AIESL
AI ENGINEERING SERVICES LIMITED

AI ENGINEERING SERVICES LIMITED

ANNUAL REPORT 2020-2021

CONTENTS

(As on 17-11-2021)

Board of Directors

Shri Rajiv Bansal, Chairman

Shri Vimalendra Anand Patwardhan

Shri Satyendra Kumar Mishra

Ms. Meenakshi Mallik

Chief Executive Officer

Shri Jose Mathew

Chief Financial Officer

Shri Gopal Krishan Valecha

Company Secretary

Ms. Sakshi Mehta

Statutory Auditors

M/s Prakash Chandra Jain & Co.

Chartered Accountants

Registered Office

Airlines House, 113 Gurudwara Rakabganj Road,

New Delhi. - 110001

CHAIRMAN'S SPEECH

Dear Shareholders,

It gives me great pleasure to present the Seventeenth Annual Report of the Company for the year 2020-21.

I take this opportunity to share the performance highlights of the company during the year:

PERFORMANCE OF THE COMPANY

The financial performance of your company during FY 2020-21 was as under:

- The operating revenue has decreased from Rs. 1402.83 crores in previous year to Rs. 1160.02 crores in current year and the total revenue decreased from Rs. 1427.59 crores to Rs. 1185.54 during the period i.e. a decrease of approx. Rs. 242.05 crores (17%).
- As against this, the total expenditure of the company decreased from Rs. 1320.38 crores (restated) to Rs. 1195.12 crores in the same period with a decrease of approx. Rs. 125.26 crores (9.48%).
- The company has earned a net profit of Rs.11.94 crores in the FY 2020-21 as compared to net profit of Rs. 24.24 crores in FY 2019-20.

As regards, non-financial performance, in FY 2020-21, company handled around 300 aircraft including our group companies and third-party customers. During pandemic period of COVID AIESL provided Line Maintenance Services to AIL Fleet during Vande Bharat Flight along with Passenger & Cargo flights of international operators namely, Jazeera Airways. OMAN Airways, Malaysian Airlines, Kuwait Airways, Tiger Scoot, China Airlines, MA Indo Airlines, Egypt Air etc and Indian operators including Air Asia India, Go Air, Spicejet, Fly Big, TATA Vistara.

AIESL is providing MRO services to Defense as well private sector operators, wherever AIESL is having the capability. Your company carried out base maintenance work for Domestic operators namely – Air Asia India, TATA SIA Airlines, Spicejet, GoAir, Indigo Airlines in 2020-21. In addition, AIESL carried out major maintenance work for Aviation Research Centre (ARC), Indian Air Force, Indian Navy, Indian Coast Guard and HAL. In 2020-21, AIESL undertook maintenance of private party's aircraft like – Reliance RCDL, Taj Air Charters, Zoom Air, Club one Air and Bluedart Aircraft.

In FY 2020-2021, due to COVID pandemic we did not enter in to any new agreement with the DGCA approved institutes however we are providing the training as committed in our earlier agreements with approx. 35 Institutes for imparting practical training element (PTE) under CAR 147 basic approved by DGCA, to their students. Each of these AME Institute has approx. 60 to 100 students in every batch. These institutes are conducting their PTE at Mumbai, New Delhi, Kolkata, Hyderabad and Trivandrum.

Further, your company had in past technical handling agreement with 22 International Airlines and 3 Domestic Airlines for Line Maintenance work. During the year, AIESL signed SGHAs (Standard Ground Handling Agreements) with new International Airlines namely- Malaysian Airlines Berhad, Mahan Air, EGYPT AIR, OMAN Air and BANGLADESH Biman for their Line maintenance. Your company had approval from 11 foreign Civil Aviation authorities namely Qatar, Kuwait, GACA (UAE), CAA Singapore, CAA Srilanka, CAA Nepal, CAA Thailand, CAA Malaysia, CAA of Bangladesh and PACA Oman. AIESL has applied for approval of CAA of EGYPT.

In Northern Region of AIESL, approval was granted by DGCA to conduct maintenance checks of B737 Aircraft in hangars of Delhi, and C-check of SpiceJet aircraft were conducted. Also, AIESL NR has undertaken capability enhancement for CFM LEAP1A aircraft checks & looking forward to future demands. Similarly, in

Western Region of AIESL, agreement for phase1 Check of Pratt & Whitney engines was completed for PW1100 engines of Airbus NEO aircraft. In Nagpur MRO, Engine Test Cell has acquired approvals from EASA & FAA for GEnx & GE90 engines. The GEnx engines requires a QT (Quick Turn) maintenance check, at Nagpur MRO, we have carried out 4 QT checks which has resulted in saving of approx. INR 12 Crores.

In other Regions like Southern Region and Eastern Region capability enhancement has been undertaken considering the future demands of ATRs and NEO aircraft which would be operated by Airlines in future.

STRENGTHS AND CHALLENGES

The company is well known in Indian as well as in South Asian Region for providing a one-stop solution to its clients for their MRO related work requirements that too at competitive prices and world-class standards of commitments. The technically skilled manpower is the main strength of the company. However, the company would need to upgrade the skills and constantly engage more young and energetic manpower to keep pace with the time and changes in technologies as well as to withstand the increasing competition in the industry.

FUTURE PLANS

The company is planning to improve revenue generation by way of providing MRO services pertaining to Existing Capabilities to third parties (through aggressive marketing) and acquiring new Capabilities. AIESL plans to acquire EASA Base Maintenance Capability to capture Aircraft Redelivery Business. It intends to expand on its MRO Services to the Defense sector such as DRDO/IAF/Indian Navy. To acquire EASA certifications for our Landing Gear overhaul Capability and CFM 56-5B Engine overhaul Capability, as also to upgrade ATEC Shop to service various components of A320 NEO Family Aircraft.

CORPORATE GOVERNANCE

AIESL was in compliance with the guidelines on Corporate Governance issued by Department of Public Enterprises (DPE), wherever applicable during the year. The evaluation of various parameters viz. Financial as well Technical was also done in terms of targets set in the Memorandum of Understanding entered into by the company. The evaluation reports as well as return on Corporate Governance were filed with the authorities concerned.

ACKNOWLEDGEMENT

I take this opportunity to thank Air India Limited, Air India Express Limited, Alliance Air Aviation Limited, Ministry of Civil Aviation and vendors for their unstinted support. I also acknowledge the support extended by all other authorities including Banks and regulatory agencies. I would like to thank my colleagues on the Board for their valuable guidance.

I would like to thank all employees of the company for their support and efforts to make the Company profitable.

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

Sd/-
(Rajiv Bansal)
Chairman

Vision

To provide best in class and timely quality services to the customers by maintaining highest standards of regulatory and safety compliance.

Mission

Customer

- Maintaining all aircraft of the captive work load of the fleet of Air India in a continuous state of airworthiness by the system of preventive and corrective maintenance to secure a high level of safety.
- Provide a “One Stop” solution to the customer.
- Faster Turn Around Time.
- To capture maximum third party work from in and around India.

Process

- To get DGCA approval under CAR 147.
- To obtain FAA and EASA approval for all its establishment and facilities.
- Aggressive Marketing policy for more and more Third Party work.
- It needs to Department centric so, every Departmental Heads need to be responsible for the deliverables so as to fulfill the overall vision.
- Continuous monitoring of Quality through quality audit etc.
- Constant endeavor to upgrade the services, delivering highest customer satisfaction in terms of Quality, Service and Cost effective and ensuring long term strategic relationship.
- All-out effort to be the world class MRO without compromising the quality standard.
- Updating and enhancing the capability through training of the personnel and equipment of latest technology.
- Multiskilling of the personnel through cross training to enhance the productivity.
- Optimizing operational cost.

DIRECTORS' REPORT

The Members,
AI Engineering Services Ltd.

The Directors have pleasure in presenting their Seventeenth Annual Report on the business and operations of the Company and the Audited Financial Statements for the Financial Year ended March 31, 2021 along with Report of Statutory Auditor and Comments of CAG thereon.

1.1. Financial summary and highlights

The Company's financial performance during the year is given hereunder:

(Rs. in crore)

Particulars	Financial Year ended 31.03.2021	Financial Year ended 31.03.2020 (restated)
Total Revenue	1185.54	1427.59
Total Expenses	1195.12	1320.38
Profit (Loss) before tax	(9.58)	55.57
Less Provision of Tax	00	0.02
Profit after tax	(9.58)	55.57
Other Comprehensive Income	21.52	(31.33)
Total Comprehensive Income	11.94	24.24
Balance of profit brought forward from previous year	(2396.95)	(2421.19)
Balance carried to Balance Sheet	(2385.01)	(2396.95)

1.2. Details of revision of Financial Statements or Board's Report

The Company has not revised its Financial Statements or Board's Report in respect of any of the three preceding financial years as mentioned in Section 131(1) of the Companies Act, 2013.However, the financial statements for FY 2019-20 have been restated in this year's report.

1.3. Dividend

The directors are not recommending any dividend for the year.

1.4. Transfer of unclaimed dividend to Investor Education and Protection Fund

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

1.5. Amount which the Board proposes to carry to reserves

The Board of the company has decided/proposed to carry **NIL** amounts to its reserves.

1.6 Major events and significant achievements during FY 2020-21:

The World Health Organisation (WHO) declared a global pandemic of the Novel Coronavirus disease

(COVID-19) in February 2020 and the lockdown was declared by Govt. of India in March 2020. The instructions given by the Govt. from time to time enforcing lockdown and social distancing to contain the spread of virus were followed by the company in all its units spread across the country except essential services.

