401,663	1,620,122,629
4 <b>Current Liabilities</b>			
(a) Short-Term Borrowings		-	-
(b) Trade Payables	7	350,810,142	86,799,634
(c) Other Current Liabilities	8	986,833,130	800,772,985
(d) Short-Term Provisions	6	189,291,274	329,701,706
		1,526,934,546	1,217,274,325
<b>Total</b>		<b>6,916,222,636</b>	<b>6,139,967,833</b>
<b>II ASSETS</b>			
<b>Non-Current Assets</b>			
1 (a) <b>Fixed Assets</b>			
(i) Tangible Assets	9	1,762,507,370	1,377,843,295
(ii) Intangible Assets		-	-
(iii) Capital Work-in-Progress		-	-
(iv) Intangible Assets Under Development		-	-
		1,762,507,370	1,377,843,295
(b) Non-Current Investments		-	-
(c) Deferred Tax Assets (Net)	4	25,289,411	115,124,668
(d) Long-Term Loans & Advances	10	1,060,542,123	709,982,816
(e) Other Non-Current Assets		-	-
		1,085,831,534	825,107,484
		2,848,338,904	2,202,950,779
2 <b>Current Assets</b>			
(a) Current Investments		-	-
(b) Inventories		-	-
(c) Trade Receivables	11	3,625,419,660	3,223,017,283
(d) Cash and Bank Balances	12	173,751,138	551,061,084
(e) Short-Term Loans and Advances	10	-	-
(f) Other Current Assets	13	268,712,934	162,938,687
		4,067,883,732	3,937,017,055
<b>Total</b>		<b>6,916,222,636</b>	<b>6,139,967,833</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/-  
**(Pradeep Singh Kharola)**  
Chairman

Sd/-  
**(Vinod Hejmedi)**  
Director

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

Sd/-  
**(Milan Shah)**  
Chief of Finance

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

Sd/-  
**(Poonam Bharwani)**  
Company Secretary

Place: Delhi

Date : 13 December 2017





**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017**  
(Amount in Rupees)

Particulars	Note Ref	2016-17	2015-16
I Revenue from Operations (Gross):			
- Revenue from Handling Services	14	5,967,902,552	5,943,017,535
II Other Income:	15	277,386,147	425,992,936
III <b>Total Revenue (I + II )</b>		<b>6,245,288,699</b>	<b>6,369,010,471</b>
IV Expenses:			
Employee Benefit Expenses	16	4,203,503,468	4,055,538,314
Finance Cost	17	-	-
Depreciation and Amortisation	18	192,031,126	179,336,158
Other Expenses	19	1,128,811,969	1,110,263,335
<b>Total Expenses</b>		<b>5,524,346,564</b>	<b>5,345,137,808</b>
V <b>Profit Before exceptional and extraordinary items and Tax (III-IV)</b>		<b>720,942,135</b>	<b>1,023,872,663</b>
VI Exceptional Items		-	1,383,742
Prior Period Adjustments (Net)		104,291,330	(25,261,185)
VII <b>Profit Before extraordinary items and Tax (V-VI)</b>		<b>616,650,805</b>	<b>1,047,750,106</b>
VIII Extraordinary Items		-	-
IX <b>Profit Before Tax (VII-VIII)</b>		<b>616,650,805</b>	<b>1,047,750,106</b>
X Tax Expense			
1. Current Tax		192,500,000	35,000,000
2. Short/ (Excess) Provision of Tax		-	-
3. Deferred Tax Liability / (asset)		89,835,257	(1,328,760)
XI <b>Profit For the period from Continuing Operations (IX-X)</b>		<b>334,315,548</b>	<b>1,014,078,865</b>
XV <b>Profit For the period ( XIV+XI)</b>		<b>334,315,548</b>	<b>1,014,078,865</b>
XVI Earnings per Equity Share:			
Basic		2.42	7.33
Diluted		2.42	7.33

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/-  
**(Pradeep Singh Kharola)**  
Chairman

Sd/-  
**(Vinod Hejmedi)**  
Director

Sd/-  
**Ajay Jain**  
Partner (M.No. 110372)  
Place: Delhi  
Date : 13 December 2017