1.6.1 The details of fleet of AI group companies handled by AIESL during 2020-21, on average basis, was as under:

Type of Aircraft	Average No. of Aircraft
A319	21.4
A320	36
A321	20
B787	27
B777	16
B747	4
ATR	18
B737	24
Total	**166.4**

1.6.2 Utilization/ TDR (Technical Dispatch Regularity) achieved for AI group:

AIESL maintained the Technical Dispatch Regularity (TDR) and Utilisation compared to Global Aviation Standard. The fleet wise TDR and Utilisation were as under:

Fleet Type	Daily Utilization (BH/FH) on Operating fleet	Daily Utilization (BH/FH) on Total fleet	TDR (%)
A319	4.24/3.16	2.06/1.54	99.13
A320	5.98/4.77	5.25/4.19	99.62
A321	4.84/3.76	2.86/2.22	99.18
B787	5.17/4.80	3.44/3.19	96.90
B777	8.71/8.26	5.55/5.26	96.75
B747	0.82/0.63	0.37/0.29	98.65
ATR 72-212A (600)	5:14 / 4:04	4:27/3:27	98.96
B737	5.59/5.59	5.00/5.00	99.01

1.6.3 The operations of company were divided into various regions/ bases i.e. profit centers. Their performances, significant achievements during the year and future plans are as given below:

I. **NAGPUR MRO:** (The MRO was owned by Air India, operated by the company)

The performance and achievements of Nagpur MRO during the period was as under:

A. Regulatory approvals received and work done in MRO, Nagpur were as under:

- Engine Shop: Operationalisation of 3 line GENx QT work scope shop.
- Logistics: Material Logistics support directly from MRO to vendor & from vendor to MRO. Contract with DHL signed.

  This will reduce Engine TAT & SEZ formalities.

- Tool Procurement: PRSV (Performance Restoration Shop Visit) tools are in procurement phase.

  Current Status: 3 QT operational.

  After the tool procurement (planned):

  3 QT will convert to 2 QT + 1 PRSV

- Tooling was received for simultaneous 3 line operation of GEnx engines in Sept 2019. After receipt of additional tools for multiline induction, training engine was brought and training was imparted to AIESL personnel during Oct to Nov 2019. Subsequently, QT jobs on one of the engines was completed during 18 Nov 2019 and 19 Sep 2020.

  Additionally, 4 more engines have been inducted for QTupto Feb 2021.

- FAA Approval had been received for GE90 & GEnx engine testing.
- EASA Approval was also received for GE90 & GEnx engine testing during the year.

B. An overview of Aircraft Checks done at MRO during FY 2020-21:

- Total 'C' checks (B777 aircraft) carried out - 04
- Total phase checks (B777 aircraft) carried out - 14
- Total isolation checks (B777 aircraft) carried out - 02
- Total transit checks (B777 aircraft) carried out – 02
- Total number of completed checks (B777 aircraft) was 22 in year 2020-21 and 118 checks since inception.

  During FY 2020-21:

- Total number of Tank modification completed were - 4
- Total number of Landing gear replacements done were - 1

C. Back Shops – Approvals for B777 were as under:

- C6 – Equipment: Maintenance of slide- raft assembly upto Level – 3 and Life Vest upto Level – 2.
- C15 – Oxygen: Maintenance of portable Oxygen bottles upto Level – 2 and Main Oxygen Cylinder Assembly upto Level – 3.

  During FY 2020-21, the MRO has certified:

- 21 Sliderafts
- 08 Lifevest workorders – (QTY. 851 lifevest)
- 105 Oxygen bottles

D. Company wants to enhance its capabilities in the following areas:

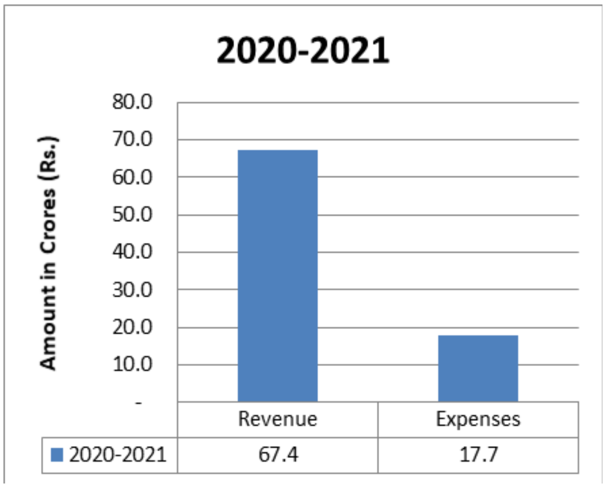
- Composite material repair -C20 for B777, B737, B787, A320 family structural group
- Cabin safety and survival equipment
- Weighing of aircraft
- Upholstery shop

E. Proposed Shops in future are as under:

- Battery Shop
- Accessories shop/Electrical shop
- Avionics / IFE shop
- Avionics shop
- Accessories shop

F. The revenue & expenses of MRO for the FY 2020-21 were as under:

FY	2020-2021
Revenue (Rs.)	67.4 cr.
Expenses (Rs.)	17.7 cr.



II. **TRIVANDRUM (TRV) MRO**

TRV MRO facility consists of Base Maintenance and Shop Maintenance. The Line Maintenance stations are also under TRV MRO. There are total 21 Line Stations managed by TRV MRO.

The AIESL TRV MRO facility is dedicated primarily to maintenance needs of B737 aircraft operated by Air India Express, which includes component overhaul and repair shop, Oxygen Charging, Battery Overhaul and NDT shops.

During year 2019-20, the MRO has done extensive work for 3rd party aircraft operated by SpiceJet and also aircraft owned by various lessors. The MRO has carried out major maintenance of 3rd party aircraft (SpiceJet) and Vistara earning a large part of the revenues in addition to revenues from AIXL.

However, during year 2020-21, due to pandemic related slowdown in the airline industry, only 8 aircraft belonging to 3rd party i.e. Vistara and SpiceJet was carried out.

The MRO has base maintenance facility that accommodates two aircraft at any given time for major checks in twin hangers. The MRO can undertake two additional aircraft for maintenance in the open apron area of the MRO or in nose in position. One of the aircraft is generally long grounding undergoing either 12year/ 10year/ 6 year/8year check along with C1, C2 checks and other for phase checks and monthly checks.

The MRO also caters to several line maintenance aircraft requiring base maintenance facilities such as component changes, defect rectification, engine and APU changes etc.

A. Major Achievements:

TRV obtained US Regulator FAA approval for its Base Maintenance and Shop Maintenance in the year 2020.

With this approval, the MRO has earned credibility in the aircraft maintenance industry. MRO is now eyeing for more 3rd party jobs under FAA certification to earn more revenues. The MRO is in discussions with SpiceJet to take up major base maintenance jobs.

B. Statistics (Year 2020-21) for aircraft operated by Air India Express were as under:

o	Type of Aircraft In Fleet	:	B 737-800 (CFM56-7B)
o	No. of aircraft	:	25 (Now, 24 Aircraft)
o	Average Utilization of aircraft	:	5.61 hrs/day
o	No. of flight / week	:	385
o	No. of station (Int)	:	14
o	No. of station (Dom)	:	21
o	Dispatch reliability	:	98.49

NOTE: The average utilization of A/C and no. of flights operated per week were reduced due to restrictions to operation in the GULF region due to COVID.

C. Base Maintenance (Production) Statistics:(April 2019 till March 2020)

- o Phase checks - 81
- o Monthly checks- 61
- o Yearly Checks- 6
- o C Checks on AIX aircraft- 8
- o Spice Jet 6-yearly +C1, C2 checks- 8 aircraft

D. Component Overhaul Production: (April 2020 till March 2021)

Other than the base maintenance, the MRO COD shop performs wheels & brakes overhaul, Battery OVHL, Oxygen Charging etc. generating a substantial part of the revenues.

o	Wheels (main & Nose)	-	Quantity 658 (OVHL and Tyre Change)
o	Brakes	-	Quantity 721 (OVHL and Stack Change)
o	Oxygen	-	Quantity 102 (Charging)
o	Batteries	-	Quantity 70 (OVHL and Charging)

E. Earnings for Year 2020-2021 were as under:

The facilities have earned combined revenues for BMD and COD shop of Rs. 25.35 Crores during April 2020-March 2021.

The overall revenues from B737 maintenance under TRV MRO administration including that of line maintenance, Mumbai Shops and 3rd party jobs was recorded revenues at Rs.62.43 Crores against previous year's revenues at Rs. 139.49 Crores that includes work carried for aircraft owned by lessors. The expenditure for TRV MRO (Base and Shop) was Rs. 23.25 Crores.

The substantial reduction in the MRO revenue was attributed to covid related slowdown at MRO and its network stations. However, the MRO earned approx. Rs. 4.70 Cr revenues from

SpiceJet base maintenance checks at TRV. The total revenues include the MTO revenues of Rs. 39,89,692 during the year.

F. Comparative billing summary of AIXL during 2018-19, 2019-20 & 2020-21 were as under :

Financial Year	2018-19	2019-20	2020-21
Total revenues	INR 90,23,26,688.00	INR 136,49,36,735.00	INR 62,43,44,389

G. As future operations plans MRO intends to enhance its capabilities in the following areas:

- o Composite material/Structural repair-C20 approval for B737, A320
- o Family structural group under DGCA/FAA/EASA approval.
- o Weighing of aircraft
- o Firex Weighing
- o Cabin Repair and refurbishment/ Upholstery shop
- o Heat Exchanger Cleaning and Testing.

H. Proposed Shops in future:

- o Avionics Accessories repair shop
- o Galley Inserts (Oven, Coffee Maker, Boiler etc.) Repair shop
- o Cabin safety and survival equipment
- o The MRO has future plan to construct a NB painting hangar with annex building (with external investment) that can accommodate the ATEC Shop and component overhaul shop in a vacant plot of approx. 2.79 Acres.

III. JEOC (Jet Engine Overhaul Complex): The performance of JEOC, Delhi during the period was as under:

- The total no. of engines produced were 10 (06 for Air India and 04 of Air Asia)
- Revenue generated during the year from Outside Parties, other than captive workload of AI was equivalent to INR 4.4 Cr (including rentals, spare sales, and labor man hours)
- Despite the current pandemic due COVID 19, JEOC was able to overhaul 04 engines of M/s Air Asia in the last financial year. Trainings were also imparted to Operators like Indigo, Spice Jet for Borescope Inspection, and specific training on engine like V2500 A5, etc. Efforts are being done to enhance the outside party jobs through consistently approaching them with our current capabilities.
- JEOC is always inclined to save on the foreign exchange through various platforms including that of local development however the business was impacted due to decrease in the workload amid COVID-19 pandemic and because of the financial constraints which has dissuaded local repair and development. Efforts to ensure the compliance of EASA in JEOC are underway and at final stages. Upon EASA certification, it is expected that JEOC revenue will increase exponentially.
- Warranty claims realized by JEOC in the year 2020-21 were as under:

LEAP 1A	-	USD 461086.12
CFM	-	USD 147846.28
Total	-	USD 608932.40

IV. **MUMBAI BASE (Western Region):** The performance of Western Region (WR) during the period was as under:

A. The overview of checks completed by Group B during FY 2020-21 is as below:

Details of the checks done at Mumbai

- Total 'D' checks carried out – 2
- Total 'C' checks carried out – 8
- Total phase checks carried out - 13
- Total ‘A’ checks carried out - 25
- Total transit checks carried out – 1,012

Details of the checks done at Delhi:

- Total 'A' checks carried out - 119
- Total transit checks carried out -3,219

B. The details on No. of engines Repaired / Overhauled in EOH (Mumbai) is as under:

Month / Year	PW4056	CFM56-7B	GE90	GENx	Total
Apr – 19 to Mar-20	2	7	4	13	26

C. Earnings from Third Party were Rs. 4321 lacs. Third Party Work done during the period was mainly as under:

- Major check of B 707 aircraft of Aviation Research Centre.
- L/G Overhaul of B737 aircraft used by IAF for VVIP operations
- Major checks of B737 aircraft of SpiceJet.
- Maintenance of 2 Nos B777 aircraft used for VVIP operation.

D. Capability enhancement in various Shops can be listed as under:

Component Overhaul Shop (COD, Old Airport)

- A320 Landing Gear Overhaul set up in Santa Cruz East
- 34 components of B777, B787 & B737
- 1 component of Vistara B787-9 wheel

Instrument Overhaul Shop (IOD, Old Airport)

- Clock/Mic for B777/ B787
- Control Display Unit & Control Panel Assy. B777/ B787
- Oxygen Box Assembly & Oxygen Panel Assembly B777/ B787
- Oxygen Pressure Regulator B777/ B787
- Oxygen Valve Assembly B777/ B787

Electronics Overhaul Shop (EOD, Old Airport)

- Solid State Cockpit Voice Recorder of B777 aircraft
- Audio Control Panels of B777 and B737 aircraft
- Weather Radar Control Panels of A320 and B777 aircraft

V. DELHI BASE (Northern Region)

Major events at Northern Region during the Financial Year 2020-21 were as under:

- Third Party Certifications carried out for Vistara (at 8 Outstations), Air Asia at Chandigarh and Sri Lankan Airlines at Delhi (Total 1436 Number of THF raised).
- LTMA was signed between AIESL and Ministry of Defence to service 2 nos. of VVIP B-777 aircraft received in Sept/ Oct 2020. The billing for the same is being carried out at Northern Region.
- Northern Region has initiated the process of taking over AI MMD functions and setting up process flow for AIESL MMD. The things are in order to be completely established in couple of months.
- AIESL, Northern Region generated a total Revenue of 324.82 Cr. INR during the financial year 2020-21 (Revenue distribution is AIL: 216.914 Cr., AAAL: 23.08 Cr., AIXL: 1.43 Cr &,3rdParty: 83.40 Cr.).
- Structure Repair work on VT-RKK was carried out in-house. This resulted in saving of foreign exchange outgo to the tune of approximately 5 Cr. INR. This is the first such repair carried out by AIESL.
- All Vande Bharat Mission flights scheduled to operate from NR carried out successfully.
- Proper measures administered to disseminate COVID appropriate behaviour and Guidelines / Protocols in order to stop spread of the virus.

VI. HYDERABAD BASE (Southern Region): Highlights of performance during the year 2020-21 (Fleet –A), were as under:

A. The technical Certification provided to Client Airlines and revenue earned from them was as under :

- Engineering Certification of Client Airlines Aircraft (A320 family A/c) of M/s Qatar Airways, M/s Kuwait Airways, M/s Etihad Airways, M/s Air Vistara, M/s Nepal Airlines and A330 A/c as per arising are provided at various Stations in Southern Region as given under:

Client Airlines	APRIL 2020 to MARCH 2021 (No. of Flights)							
	BLR	CCJ	COK	MAA	TRV	VGA	VTZ	TOTAL
Air Asia	--	--	--	--	--	--	49	49
Air Vistara (Neo)	--	--	347	--	212	--	--	559
Air Vistara (Non-Neo)	--	--	33	--	21	--	--	54
Etihad Airways	--	--	--	--	2	--	--	2
Kuwait Airways	5	1	--	13	39	14	--	72
Nepal Airlines	1	--	--	--	--	--	--	1
Qatar Airways	1	81	--	--	85	--	--	167
TOTAL	**7**	**82**	**380**	**13**	**359**	**14**	**49**	**904**

- At the above stations, we have provided Engineering Certification for Flights during April 2020 to March 2021, earning revenue of approximately Rs.111.59 Lacs.
- By way of providing Engg. Hangar facilities for Aircrafts of outside parties at Chennai, we have earned revenue of Rs.205.98 Lacs during April 2020 to March 2021.
- We have earned revenue of approx. Rs. 15.76 Lacs during April 2020 to March 2021 through aircraft component servicing of outside parties at Hyderabad.

B. Major Check activity carried out at MRO Complex, RGIA, Shamshabad :

- At MRO, "31"A-Checks with 68 packages on A-320 family A/c,
- "14" Major checks on ATR-72 A/c and
- "10" Weighment & NDT on ATR -72 A/c and other structural repair jobs

C. Engineering Training School, CTE, Hyderabad: We have earned revenue of approx. Rs.3.12 Lacs by providing training facilities to outside agencies at ETS, Hyderabad.

D. Revenue from AME Trainees/Inplant Trainees/Project Work: During the period, we have earned revenue of Rs.10.45 Lacs by intake of AME trainees/On Job Trainees (6 months & 1 month On Job Training).

E. Revenue from AAAL (Component Servicing/LM/Major Maintenance): During the period, we have earned revenue of Rs.1778.52 Lacs from AASL (Alliance Air) through Component Servicing/Major Checks/LM handling of ATR A/c.

F. Revenue from AIL (Component Servicing/LM/Major Maintenance): During the period, we have earned revenue of Rs.6375.45 Lacs from AIL (Air India Limited) through Component Servicing/Major Checks/LM handling of A320 family A/c.

G. Revenue from CAR 147 Basic MTOs Practical; Training: During the period, we have earned revenue of Rs. 50.75 Lacs. (Invoices realized from Two of the Six Basic MTOs with whom we have MoUs for imparting Practical Trg).

VII. KOLKATA BASE (Eastern Region)

Highlights of performance during the year 2020-21 (Fleet –A), were as under:

A. Line Maintenance:

■ Certification of Airbus Flights at the base and outstations:

- Preflight - 3240
- Lay Over Inspection - 330
- Weekly Inspection - 177
- 400FHInspection - 13
- PF at Outstations - 4972

■ Certification of Wide body Aircraft at base:

- Preflight - 119

■ Certification of ATR flights at the base & outstations:

- Transit Checks - 3168
- Night Halt - 332
- Lay Over Inspection - 244
- Weekly Inspection - 126
- 400FHInspection - 03
- A1 toA9Checks - 07

- Technical Certification provided to Client Airlines:

  Engineering Certification of Client Airlines Aircraft (A320 family A/c) of M/s Air Vistara, M/s Air Asia, M/s Qatar, M/s Biman Bangladesh, M/s Singapore Airlines & M/s Silk Air are provided at various Stations & CCU in Eastern Region as given under:

No. of Third-party Certifications done during 2020-2021 (Fleet-A)															
Sr. No.	**Station**	**Airlines**	**APR'20**	**MAY'20**	**JUN'20**	**JUL'20**	**AUG'20**	**SEP'20**	**OCT'20**	**NOV'20**	**DEC'20**	**JAN'21**	**FEB'21**	**MAR'21**	**Total**
1	BBI	Vistara	0	8	32	21	24	43	63	60	62	55	56	61	**485**
2	IXR	Vistara	0	4	26	20	23	30	35	37	61	61	55	61	**413**
3	GAU	Vistara	0	6	28	22	21	36	33	35	49	54	53	69	**406**
4	IXB	Vistara	0	4	30	27	24	19	44	43	50	62	52	64	**419**
		Air Asia	0	6	58	62	-	-	-	-	-	-	-	-	**126**
5	DIB	Vistara	0	2	30	30	31	30	29	30	15	31	31	35	**294**
6	IXZ	Vistara	0	-	-	-	-	-	-	9	9	15	18	21	**72**
7	IXZ	Air Asia	0	-	-	-	-	-	-	-	-	-	4	4	**8**
8	PAT	Vistara	0	4	33	26	19	38	40	43	47	50	45	46	**391**
Total			**0**	**34**	**237**	**208**	**142**	**196**	**244**	**257**	**293**	**328**	**314**	**361**	**2614**

No. of Third-party Certifications done during 2020-2021at Kolkatta															
Sr.	**Station**	**Airlines**	**Apr-20**	**May-20**	**Jun-20**	**Jul-20**	**Aug-20**	**Sep-20**	**Oct-20**	**Nov-20**	**Dec-20**	**Jan-21**	**Feb-21**	**Mar-21**	**Total**
1	CCU	Silk Air		2	2									1	**5**
2	CCU	Biman Bangladesh											2		**2**
3	CCU	Qatar		1			3	4	3	4	4	6	4	6	**35**
4	CCU	Singapore			1										**1**
Total			**0**	**3**	**3**	**0**	**3**	**4**	**3**	**4**	**4**	**6**	**6**	**7**	**43**

- Revenue earned from Third Party Certification:The third party revenue from client airlines for certification of Flights during 2020-21, is of Rs. 321.19 Lakhs (Excluding GST).