Sd/-  
**(Milan Shah)**  
Chief of Finance

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

Sd/-  
**(Poonam Bharwani)**  
Company Secretary



# CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

(Amount in Rupees)

Particulars	2016-17		2015-16	
<b>A Cash Flow From Operating Activities</b>		<b>616,650,805</b>		<b>1,047,750,106</b>
Net Profit Before tax				
Adjustments for:				
Depreciation / Amortisation	<b>192,031,126</b>		179,336,158	
Interest Received on Tax Refund	-		(13,215)	
Preliminary Expenses written off	-	<b>192,031,126</b>	-	179,322,943
<b>Operating profit before working capital changes</b>		<b>808,681,931</b>		<b>1,227,073,049</b>
(Increase) / Decrease in Trade Receivables	<b>(402,402,377)</b>		(803,852,691)	
(Increase) / Decrease in Other Current Assets	<b>(105,774,247)</b>		(154,880,268)	
Increase / (Decrease) in Provisions	<b>(8,131,398)</b>		142,350,459	
Increase / (Decrease) in Current Liabilities and Trade Payables	<b>450,070,653</b>	<b>(66,237,369)</b>	239,627,648	(576,754,852)
<b>Cash Generated from Operations</b>		<b>742,444,562</b>		<b>650,318,197</b>
Income Tax Paid (net of refund)		<b>(543,059,307)</b>		(554,748,381)
<b>Net Cash from Operating Activities</b>		<b>199,385,255</b>		<b>95,569,816</b>
<b>B Cash Flow From Investing Activities</b>				
Purchase of fixed assets		<b>(576,695,202)</b>		4,661,234
<b>Net Cash From Investing Activities</b>		<b>(576,695,202)</b>		<b>4,661,234</b>
<b>C Cash Flow From Financing Activities*</b>				
Net (Decrease)/Increase in Cash or Cash Equivalents		<b>(377,309,947)</b>		<b>100,231,050</b>
<b>Cash and Cash Equivalents</b>				
- at the beginning of the year		<b>551,061,084</b>		450,830,034
- at the end of the year		<b>173,751,138</b>		551,061,084
		<b>(377,309,947)</b>		<b>100,231,050</b>
<b>Component of Cash and Cash Equivalents</b>				
Cash on hand		<b>30,059</b>		2,215
Balance in Current Account		<b>173,721,079</b>		551,058,869
		<b>173,751,138</b>		<b>551,061,084</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

For and on behalf of the Board  
Sd/-  
**(Pradeep Singh Kharola)**  
Chairman

Sd/-  
**(Vinod Hejmedi)**  
Director

Sd/-  
**Ajay Jain**  
Partner (M.No. 110372)  
Place: Delhi  
Date : 13 December 2017

Sd/-  
**(Milan Shah)**  
Chief of Finance

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

Sd/-  
**(Poonam Bharwani)**  
Company Secretary

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2017****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) Assets procured from abroad, in Foreign Currency are accounted for, at the IATA mean rate of exchange prevailing during the month. The resultant difference between the asset capitalized and the payment made to the Foreign Vendor is debited / credited to the Foreign Exchange Gain / Loss account.
- c) 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.
- d) In accordance with AS 28, the management carries out an impairment assessment of its assets with respect to economic performance as on the date of Balance Sheet.

**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, 2017		As at March 31, 2016	
	Number	(Rs)	Number	(Rs)
<b>Authorised Capital</b> Equity Shares of Rs 10/- each	<b>1,000,000,000</b>	<b>10,000,000,000</b>	1,000,000,000	10,000,000,000
		<b>10,000,000,000</b>		10,000,000,000
<b>Issued, Subscribed and Fully Paid up Capital</b> Equity Shares of Rs 10/- each	<b>138,424,200</b>	<b>1,384,242,000</b>	138,424,200	1,384,242,000
	<b>138,424,200</b>	<b>1,384,242,000</b>	138,424,200	1,384,242,000

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, 2017		As at March 31, 2016	
	Number of shares held	%	Number of shares held	%
Air India Ltd.- Holding Company	<b>138,424,200</b>	<b>100</b>	138,424,200	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, 2017		As at March 31, 2016	
	Number	Amount	Number	Amount
At the beginning of the year	<b>138,424,200</b>	<b>1,384,242,000</b>	50,000	500,000
Issued during the period	-	-	138,374,200	1,383,742,000
Outstanding at the end of the year	<b>138,424,200</b>	<b>1,384,242,000</b>	138,424,200	1,384,242,000

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, 2017		As at March 31, 2016	
<b>Surplus in Profit and Loss Account:</b>				
Balance as per last Balance Sheet		<b>1,918,328,879</b>		904,250,014
Add :				
Profit / (loss) for the year	334,315,548		1,014,078,865	
Less:				
Transfer to General Reserve	-		-	
Interim Dividend	-		-	
<b>Net Surplus</b>		334,315,548		1,014,078,865
<b>Total Reserves &amp; Surplus</b>		<b>2,252,644,427</b>		1,918,328,879


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

Particulars	As at March 31, 2017		As at March 31, 2016	
<b>Deferred Tax Liability on account of (DTL)</b>				
Depreciation	63,819,346	63,819,346	45,114,943	45,114,943
Total Deferred Tax Liability				
<b>Deferred Tax Asset on account of (DTA)</b>				
Unabsorbed Depreciation	-	-89,108,757	-	160,239,611
Other Tax disallowances	-89,108,757		160,239,611	
<b>Net Deferred Tax Asset</b>		<b>25,289,411</b>		<b>115,124,668</b>

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

Particulars	As at March 31, 2017	As at March 31, 2016
Earnest Money Deposit	3,070,000	3,070,000
<b>Total</b>	<b>3,070,000</b>	<b>3,070,000</b>

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

Particulars	Long Term		Short Term	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
Provision for Leave encashment	377,509,128	438,424,157	68,112,781	104,157,532
Provision for Gratuity	906,822,535	941,128,472	121,178,493	190,544,174
Provision for Tax	465,000,000	237,500,000		35,000,000
Provision for Retirement Benefit	-			-
<b>Total</b>	<b>1,749,331,663</b>	<b>1,617,052,629</b>	<b>189,291,274</b>	<b>329,701,706</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	2016-17	2015-16
<b>Change in Benefit Obligation</b>		
Liability at the Beginning of the year	1,131,672,646	1,021,879,659
Interest Cost		
Current Service Cost	87,828,621	337,895,369
Past Service Cost		
Benefit Paid	-191,567,012	-228,102,382
Actuarial loss/(Gain)	-	-
<b>TOTAL</b>	<b>1,027,934,255</b>	<b>1,131,672,646</b>
<b>Particulars</b>	<b>2016-17</b>	<b>2015-16</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	2016-17	2015-16
<b>Actuarial Gain / Loss</b>		
On Obligation	-	-
On Assets	-	-
<b>TOTAL</b>		
<b>Particulars</b>	<b>2016-17</b>	<b>2015-16</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>2016-17</b>	<b>2015-16</b>
<b>Amount Recognised in Balance Sheet</b>		
Liability at the end of the year	1,027,934,255	1,131,672,646
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>1,027,934,255</b>	<b>1,131,672,646</b>
<b>Break up</b>		
Current	121,178,493	190,544,174
Non - Current	906,822,535	941,128,472
<b>Particulars</b>	<b>2016-17</b>	<b>2015-16</b>
<b>Expenses Recognised in Income Statement</b>		
Current Service Cost	87,828,621	337,895,369
Interest Cost	-	-
Expected Return on Plan Assets	-	-
Net Actuarial Gain / Loss Recognised	-	-
<b>Expenses Recognised in Income Statement</b>	<b>87,828,621</b>	<b>337,895,369</b>
<b>Particulars</b>	<b>2016-17</b>	<b>2015-16</b>
<b>Balance Sheet Reconciliation</b>		
Opening Net Liability	1,131,672,646	1,021,879,659
Expense as above	87,828,621	337,895,369
Past Service Cost	-	-
Employer's Contribution	(191,567,012)	(228,102,382)
<b>Amount Recognised in Balance Sheet</b>	<b>1,027,934,255</b>	<b>1,131,672,646</b>