B. Major Check activity at Base Maintenance:

- At Base Maintenance, CCU, the number of checks carried out on A-319 A/c during 2020-21 is as follows:
  - o A-Checks - 30
  - o 2A-checks - 19
  - o 4A-Checks - 08
  - o Packages(P1-P25) - 48
  - o ARC - 14
- By way of providing Engg Hangar facilities for Aircrafts of outside parties at Kolkata, we

have earned revenue of Rs.13.31 Lakhs (Excluding GST) during 2020-21 as per the invoices raised by Finance AIESL, ER.

- A revenue of Rs. 6.50 Lakhs (Excluding GST) during 2020-21 through Miscellaneous works like Loaning of equipment, Fixed charges etc.

C. Engineering Training School, Kolkata: We have earned revenue of approx. Rs.80.18 Lakhs (Excluding GST) during the period April 2020 to March 2021 by providing training facilities to outside agencies at ETS, Kolkata.

D. Revenue from IAF: During the period, we have earned revenue of Rs.61.40 Lakhs (Excluding GST)from APU servicing & components of IAF.

E. Production of Overhaul Shops: The number of components serviced at Overhaul shops is as follows:

- AF Accy OH Shop - 2082
  (Including Servicing Life Jackets)
- APU & Engine OH Shop - 45
- Electrical OH Shop - 132
- Instrument OH shop - 1767
  (Including Calibration of Items)
- Radio OH Shop - 223

F. Revenue earned from AIL: The revenue from AIL for certification and major maintenance of aircraft during 2020-21, is of Rs. 5542.96 Lakhs (Excluding GST) as per billing by AIESL, ER.

G. Revenue earned from AASL: The revenue from AASL for certification of ATR Flights during 2020-21, is of Rs. 440.29 Lakhs (Excluding GST) as per billing by AIESL,ER.

H. Total earnings of AIESL, Kolkata for FY 2020-21 were as under:

Earnings	Amount (INR)
Revenue earned from maintenance of AIL Aircraft	Rs. 5542.96 Lakhs
Revenue earned from maintenance of AASL Aircraft	Rs. 440.29 Lakhs
Third party revenue from client airlines for certification of Flights	Rs. 321.19 Lakhs
Revenue from Engineering Training School, Kolkata	Rs.80.18 Lakhs
Revenue from IAF	Rs.61.40 Lakhs
Earnings by way of providing Engineering Hangar facilities to outside party Aircraft	Rs.13.31 Lakhs
Earnings by carrying out Miscellaneous works	Rs. 6.50 Lakhs
Total Earnings	Rs. 6465.83 Lakhs

I. Major Achievements:

- Completed TWO Twelve years HMV checks on A319 Aircraft during FY 2020-21.
- Vacuum sealing of serviced Life Preservers introduced with procurement of Vacuum Sealing Machine which costs less than INR 1 lakh. Life of the serviced Life Preservers extended to 10 years from existing sewing method of packaging of 5 years;
- Cleaning and testing effectiveness improved appreciably at AF Accy OH Shop, which averted ‘No Fault Found’ removals of various components like Heat Exchangers, Air Cycle

Machines due to pack overheat and better pack performance. Minimum TAT to maintain enough stock at all times.

- IPCV one of the main components identified for CFM56-5B engines stall. Indigenous tool fabricated and designed by Team Accy OH at low cost, to machine lap the surface within CMM limits and bring down leakage to minimum.

VIII. Overseas operations:

A. KATHMANDU

AIESL has registered its Line Maintenance Office at Kathmandu on 11th Sept, 2019 vide Registration No.224110/076/077 from the Company Registrar, Office of Ministry of Industry Commerce and Supplies.

AIESL is already having one office in the Terminal Building and has given proposal to the Director-Tribhuvan International Airport, KTM for obtaining space on Airside (inside the terminal building) for smooth operation of Line Maintenance. After registration of AIESL , we are providing technical support to M/s TATA SIA for their A320 Fleet. Initially, we do have the capability for A320 and there is huge scope for catering the Line Maintenance of B737 fleet. Oman Air, from their mail dated 11th March, 2020 has already shown their interest in us of for Line Maintenance. Tools required for Line Maintenance of B737 has already been positioned at KTM.

We have also hired one consultant at KTM to meet the taxation and other finance related requirement.

B. SAIFZONE –

Air India and Air India Express flights at Sharjah UAE, were handled by BCT aviation. Sharjah has been hotspot of SAFA inspection on Air India Aircraft and AI SAFA score continued to rise resulting into panic situation where the operation of Air India aircraft to Europe and Gulf Countries was seriously threatened due to restriction imposed by EU Regulation (EC) No 2111/2005. There have been increased doubts in various quarters about competence of BCT Aviation in handling Air India's aircraft In November'2016, AIESL decided to post Mr. Raminder Singh, DGM(Engg) for a period of one month on trial basis to coordinate with BCT Aviation, SAFA Inspectors and carry out root cause analysis to bring down SAFA score. During this period, there were no SAFA findings. Next coordinator also had one SAFA inspection. Certain shortcomings on part of BCT Aviation were observed by our executives posted there and pointed out to BCT officials, which were not taken kindly by them and they decided to terminate Air India's contract. Subsequently, one more coordinator and a set of AME and Service Engineer were sent on one month posting as a stop gap arrangement with nothing adverse on SAFA or technical front.

Another adverse impact of third party handling was observed during the period our aircraft were certified by AMEs of third party service providers was increased number of AOGs and Ramp returns irrespective of the company handling Air India work. It was observed that on many occasions, minor snags which could be attended to by pilot interaction on headset also resulted in ramp returns when handled by outsourced AMEs. Similarly, response to AOG like situations resulted in poor and sluggish response resulting into AOG due crew FDTL. This in turn added to increased cost and efforts on part of AirIndia Commercial. In this scenario dissatisfied passengers are the biggest worry for the Airline.

1.6.4 IMPLEMENTATION OF OFFICIAL LANGUAGE

In accordance with the Guidelines issued by Department of Official Language (OL), Ministry of Home

Affairs, all efforts are being made by all the departments of the company for implementation of the Official Language policy of Govt. of India.

Implementation of Official Language Policy is being done in AIESL in consultation with the Rajbhasha Section of Air India.

1.6.5 INDUSTRIAL RELATIONS

Industrial Relations were peaceful with no loss of man hours during the year:

- No. of employees under various categories were as under:
- Executives: 377 (327 Permanent + 48 Contractual + 8 Retired)
- Staff: 5092 (2484 Permanent + 2534 Contractual + 74 Retired)
- Total: 5469 (2811 Permanent +2576 Contractual + 82 Retired)
- Technical out of the abovewere : 4449 (2561 Permanent +1817 Contract + 71 Retired)
- Employees on deputation from Air India and other subsidiaries: 374.
- Employees on deputation to other companies: 284

1.6.6 IMPLEMENTATION OF RESERVATION POLICY

Reservation Policy was implemented as per relevant guidelines of the Government.

1.6.7 COMPLIANCE WITH RTI ACT, 2005

Nodal Officers/CPIO/Appellate Authorities have been appointed in all the four Regions and at Corporate Office, as per the provisions of the Act.

The details of RTI applications during the year are as under:

- No. of RTI Applications received during the year: 88
- No. of RTI Applications disposed of during the year: 88
- No. of RTI Applications pending as one end of FY: NIL

1.6.8 DISCLOSURE UNDER PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The provisions of the act have been implemented in the company and necessary actions are being taken in line with guidelines received from time to time to prevent Sexual Harassment of Women at workplace.

Internal complaints committee has been put in place as per Section 4 of the Act. In terms of Section 22 of the Act, the details of sexual harassment cases filed, if any, in the company during the financial year, is as under:

- Number of complaints of sexual harassment received in the year; NIL
- Number of complaints disposed off during the year; NIL
- Number of cases pending for more than ninety days; NIL

- Number of workshops or awareness programmes carried out in connection with prevention of sexual harassment: 03

  Remedial measures taken by the company: Female Security Staff Deployed at workplaces and Time to Time Counselling are done.

1.6.9 MSE COMPLIANCE

It always has been endeavour of AIESL to support Micro and Small Enterprises (MSEs) and local suppliers. AIESL has taken a number of steps including to implement the Public Procurement Policy of the Government of India to procure the items specified from MSEs. The actual procurement from MSEs during the financial year 2020-21 was Rs.894.77 lakh.