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

Assumptions	As at March 31, 2017	As at March 31, 2016
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%
<b>Experience Adjustment</b>		
<b>Particulars</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
On Plan Liability (Gains) / Losses	-	-

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




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

Particulars	As at March 31, 2017	As at March 31, 2016
Trade Payables		
- Micro Small and Medium Enterprises	-	-
- Other Payables	350,810,142	86,799,634
<b>TOTAL</b>	<b>350,810,142</b>	<b>86,799,634</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, 2017	As at March 31, 2016
Statutory Dues	-156,914,545	57,833,721
Dues to Group Companies	-	-
Vendor Financial Institutions	4,313,656	5,055,237
Vendor Employees	41,408,428	11,151,839
Other Current Liabilities	885,936,737	643,501,020
Provisions	164,788,775	41,053,748
Margin Money	3,350,000	3,350,000
Earnest Money Deposits	43,950,079	38,827,420
<b>TOTAL</b>	<b>986,833,130</b>	<b>800,772,985</b>

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

	Office Equipment	Ramp Equipments	Furniture & Fixtures	Electrical Fittings	Computers	Workshop Equipment & Instruments	Plant & Machinery	Vehicles	Total
<b>Cost</b>									
As at 1st April 2016	1,084,494	3,077,473,253	129,829	8,745,237	1,661,884	-	-	-	3,089,094,697
Additions	362,663	543,818,971	679,542	-	4,871,114	1,484,750	71,598	25,406,564	576,695,202
Disposals/Adjustments	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2017</b>	<b>1,447,157</b>	<b>3,621,292,224</b>	<b>809,371</b>	<b>8,745,237</b>	<b>6,532,998</b>	<b>1,484,750</b>	<b>71,598</b>	<b>25,406,564</b>	<b>3,665,789,899</b>
<b>Depreciation</b>									
As at 1st April 2016	338,306	1,709,636,113	21,762	659,668	595,554	-	-	-	1,711,251,402
Disposals/Adjustments	-	-	-	-	-	-	-	-	-
Charge for the Year	203,322	188,663,341	74,385	830,798	1,650,422	104,498	63,855	440,506	192,031,126
<b>As at 31st March 2017</b>	<b>541,628.32</b>	<b>1,898,299,454</b>	<b>96,146</b>	<b>1,490,465</b>	<b>2,245,976</b>	<b>104,498</b>	<b>63,855</b>	<b>440,506</b>	<b>1,903,282,529</b>
<b>Net Block</b>									
As at 31st March 2016	746,188	1,367,837,140	108,067	8,085,569	1,066,330	-	-	-	1,377,843,295
<b>As at 31st March 2017</b>	<b>905,528</b>	<b>1,722,992,770</b>	<b>713,225</b>	<b>7,254,772</b>	<b>4,287,022</b>	<b>1,380,252</b>	<b>7,743</b>	<b>24,966,058</b>	<b>1,762,507,370</b>
<b>Rate of Depreciation</b>	19%	9.50%	9.50%	9.50%	31.67%	9.50%	6.33%	11.88%	
	5	15	10	10	3	10	15		


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

Particulars	Non - Current		Current	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Unsecured, considered good</b>				
Deposits	-	-	-	-
<u>Income Tax - net of provisions</u>	<b>1,060,542,123</b>	709,982,816	-	-
Income Tax AY 2005-06 (FY 2004-05)	-	-		
Income Tax AY 2008-09 (FY 2007-08)	-	-		
Income Tax AY 2009-10 (FY 2008-09)	-	-		
Income Tax AY 2010-11 (FY 2009-10)	-	-		
Income Tax AY 2011-12 (FY 2010-11)	-	-		
Income Tax AY 2012-13 (FY 2011-12)	-	-		
Income Tax AY 2013-14 (FY 2012-13)	-	-		
Income Tax AY 2014-15 (FY 2013-14)	-	-		
Income Tax AY 2015-16 (FY 2014-15)	-	-		
<u>Advance Fringe Benefit Tax (Net)</u>	-	-	-	-
Fringe Benefit Tax FY 2008-09	-	-		
Fringe Benefit Tax FY 2007-08	-	-		
<b>TOTAL</b>	<b>1,060,542,123</b>	709,982,816	-	-

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

Particulars	Non - Current		Current	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Unsecured, considered good</b>				
Outstanding for more than six months	-	-	<b>632,393,935</b>	237,472,490
Other Debts			<b>1,264,909,083</b>	1,057,976,020
Dues from Group Companies	-	-	<b>1,728,116,642</b>	1,927,568,773
<b>TOTAL</b>	-	-	<b>3,625,419,660</b>	3,223,017,283

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, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
<b>Cash and Cash Equivalents</b>				
i Cash Balance	-	-	<b>30,059</b>	2,215
ii Balance with Bank in Current Account	-	-	<b>153,066,523</b>	316,931,869
iii Balance with Bank in Term Deposit	-	-	<b>20,654,556</b>	234,127,000
<b>TOTAL</b>	-	-	<b>173,751,138</b>	551,061,084


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

Particulars	2016-17	2015-16
Advance against Salary	-2,204,503	6,178,679
Prepaid Office expenses	-	14,636,052
Other Advances	270,917,437	142,123,955
<b>TOTAL</b>	<b>268,712,934</b>	<b>162,938,687</b>

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

Particulars	2016-17		2015-16	
Revenue from Handling Services				
Revenue from Group Companies	2,894,687,163		2,898,312,350	
Revenue from 3rd Party Handling	3,156,929,747		3,055,362,621	
Security Handling Revenue	-		36,422,599	
Rev frm Govt Parties	22,883,920		-	
Rev Frm Casual Handling	25,543,301		70,693,770	
		6,100,044,131		6,060,791,339
<u>Less</u> : Revenue Sharing with Air India		-1,000,000,000		611,072,524
		5,100,044,131		5,449,718,815
APEDA Revenue		859,735,519		454,454,911
Equipment Loaning		8,122,902		38,843,808
<b>TOTAL</b>		<b>5,967,902,552</b>		<b>5,943,017,535</b>

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

Particulars	2016-17	2015-16
Recruitment Application Money	2,424,498	1,163,208
Interest on tax refund	-	13,215
Interest on Call & FD	9,983,850	30,892,082
Foreign Exchange Loss / Gain	-	54,010,660
Other Income	264,977,799	339,823,771
<b>TOTAL</b>	<b>277,386,147</b>	<b>425,992,936</b>

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

Particulars	2016-17	2015-16
Salaries	3,454,970,668	3,231,987,798
Bonus	38,448,388	16,609,301
Contribution to ESI Scheme	50,653,382	5,937,070
Gratuity	87,828,621	337,895,369
Leave Encashment	7,502,207	125,054,359
PF Employer's contribution	187,180,775	158,125,468
Staff Welfare Expenses	376,919,428	179,928,949
<b>TOTAL</b>	<b>4,203,503,468</b>	<b>4,055,538,314</b>


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

Particulars	2016-17	2015-16
Interest Payments		
<b>TOTAL</b>		

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

Particulars	2016-17	2015-16
Depreciation	192,031,126	179,336,158
<b>TOTAL</b>	<b>192,031,126</b>	<b>179,336,158</b>

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

Particulars	2015-16	2014-15
Handling Charges	343,424,017.10	480,646,930
Establishment Support Charges	134,192.15	1,310,259
Recruitment Expenses	966,299.00	1,279,379
Insurance	36,662,031.21	6,803,875
Postage & Courier Charges	242,621.80	350,617
Telephone Charges	1,412,741.37	230,243
Repairs & Maintenance - Building	15,837,190.56	18,300
Repairs & Maintenance - Others	59,482,795.00	69,835,021
Fuel & Oil	154,223,988.00	133,975,073
Electricity & Water Charges	55,115,872.00	56,784,731
Stores & Spares Consumption	81,376,798.00	163,808,582
Hire of Transport & Equipments	66,361,158.00	78,186,231
Printing & Stationary	1,253,927.12	1,174,532
Publicity & Sales Promotion	2,667,423.00	140,258
General Charges - SAP AMC Charges	-	13,493,237
General Charges - Others	52,686,640.14	6,633,674
Rent	45,171,291.84	39,259,039
Rates And Taxes	17,561,332.00	12,133,569
Travelling And Conveyance Expenses	111,865,364.00	22,451,836
Legal And Professional Expenses	5,074,386.00	480,042
Membership Fees	-	14,922,157
Bank Charges	1,328,301.24	529,747
Interest on Delayed Payment of TDS	25,442.00	15,019
Tax Audit Fees	25,000.00	-
Foreign Exchange Loss / Gain	54,039,463.45	
Pax Baggage Claims Expenditure	2,991,575.00	
Miscellaneous Expenses	1,967,011.00	5,470,985
Cleg&FwdgChgsOctroi	2,369,644.50	
Intt Charges-Others	26,511.00	
CSR Expenses	14,071,674.00	
<b>Remuneration To Statutory Auditor</b>		
- Audit fees	400,000.00	300,000
- Out of Pocket Expenses	47,279.00	30,000
<b>Total</b>	<b>1,128,811,969</b>	<b>1,110,263,335</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	2016-17	2015-16
Profit after tax	<b>334,315,548</b>	1,014,078,865
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>2.42</b>	7.33
Earnings per share (Rs.) - Diluted	<b>2.42</b>	7.33