2. GENERAL INFORMATION

The Board of Directors of Air India Limited, the parent company, on 7th August, 2010 approved the hiving off of Air India Engineering Services Limited (AIESL) as wholly owned subsidiary of Air India and a separate Profit Centre to cater the service towards Maintenance, Repair and Overhaul (MRO) activities of the captive load of Air India and it's other subsidiaries besides the workload from 3rd Party Customer of domestic and international market.

Accordingly, Cabinet Approval was obtained on 6th September, 2012 for operationalization of AIESL. After complying with the requirements of the various Statutory and Regulatory Authorities, final approval was obtained from DGCA to operate as an independent MRO under CAR 145, on 1st January, 2015.

The name of Company was changed from "Air-India Engineering Services Ltd" to "AI Engineering Services Ltd" w.e.f. 03.08.2020.

3. CAPITAL STRUCTURE

The authorised Share Capital of the company during the year was Rs. 1000 crores divided in to 100 crore equity shares of Rs. 10 each.

The Paid-Up Share Capital of the company during the year was Rs.166,66,65,000 divided in to 16,66,66,500 equity shares of Rs. 10 each.

No further shares were issued by the company during the year.

4. MANAGEMENT

4.1 Directors and Key Managerial Personnel

The details regarding the constitution of directors of the company during the FY 2020-21 are as given below:

S.No	Name	Designation	Date of appointment	Date of cessation
1.	Shri Rajiv Bansal	Chairman	14.02.2020	-
2.	Shri Vimalendra Anand Patwardhan	Director	20.03.2020	-
3.	Shri Satyendra Kumar Mishra	Director	02.02.2017	-
4.	Shri Vinod Hejmadi	Director	07.12.2015	11.09.2020

S.No	Name	Designation	Date of appointment	Date of cessation
5.	Ms Meenakshi Mallik	Woman Director	11.09.2020	-

Woman Director:

Ms Meenakshi Mallik was appointed as Woman Director & AI nominee director on Board of company w.e.f. 11-09-2020 by Air India. Consequentially, Shri Vinod Hejmadi has ceased to be on Board of the company w.e.f that date and is Special Invitee for the meetings of Board, as per decision taken by Air India Board / administrative ministry.

Key Managerial Personnel (KMP):

S. No	Name	Designation	Date of appointment	Date of cessation
1.	Shri Jagannath Raghavan Hajib	Chief Executive Officer (CEO)	03.06.2019 (Extension)	31.10.2020
2.	Shri Arun Kumar Bansal	CEO	01.11.2020	31.12.2020
3.	Shri Subramanian Senthilkumar	CEO	01.01.2021	31.05.2021
5.	Shri Kapil Aseri	Chief Financial Officer (CFO)	12.03.2018	09-11-2021
6.	Shri Gagan Batra	Company Secretary	25.04.2017	09-11-2021

Shri Jose Mathew has been appointed as CEO of the Company w.e.f. 30.07.2021.

Shri Gopal Krishan Valecha has been appointed as CFO of the company w.e.f. 09-11-2021.

Ms. Sakshi Mehta has been appointed as Company Secretary of the company w.e.f. 09-11-2021.

4.2 Number of Meetings of the Board of Directors

During the Financial Year 2020-21, the Company held seven meetings of the Board of Directors as per Section 173 of Companies Act, 2013 which is summarized below.

S No.	Meeting	Date of Meeting	Board Strength	No. of Directors Present
1.	60th	21.07.2020	4	4
2.	61st	27.08.2020	4	4
3.	62nd	28.10.2020	4	4
4.	63rd	18.11.2020	4	4
5.	64th	07.12.2020	4	4
6.	65th	16.02.2021	4	3
7.	66th	30.03.2021	4	4

4.3 Composition of Committees and details of changes, if any:

Audit Committee:

The constitution of Audit Committee as required under the Companies Act, 2013 was approved by the Board of Directors in its 42nd Meeting held on 31st March 2016 & subsequently in 50th Board Meeting held on 17th January 2018.

The constitution of committee, in ex-officio capacity, as on 31st March 2021 till date is as under:

1)	Govt. Nominee (Shri V.A. Patwardhan)	-	Chairperson
2)	Govt. Nominee (Shri S.K. Mishra)	-	Member
3)	CMD, Air India (AI) (Shri Rajiv Bansal)	-	Member

Nomination, Remuneration and Stakeholders Relationship Committee:

Constitution of Nomination and Remuneration Committee (NRC) was to be taken up after the appointment of Independent Directors by Holding company/ Administrative Ministry. As there was no Independent Director on the Board of AIESL, the matter was taken up with the Administrative Ministry by Holding company i.e. Air India Limited.

The appointment of Independent Directors is not applicable in case of AIESL being a wholly owned subsidiary in terms of Rule 4 (2) of Companies (Appointment and Qualification of Directors) Rules 2014 as amended in the year 2017 vide notification no. GSR 839 (E) dated 05-07-2017 and constitution of NRC was subsequently not applicable in terms of Rule 6 of Companies (Meetings of Board and its Powers) Rules 2014 as amended in the year 2017 vide notification no. GSR 880 (E) dated 13-07-2017.

CSR Committee:

The constitution of CSR Committee as required under the Companies Act, 2013 was initially approved by the Board of Directors in its 58th Meeting held on 08th November 2019. The committee was reconstituted in 71st Meeting held on 26th August 2021, in ex-officio capacity, as under:

1)	Govt. Nominee Director (Shri S K Mishra)	-	Chairperson
2)	Govt. NomineeDirector(Shri V A Patwardhan)	-	Member
3)	Nominee of Holding Co. (Ms. Meenakshi Mallik)	-	Member

4.4 Company's Policy on Director's appointment and remuneration

Appointment policy:

AIESL is a wholly owned Subsidiary of Air India Limited. As per Article 97 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 fifteen all of whom shall be appointed by Air India Limited, who will prescribe the period for which they will hold office as director and may remove them and appoint others in their places and fill in any vacancy that may occur.Accordingly, the Board structure for the company has been prescribed by AI/MOCA on 26-12-2012.

Remuneration policy:

Section 197 in respect of remuneration to directors of the Company is not applicable to AIESL being a Government Company, vide Notification No.G.S.R.463(E) dated 5th June, 2015, of Ministry of Corporate Affairs.

4.5 Board Evaluation

Pursuant to notification No.G.S.R.463(E) dated 5th June, 2015 of Ministry of Corporate Affairs, the statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors is not applicable to the company, being a Government company.

4.6 Remuneration received by Managing / Whole time Director from holding or subsidiary company

There was no Managing / Whole time director on the Board of the company during FY 2020-21.

4.7 Directors' Responsibility Statement

The Board of Directors of the Company confirm that:

(a) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

(b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) The Directors have prepared the Annual Accounts on a going concern basis;

(e) Company being unlisted sub clause (e) of section 134(3) is not applicable

(f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

4.8 Internal financial controls

Adequate internal financial controls are in place for ensuring the orderly and efficient conduct of its business, including adherence to the 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, which is commensurate with the operations of the Company.

Further, the company is in the process of strengthening the internal control process so as to ensure the coverage of all the areas as envisaged and ensure effective internal controls at stations, regional offices, user departments.

M/s G.S Mathur & Associates were appointed as Internal Auditors for the financial year 2020-21. The Internal Auditor has carried out an extensive audit, including internal financial controls.

Statutory Auditors are also required to issue the Independent Auditor's Report on the Internal Financial Controls of the Company under Clause (i) of Sub-Section 3 of Section 143 of the Companies Act 2013.

4.9 Disclosure regarding frauds

There were no frauds reported by the Auditor to the Audit Committee or to the Board.

5. STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS U/S 149(6)

Not Applicable as the Company do not have any Independent Director during the Financial Year 2020-21.

6. DETAILS OF MATERIAL CHANGES OR COMMITMENTS AFFECTED FROM THE DATE OF CLOSE OF THE FINANCIAL YEAR TILL THE DATE OF REPORT OF AGM

No material changes or commitments were affected from the date of close of the financial year till the date of report of AGM.

7. DISCLOSURES RELATING TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Company does not have any Subsidiary, Joint venture or Associate Company.

8. DETAILS OF DEPOSITS

The Company has not accepted any public deposit during the year ended 31st March, 2021 as covered under the provisions of Section 76 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

9. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Particulars of loans, guarantees and investment if any, have been disclosed in the financial statements.

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts/arrangements/transactions entered by the Company during the financial year with the related parties were in the ordinary course of business and on arm's length basis except taking over of MRO at Nagpur. The omnibus approval of Audit Committee and Board was taken for entering into transactions with Air India Group companies (Air India, AAAL, AIXL, AIASL, HCI & AISATS) for providing MRO related services upto the specified limits during FY 2020-21. The details of Related Party Transactions in form AOC-2 are **attached**. Board of the company in its meeting held on 07-12-2020 had given its approval to the decision of administrative ministry to take over the MRO at Nagpur from Air India Limited at the book value.

There was no material related party transaction with the company's Directors, Management or their relatives, which could have had a potential conflict with the interests of the company.

11. DISCLOSURES PERTAINING TO CORPORATE SOCIAL RESPONSIBILITY

Provisions of Section 135 of Companies Act, 2013 relating to Corporate Social Responsibility were not applicable to the Company as the company had not earned any profits until FY 2018-19. However, in FY 2019-20, Company earned profits for the first time and accordingly CSR Committee has been constituted by the Company.

12. DETAILS OF REMUNERATION OF EMPLOYEES

Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of details of employees of the Company is not applicable to the Company being a Government Company, pursuant to Notification No. G.S.R.463(E) Dated 5th June, 2015 of Ministry of Corporate Affairs.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

(A) Conservation of Energy & Technology absorption: Your Company has made all efforts wherever possible for conservation of non-renewable sources of energy and utilizing the alternative sources of energy.