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

Particulars	2016-17	2015-16
Total number of equity shares outstanding at the beginning of the year	<b>138,424,200</b>	138,424,200
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 2016-17, the Company has not allotted any Equity Shares.
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. The Company has appointed an external firm of Chartered Accountants to carry out the physical verification and reconciliation with the books of accounts.
24. The management has carried out an impairment assessment of assets as on the balance sheet date. The management is of the opinion that the performance of Fixed Assets of the Company during the remaining life of the asset would be as expected and therefore there is no need of impairment as on the date of Balance Sheet.
25. During the Financial Year 2016-17, an amount of INR 100 Crores, revenue earned on account of ground handling from 3<sup>rd</sup> party airlines has been shared with Air India.
26. Air India has deputed on an average 1,300 employees to assist the Company in their business. An amount of INR 107.31 Crores 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 Equipment. ***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, revenue of INR 969.80 Lakhs has been recognized in the books on account of entitlement under SFIS 2016-17 (Previous Year INR 1,315.02 Lakhs).



29. During the year, Air India transferred revenue amounting to INR 4,129.19 Lakhs and expenditure to the tune of INR 22,903.97 Lakhs.

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.

30. During the year, interest on outstanding receivable from Group Companies have been charged and recognized to the tune of INR 1,500.93 Lakhs (Previous Year INR 1,931.00 Lakhs). Interest has been charged on the average of Opening and Closing balances. The rate of interest applied for the Current Financial Year is 9.55% p.a (Previous Year 10.86% p.a.).
31. Revenue shared by HAL AI JWG has been recognized during the year amounting to INR 91.65 Lakhs (Previous Year INR 148.93 Lakhs).
32. The Company has charged an amount of INR 8,816.93 Lakhs (including 10% mark-up as agreed) to Air India, on account of salaries paid to Security Agents, on which service-tax is not charged, during the Financial Year 2016-17 (Previous Year INR 5,972.44 Lakhs).
33. Tax Audit for the Financial Year 2015-16 (Assessment Year 2016-17) has not been conducted.
34. Income-tax for the Financial Year 2015-16 (Assessment Year 2016-17) has been inadvertently short provided to the tune of INR 3,450.00 Lakhs. However the effect of the same will be carried out at the time of assessment.
35. Reconciliation / confirmation of Group Company related (including Holding Company) accounts are in progress. The accounts include assets and liabilities; income and expenditure.
- The process of identification of unmatched items 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.
36. Royalties recovered from clients and payable to Airport Authority of India, Delhi International Airport Limited and Mumbai Airport International Limited are under reconciliation.

An amount of Rs. 926.89 Lakhs is reflected as receivable from CIAL on account of Levy. The account is under reconciliation.

Financial impacts, if any, arising out of reconciliation will be dealt in the year of completion of reconciliation.

**37. 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 in progress. Consequent to the above, while compiling, the ageing of trade receivables, such unmatched credits are not netted against the debits outstanding.