(B) Foreign exchange earnings and Outgo

	(INR)
Earnings	8,57,71,806.39
Outgo	94,61,94,365.72

14. RISK MANAGEMENT

The Company does not have any Risk Management Policy, at present. Therefore, the process of framing a risk management policy for the company had been initiated.

15. MATERIAL ORDERS OF REGULATORS

No significant and material orders have been passed by the regulators or courts or Tribunals impacting the going concern status and company's operation in future during the year.

16. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM

Provisions of Section 177(9) relating to establishment of Vigil Mechanism for directors and employees, to report a genuine concern, are not applicable to the Company.

However, the holding company i.e. Air India has a separate Vigilance Department which covered the activities of AIESL also.

17. STATUTORY AUDITOR

Comptroller & Auditor General of India (CAG) had appointed M/s Prakash Chandra Jain & Co, Chartered Accountants as Statutory Auditors of the Company for FY 2020-21.

The Auditors' Report along with Management's replies thereon are **attached.**

The notes on financial statements are self-explanatory, and needs no further explanation.

Comments of Comptroller and Auditor General of India

The comments dated 25.11.2021 of the Comptroller and Auditor General of India (C&AG) under Section 143(6)(b) of the Companies Act, 2013 on the accounts of the Company for the year ended 31st March, 2021, along with Management replies thereto are **attached.**

18. SECRETARIAL AUDIT REPORT

Your company had appointed M/s J.P. Saini & Associates, Practicing Company Secretary, as Secretarial Auditor to conduct the Secretarial Audit for FY 2020-21. The Secretarial Audit Report given by him is **attached.**

The management replies / comments on Auditor's Report are **attached.**

19. COMPLIANCE WITH SECRETARIAL STANDARDS

The Secretarial Standards issued by ICSI under Section 118(10) of Companies Act, 2013, were compiled with by your company to the extent applicable.

20. 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 **attached**.

21. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed Management Discussion and Analysis Report is **attached.**

22. REPORT ON CORPORATE GOVERNANCE

The Report on Corporate Governance is **attached**.

23. ACKNOWLEDGEMENTS

The Board sincerely acknowledges the support and guidance received from the, Ministry of Civil Aviation, Comptroller and Auditor General of India, Ministry of Corporate Affairs and other agencies.

For and on behalf of Board of Directors
of AI Engineering Services Limited

Sd/-
Rajiv Bansal
Chairman
DIN: 00245460

Date: 09-11-2021
Place: New Delhi

CODE OF CONDUCT

DECLARATION

Pursuant to DPE guidelines on Corporate Governance for CPSEs, 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 March 31, 2021.

Sd/-
(Jose Mathew)
Chief Executive Officer
AI Engineering Services Limited

Place: New Delhi
Date: 09-11-2021

Annexure to Board Report

MANAGEMENT DISCUSSION & ANALYSIS REPORT (2020-21)

ANALYSIS OF FINANCIAL PERFORMANCE:

Revenue

Total revenue earned during FY 2020-21 was 1185.54 as against Rs 1427.59 Crores during FY 2019-20 i.e. a decrease of approx Rs. 242 crores.

Expenditure

The total expenditure incurred during FY 2020-21 was Rs.1195.12 Crores as compared to the previous year's figure of Rs 1320.38 Crores, i.e. a decrease of approx. Rs. 125.17 crores.

INDUSTRY ANALYSIS:

Aircraft MRO

The Asia Pacific maintenance, repair, and operations (MRO) market is expected to witness a robust growth in the forecast period due to the growing adoption of professional services. The region is considered a manufacturing hub for spare parts that are then supplied to other countries, owing to its cost-effectiveness, thus, providing a great boost to the growth of the maintenance, repair, and operations (MRO) industry. In addition, the market is expected to witness a significant demand due to standardization of equipment and services within critical manufacturing operations. The introduction of advanced manufacturing techniques in the Asia Pacific, as a result of rising investments in R&D activities, is predicted to enhance the market growth further. Moreover, due to the COVID-19 pandemic, many companies that had investments in China are now shifting to other Asian countries, such as India and Taiwan, for their operations. This is expected to influence the market growth positively in the coming years.

The Southeast Asia aircraft MRO market is valued at USD 4.2 billion in 2020 and is expected to reach a value of USD 6.5 billion by 2026 while registering a CAGR of 8.98% during the forecast period.

Over the last two decades, Southeast Asia has been making the most of its favorable geographic location by complementing it with state-of-the-art aviation infrastructure. The strategic positions of the region and the strong local supply chain have contributed to its position as a preferred location for many MRO companies. Maintenance constitutes a major portion of the financial business model of aircraft operators in the region.

Players from Singapore have established themselves as dominant players in the industry over the years. Following the success of Singapore in the industry, players from countries, like Indonesia, Malaysia, and Thailand are trying to replicate the success of Singaporean players and are also developing their MRO capabilities, which is positioning Southeast Asia as an important hub for Aircraft MRO, globally.

Technological advancement in additive manufacturing, predictive maintenance, aircraft health monitoring systems, composite repair capabilities, artificial intelligence, and big data will play a major role in the coming years, as most of the MRO players in the region will opt to streamline their operations through automation to generate higher revenue during the latter half of the forecast period.

Market Trends

The growth in air traffic in the region over the years has put pressure on airline operators to maintain their fleet in operational condition. Since Asia-Pacific overshadows the other regions, in terms of new aircraft deliveries, and Southeast Asia, in specific, has become a focal point in terms of the commercial aviation industry growth, the operators in the region are ramping up their capabilities to cater to a growing aircraft fleet that is propelling the demand for aircraft maintenance. For decades, the commercial aircraft Maintenance, Repair, and Overhaul (MRO) market in Southeast Asia have been dominated by established players in Singapore, providing maintenance services for airlines both in and outside the region. However, over the years, several players have entered the market in countries like Indonesia, Thailand, and Malaysia and have challenged the dominance of established Singaporean players. The low labor costs in countries like Indonesia are attracting foreign players to set up their own MRO facilities in these countries. Despite the considerable growth in competition in the market, several major airlines in the region have only minimal in-house maintenance capabilities and outsource most of the work to companies affiliated with rivals or independent service providers. In this regard, the airlines in the region are enhancing their maintenance capabilities to cut out cash outflow to third parties and rivals by developing their in-house maintenance businesses. For instance, the Garuda Maintenance Facility (GMF) by AeroAsia is taking aggressive steps to expand its MRO business overseas, while improving its in-house maintenance capacity in the country to cater to more airlines. In February 2020, the PT Garuda Maintenance Facility AeroAsiaTbk. (GMF) held the inauguration of its latest facilities in the aircraft engine maintenance business line, the single jackscrew gantry system. Likewise, Thai Airways International, Thailand's national flag carrier is also embarking on expanding its MRO business. However, in the wake of the COVID-19 pandemic, the commercial aviation sector has suffered massive losses, and due to the depleting economic reserves of the players as well as prospective future customers, uncertainty now looms over the envisioned MRO projects in the region.

Competitive Landscape

The market for aircraft MRO services in the Southeast Asia region is moderately consolidated. Singapore Technologies Engineering Ltd, GMF AeroAsia, Safran SA, StandardAero, and Sepang Aircraft Engineering SdnBhd are some of the prominent players in the market. For a very long time, the market was dominated by players based in Singapore but the dynamics are now changing and the market is witnessing investments from players into the countries such as Thailand, Indonesia, etc. owing to the growing aircraft fleet and lower labor costs as compared to Singapore. The market is witnessing a huge investment from key players in facility development, technological innovations, joint ventures, and partnerships. Players are focusing on developing their MRO capabilities in the region, making the market more competitive with the entry of new players. In February 2020, Satys, an aircraft paint services provider, announced its partnership with Bombardier for developing its MRO capabilities in Southeast Asia. Satys announced the start of its operations at the Bombardier Singapore Service Center, one of the largest private aircraft maintenance centers (MRO) in Southeast Asia. Such developments are expected to make the market more competitive during the forecast period.

Competitors of AIESL in SOUTH EAST ASIAN MRO market

- Singapore Technologies Engineering Ltd
- AAR Corp
- MTU Maintenance (MTU Aero Engines AG)
- StandardAero
- Garuda Indonesia (GMF AeroAsia)
- Guangzhou Aircraft Maintenance Engineering Co. Ltd. (GAMECO)
- General Dynamics Corporation (Jet Aviation)

- Safran SA
- Rolls Royce PLC
- ExecuJet MRO Services
- AVIA SOLUTIONS GROUP PLC
- Textron Inc.
- Lufthansa Technik AG
- Sepang Aircraft Engineering SdnBhd

Engine MRO:

The Aircraft Engine MRO Market was valued at about USD 37.24 billion in 2020 and is projected to grow to approximately USD 54.71 billion in 2026 with a CAGR of approximately 5.7% during the forecast period (2021-2026).

The impact of the COVID-19 pandemic on the aircraft engine MRO market has been significant. As a result of the large number of stored aircraft and lower utilization, aircraft engine MRO demand significantly dropped in 2020. However, as the airlines are slowly increasing their fleet utilization rate, the demand is expected to recover to 2019 levels by 2023.

The rapid fleet expansion plans of the airlines and military forces are anticipated to further boost the growth of the aircraft engine MRO market during the forecast period.

The aging military aircraft fleet in some countries will generate significant demand as some of these countries have plans to extend the service life of these aging aircraft due to lack of defense funding.

The introduction of newer generation engines in new aircraft is anticipated to further increase the aircraft engine MRO demand as the new engines will have more expensive material requirements compared to the older generation aircraft.

Market Trends

The commercial aviation segment currently has the highest market share and is expected to continue its dominance during the forecast period. This is majorly due to the large fleet of commercial aviation compared to military aviation and the high cost of engine maintenance cost compared to general aviation. Several new contracts have been signed in the recent years for the maintenance of aircraft engines between airlines and MRO service providers. For instance, in December 2019, Japan Transocean Air signed a 15-year engine Maintenance-By-the-Hour (MBHTM) agreement with ST Engineering to provide a wide range of engine MRO solutions like on-wing services, off-wing maintenance support, and technical support to the Boeing 737NG fleet of the airline from 2020. In addition to this, the MRO service providers are also expanding their presence in various countries to cater to the growing demand for commercial engine MRO services. In this regard, in October 2020, Lufthansa Technik opened a new mobile engine services facility in Dublin. The new 6,400 sq. ft. facility began providing services to CFM56-5B and the CFM56-7B engines in Airbus A320 classic and Boeing 737 family aircraft, respectively. Such expansions are expected to accelerate the growth of the segment in the coming years.

Asia-Pacific has experienced a significant growth in the total aircraft fleet over the past decade which has increased the demand for engine MRO services. This has resulted in several MRO service providers from the US and Europe to establish their maintenance facilities in this region. Also, in order to reduce the overseas maintenance cost, several airlines have partnered with engine MRO service providers to develop in-house capabilities. The contract also includes the provision of engine trend monitoring, on-site services, and lease engine support along with technical training to the airline. In addition to this, the majority of the armed forces in the region are currently using aging military aircraft. Due to this, there has been an increased demand for maintenance services from the military sector.

Competitive Landscape

The prominent players in the aircraft engine MRO market are Lufthansa Technik, Rolls-Royce Holding PLC, Raytheon Technologies Corporation, General Electric Company, and Safran SA. The major engine MRO providers are entering into long-term partnerships or forming joint ventures to grow their engine MRO customers. For instance, in February 2021, Hindustan Aeronautics Ltd (HAL) and Rolls-Royce signed an agreement to collaborate on expanding the supply chain for the civil and defense aerospace market as well as establish an authorized maintenance center for Adour Mk871 engines. Moreover, the use of advanced technology for providing maintenance services may help these companies attract new customers by reducing their maintenance costs. On that note, in November 2020, Rolls Royce announced that the company is investing in Reinstate project to develop 20 emerging technologies (like deployment of snake robots into engines to access and repair complex parts and embedded cameras among others) aimed to enhance the engine maintenance processes while reducing airline disruption and environmental impacts. However, the long-term contracts of the established players with the armed forces and airlines may act as a barrier for new players to enter the market.

The regional jet, which is a small aircraft with usually less than 150 seats, is observing heightened demand for short-haul flights within a certain area, country, or continent. Reportedly, regional aviation surpassed 700 billion available seat kilometers of annual air traffic globally. Regional aviation is known to have shown the strongest traffic in the last two decades. It has been speculated that regional airports and smaller passenger aircrafts will be in high demand after the Covid-19 pandemic due to the rise of tier-2 & tier-3 cities, urbanization and migration of the population away from metro cities. On account of these factors, the regional jets segment in the commercial aircraft MRO market will capture a sizeable share of around 10% by 2027.

OPPORTUNITIES AND THREATS

The commercial aircraft MRO market is anticipated to record a valuation of USD 95 billion by 2027, according to the most recent study by Global Market Insights Inc. Rising globalization coupled with increasing economic growth has led to a considerable rise in air travel across the globe. The burgeoning demand for aircraft has consequently increased the need for maintenance, repair and overhaul (MRO) services in the commercial aviation sector. These services ensure the airworthiness and safety of aircrafts as per international standards. The rising significance of these services is expected to transform the market outlook over the upcoming years.

Cargo and passenger aircraft operators heavily rely upon aircraft MRO services to facilitate safe and hassle-free flights. As manufacturers of the airframe original equipment are focused on the production and development and not on the aftermarket, the aircraft MRO industry has apparently emerged as a profitable business in the aviation sector. This has urged the airline companies to outsource MRO services from the airline third-party and independent service providers that are providing ample growth opportunities for the commercial aircraft MRO market.

Prior to 2020, the air passenger traffic and new aircraft orders were increasing rapidly in the region, which attracted global MRO players to enter the market and expand. However, the outbreak of COVID-19 caused a severe downturn in the airline and associated industries. Major airlines have now restructured their growth strategies, which include early retirement of few aircraft, postponement of new aircraft deliveries, cutting down the workforce, scaling down operations, and optimizing operational costs, among others. As a majority of the fleet remained grounded for a significant period in 2020, some airlines opted for major maintenance work during this period.

DEVELOPMENT ON HUMAN RESOURCE

The details of various categories of employees including permanent, contractual and on deputation has been given as a separate para in the Board's Report.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has Internal ControlSystemcommensurate with the size, scale and complexity of its operations. The company has in place adequate internal financial controls for ensuring efficient conduct of its business. M/s GS Mathur&Associateswere appointed as Internal Auditors for the financial year 2020-21. The Internal Auditors havecarried out an extensive audit including internal financial controls of the company.

Cautionary Statement:

Statements made in Management Discussion and Analysis may be forward looking statements. Actual results may differ materially from those expressed or implied. The discussions on Business environment &industry scenario as also future outlook, wherever mentioned, is based on information and analysis available in print or electronic media, views expressed by experts and relied upon by the management. The important factors that could make a difference to what is stated, expressly or implied include economic conditions, domestic as well as global like demand and supply forces operating in the market, policies, rules and regulation of government as amended from time to time including tax laws and other statues as well as other incidental factors having impact on the business environment.

For and on behalf of Board of Directors
of AI Engineering Services Limited

Sd/-
Rajiv Bansal
Chairman
DIN: 00245460

Date: 09-11-2021
Place: New Delhi

Annexure to Board Report

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Code of Corporate Governance

The company firmly believes in and has consistently practiced good Corporate Governance. The company's essential character is shaped by the values of transparency, professionalism and accountability. The company is committed to attain the highest standard of Corporate Governance. The philosophy of the company in relation to Corporate Governance is to ensure transparency in all its operations, make disclosures and enhance all stakeholders' value within the framework of laws and regulations.

2. Board of Directors

AIESL is a public sector undertaking and wholly owned subsidiary of Air India Ltd. Its Directors are appointed by holding company / administrative ministry. As per the Articles of Association of the Company, the number of Directors shall not be less than three and not more than fifteen all of whom shall be appointed by Air India Ltd.

Accordingly, the composition of Board of AIESL has been prescribed by MOCA vide its order dated 26-12-2012.

a) **Composition of Board as on 31 March 2021**

S.No.	Name of Director	Designation
1.	Shri Rajiv Bansal	Chairman (CMD, AI)
2.	Shri V.A. Patwardhan	Govt. Nominee Director (JS&FA, MOCA)
3.	Shri S K Mishra	Govt Nominee Director (JS, MOCA)
4.	Ms. Meenakshi Mallik	Woman Director (CD, AI)

Ms. Meenakshi Mallik was appointed as Woman Director by Air India vice Shri Vinod Hejmadi w.e.f. 11-09-2020.

The Board placed on record its appreciation of the valuable services rendered by Shri Vinod Hejmadi as Director on the Board of the Company.

During the year, all meetings of the Board and the Shareholders were chaired by the Chairman of the company.

b) **Meetings of Board:**

Seven Meetings of Board were held during the financial year as per details given below:

S No.	Meeting	Date of Meeting	Board Strength	No. of Directors Present
1.	60th	21.07.2020	4	4
2.	61st	27.08.2020	4	4
3.	62nd	28.10.2020	4	4
4.	63rd	18.11.2020	4	4
5.	64th	07.12.2020	4	4
6.	65th	16.02.2021	4	3
7.	66th	30.03.2021	4	4

c) **Code of Conduct:**

In terms of requirements of DPE guidelines on Corporate Governance for CPSEs, Board has adopted Code of Conduct for the Directors and Senior Management. There is a system of affirming compliance with the Code by the Board Members and Senior Management Personnel of the Company. A declaration of compliance signed by Chief Executive Officer of the Company is enclosed with the Report.

d) **Particulars of Directors and their attendance at the meetings:**

Name of the Director	**Attendance Particulars**		**Details of other Companies**	
	Board Meetings	Last AGM held on 23/02/2021	Directorships in companies (excluding AIESL)	Memberships held in Committees (excluding AIESL)
Shri Rajiv Bansal, Chairman	7	No	Chairman: 6 Director: 4	Chairman: 1 Member: 3
Shri V.A. Patwardhan, Director	6	Yes	Director: 7 Part Time Member: 1	Chairman:3 Member: 2
Shri Vinod Hejmadi, Director till 11-09-2020 and thereafter Special Invitee	2	Yes	Director: 7	Chairman: 1 Member: 6 Special Invitee: 3 Co-opted Member: 1
Shri S.K. Mishra, Director	7	No	Government Nominee Director: 4	Member: 7
Ms. Meenakshi Mallik, Woman Director	5	Yes	Director-3	-

e) **Board Procedures:**

The meetings of the Board are generally held at the Company's Registered Office in New Delhi. The meetings are generally scheduled well in advance. In case of exigencies or urgency, resolutions are passed by circulation. The agenda for the meeting is prepared by concerned officials / CEO and approved by Chairman of the company. Board papers are generally circulated in advance to Board members. The members of Board have access to all information and are free to recommend inclusion of any matter in the agenda for discussion. Senior executives are invited to attend the Board Meetings and provide clarification as and when required.