### 38. 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.

### 39. Specified Bank Notes (SBN)

During the year, the Company had specified bank notes (SBNs) and other denomination notes as defined in the MCA notification G.S.R. 308(E) dated 30th March, 2017, on the details of Specified Bank Notes (SBNs) held and transacted during the period from 8th November, 2016 to 30th December, 2016, the denomination wise SBNs and other notes as per the notification is given below:

(Amounts in Rs)

Particulars	SBNs*	Other denomination notes	Total
<b>Closing cash in hand as on 8th November, 2016</b>	54,000	5,838	59,838
<b>(+) Permitted receipts</b>	-	228,328	228,348
<b>(-) Permitted payments</b>	-	202,596	202,596
<b>(-) Amount deposited in banks</b>	54,000	54,000	54,000
<b>Closing cash in hand as on 30th December, 2016</b>	-	31,590	31,590

In the books of accounts, consolidated monthly entry for the cash expenses are made. Hence the system balance as on 8<sup>th</sup> November 2017 will not match with the balance certificate.

\* For the purpose of this clause 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

### 40. Current Liabilities:

- 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.
- 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 31/03/2017 as per books of accounts amounting to INR – 2,125.75 Lakhs (Previous Year: INR 322.59 Lakhs), which is under reconciliation.

The company has an outstanding amount of TDS liability as on 31.03.2016 amounting to INR 237.96 Lakhs (Previous Year: INR 232.17 Lakhs). TDS liability is recognized as and when bills are accounted for or paid.

41. No provision or contingent liabilities have been made in respect of pending legal cases.
42. Internal Audit for the FY 2016-17 is in progress and necessary accounting action, if any, will be taken once the Final Audit report is presented.
43. 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.
44. During the year, there is net re-charges by 3rd party airlines through IATA to the tune of INR 1,007.26 Lakhs. The re-charges during the FY 2014-15 and FY 2015-16 are INR 12.61 Lakhs and INR 1,205.35 Lakhs respectively.

These accounts are under reconciliation. The impact, if any, of consequential adjustment arising out of reconciliation on Financial Statements will be dealt with in the year of completion of reconciliation.

45. During the Financial Year 2016-17, 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 attached to the invoices as has been done for the 3rd party handling.
46. **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 2017).

An amount of INR 7.00 Crores has been provided during the year towards 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.

**47. Deferred Tax Assets / Liabilities**

The Deferred Tax Asset / Liabilities are recognized only to the extent of Deferred Tax Asset / Liability as shown below:





(INR in Lakhs)

Particulars	Balance as on 31.03.2016	DTA/DTL Recognized in 2016-17	Total DTA as on 31.03.2017
<b>(A) Deferred Tax Liability</b>			
(i) Related to Fixed Assets	1,151.24	-898.35	252.89
<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>1,151.24</b>	<b>-898.35</b>	<b>252.89</b>

**48. 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.

During the Financial Year 2016-17, there is an instance of board meeting conducted after a gap of 120 days.

Corporate Social Responsibility committee has been formed by the Company during 2016-17. An amount of Rs. 140.71 Lakhs have been provided for CSR activities for the Financial Year 2016-17.

**49. Following are the details of Foreign Currency earned and expended by the Company during the Financial Year 2016-17.**

Details of Foreign Exchange Earnings & Expenditure		
Foreign Exchange Earnings Invoices raised on 3rd party carriers <b>USD 35,518,289.32</b>	Foreign Exchange Expenditure Procurement of Capital Goods <b>USD 3,579,974.00</b>	Net Foreign Exchange earning <b>USD 31,938,315.32</b>

**50. Remuneration to Auditors**

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

(Rupees in Lakhs)

Particulars	2016-17	2015-16
Audit Fees - For the Year	4.00	3.00
Out of Pocket Expenses*		0.30
<b>Total</b>	<b>4.00</b>	<b>3.30</b>

\*Accounted on Payment Basis

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

For and on behalf of the Board  
Sd/-  
**(Pradeep Singh Kharola)**  
Chairman

Sd/-  
**(Vinod Hejmedi)**  
Director

Sd/-  
**Ajay Jain**  
Partner (M.No. 110372)  
Place: Delhi  
Date : 13 December 2017

Sd/-  
**(Milan Shah)**  
Chief of Finance

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

Sd/-  
**(Poonam Bharwani)**  
Company Secretary