3. **Board Committees:**

Audit Committee

As part of the Corporate Governance and in compliance with DPE Guidelines, the Company has constituted the Audit Committee of the Board.

a) Composition of committee:

As on March 31, 2021, the following were the Members of the Audit Committee, in ex officio capacity:

Particulars of Director	Position held in the Committee
JS&FA, MOCA (Shri V.A Patwardhan)	Chairman
JS, MOCA (Shri S.K. Mishra)	Member
CMD, AI (Shri Rajiv Bansal)	Member

b) **Terms of Reference:** Terms of Reference of the Audit Committee are as prescribed under Section 177 (4) of Companies Act 2013:

i. To recommend for appointment, remuneration and terms of appointment of auditors of the company;

ii. To review and monitor the auditor's independence and performance, and effectiveness of audit process;

iii. To examine the financial statement and the auditors' report thereon;

iv. To approve any subsequent modification of transactions of the company with related parties;

v. To scrutiny of inter-corporate loans and investments;

vi. Valuation of undertakings or assets of the company, wherever it is necessary;

vii. To evaluate internal financial controls and risk management systems;

viii. To monitor the end use of funds raised through public offers and related matters.

c) **Meetings of committee:**

The Audit Committee had met seven times during the year to review various issues including inter alia Financial Statement of the Company for the year before submission to the Board, as per details given below:

S No.	Meeting Number	Date of the Meeting	No. of Directors present
1	15th	21.07.2020	3
2	16th	27.08.2020	3
3	17th	28.10.2020	2
4	18th	18.11.2020	3
5	19th	07.12.2020	3
6	20th	16.02.2021	3
7	21st	30.03.2021	3

Corporate Social Responsibility (CSR) Committee

In compliance with the requirements of Companies Act 2013, the Board constituted a CSR Committee on 08-11-2019 to approve and review Sustainable Development projects from time to time. The Committee consisted of following members, in ex officio capacity:

Particulars of Director	Position held in the Committee
JS, MOCA	Chairman
JS&FA, MOCA	Member
CD, AI	Member

4. **Appointment & Remuneration of Directors**

AIESL being a wholly owned subsidiary Company, the appointment of its Directors is done by the holding company/ Ministry. The company does not have any whole-time director.

The part-time (Nominee) Directors do not receive any remuneration from the Company.

Company does not have a policy of paying performance lined incentives to any of the Directors of the Company.

Government Companies have been exempted from formulating policy relating to remuneration of Directors required under section 178 of the Companies Act.

The Company has not introduced any Stock Option Scheme.

5. **Annual General Meetings during the last three years**

The details of these meetings are given below:

AGM / EGM	Date and time of the Meeting	Venue of the meeting	Special Resolution
15th Adjourned AGM	23.02.2021 at 1500 Hrs	Regd Office :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No
15th AGM	29.12.2020 at 1630 Hrs	Regd Office :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No
EGM	13.07.2020 at 1500Hrs	Regd Office :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	Yes
14thAGM	21.11.2019 at 1415 Hrs	Regd Office :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	Yes
13thAGM	26.12.2018 at 1730 Hrs	Regd Office :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No
12th Adjourned AGM	19.03.2018 at 1100 Hrs	Regd Office :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No

M/s Link Intime India Pvt Ltd having its address at C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400083, is the Registrar and Transfer Agent (RTA) of the Company.

For and on behalf of Board of Directors
of AI Engineering Services Limited

Sd/-
Rajiv Bansal
Chairman
DIN: 00245460

Date: 09-11-2021
Place: New Delhi

Annexure to Board Report

FORM NO. MGT 9 - EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2021

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	U74210DL2004GOI125114
2.	Registration Date	11-03-2004
3.	Name of the Company	AI ENGINEERING SERVICES LIMITED (AIESL) *(formerly known as Air-India Engineering Services Limited)*
4.	Category/Sub-category of the Company	Company Limited by shares/Union Government Company
5.	Address of the Registered office & contact details	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi –110001, Ph. No : 011-23422000
6	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	M/s Link Intime India Pvt Ltd C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083

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 the company
1	Technical Handling, MRO and Other Services	9987	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.	U62200DL2007GOI161431	Holding	100%	2 (46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity):

A) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2020]				No. of Shares held at the end of the year [As on 31-03-2021]				% Change during the year
	Demat	Physical	Total	% of Total Share	Demat	Physical	Total	% of Total Share	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	-	-	-	-	-	-	-	
b) Central Govt	-	-	-	-	-	-	-	-	
c) State Govt(s)	-	-	-	-	-	-	-	-	
d) Bodies Corp.*	-	166,666,500	166,666,500	100	-	166,666,500	166,666,500	100	0.00
e) Banks / FI	-	-	-	-	-	-	-	-	
f) Any other	-	-	-	-	-	-	-	-	
Total shareholding of Promoter (A)		166,666,500	166,666,500	100	-	166,666,500	166,666,500	100	0.00
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) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify) Foreign Banks	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions	**Not Applicable**								
a) Bodies Corp. (Market Maker + LLP)									
i) 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	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2020]				No. of Shares held at the end of the year [As on 31-03-2021]				% Change during the year
	Demat	Physical	Total	% of Total Share	Demat	Physical	Total	% of Total Share	
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)		**166,666,500**	**166,666,500**	**100**	**-**	**166,666,500**	**166,666,500**	**100**	**0.00**

* ***Bodies Corporate: 100% Shareholding is with Body Corporate i.e. Air India Limited through its Nominees.***

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 to total shares	No. of Share	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Air India Limited along with its nominees	166,666,500	100	NIL	166,666,500	100	NIL	0.00

Shareholding of Promoters: Company is wholly-owned subsidiary of Air India Limited – with 166,666,500 Equity Shares of Rs.10/- each i.e. Entire Shareholding held by Indian Promoters.

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
	At the beginning of the year				
	Air India Limited	166,666,500	100%		
	At the end of the year				
	Air India Limited			166,666,500	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					

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
	NIL				
	(Note : Equity Shares are held by Nominees of Air India only, which includes directors also)				
	Total				

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
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year				
* Addition	-	-	-	-
* Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(figures In Rs.)

Sr No	Particulars of Remuneration	Name of MD/WTD/ Manager					Total Amount
	There were no Managing, Whole Time Directors in the Company. During the year 2020-21 except CEO. The details of CEO have been provided under KMP.						NIL
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						

B. Remuneration to other directors – Not Applicable

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/WTD

(Figures in Rs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel					
		CEO			CS*	CFO	Total
		Shri HR Jagannath (From 01.04.2020 to 31.10.2020)	Shri Arun Kumar Bansal (From 01.11.2020 to 31.12.2020)	Shri Subramanian Senthilkumar (from 01.01.2021 to 31.03.2021)			
1	Gross salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	16,27,665	16,20,095	8,80,344	-	23,06,614	**64,34,718**
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	6,000	8,100	-	21,600	**35,700**
	(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	**16,27,665**	**16,26,095**	**8,88,444**	**-**	**23,28,214**	**64,70,418**

* Shri Gagan Batra is holding the position of CS in AIESL in addition to his duties in holding company, i.e., Air India (AI).NIL remuneration has been paid to him from AIESL.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

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

For and on behalf of Board of Directors
of AI Engineering Services Limited

Sd/-
Rajiv Bansal
Chairman
DIN: 00245460

Date: 09-11-2021
Place: New Delhi

FORM NO. AOC-2

[Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8 (2) of the Companies Accounts Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

   There were no contracts or arrangements or transactions entered during the year ended March 31, 2021, which were not at arm's length basis except the following:

   Board of the company in its meeting held on 07-12-2020 had given its approval to the decision of administrative ministry to take over the MRO at Nagpur from Air India Limited (holding company) at the book value.

2. **Details of contracts or arrangements or transactions at arm's length basis.**

   All contracts /arrangements / transactions entered by the Company with related parties under Section 188(1) of the Act during the financial year 2020-21 were on an arm's length basis, in the ordinary course of business

Name of Related Party & Nature of Relationship	Nature of Transaction	Duration of Transaction	Salient terms of transaction	Amount (In Millions)
Air India Ltd (AIL) Holding Company	Revenue from Operation	1 April 2020-31 March 2021	Revenue from Operation (Income)	6260.9
	1. Interest on dues to AI		Expenditure	1321.2
	2. Rent Premises			513.3
	3. Other Expenses			1.7
	Total Expenditure			1836.2
Alliance Air Aviation Limited (AAAL) (Subsidiary of Air India Ltd)	1. Revenue from Operation	1 April 2020-31 March 2021	Income	459.1
	2. Interest			117.4
	Total Income			576.5
	Expenditure	1 April 2020-31 March 2021	Expenditure	7.4
AI Airport Services Ltd. (AIASL) earlier known as Air India Air Transport Services Ltd (Subsidiary of Air India Ltd)	Revenue from Operation	1 April 2020-31 March 2021	Revenue from Operation (Income)	0.6
	Handling Charges		Expenditure	98.90
	Interest			89.9
	Total Expenditure			188.8

Name of Related Party & Nature of Relationship	Nature of Transaction	Duration of Transaction	Salient terms of transaction	Amount (In Millions)
Air India Express Limited(AIXL) (Subsidiary of Air India Ltd)	Revenue from Operation	1 April 2020-31 March 2021	Income	803.4
	Other Income (Interest)			90.5
	Total Income			893.9
	Expenditure		Expenditure	-
Air India SATS Airport Services Private Limited (AISATS)	Revenue from Operation	1 April 2020-31 March 2021	Revenue from Operation (Income)	0.3
	Handling Charges		Expenditure	55.9
	Hire of Manpower on contract			26.8
	Hire / Lease of Equipment			15.6
	Other Expense			1.41
	Total Expenditure			99.71
Hotel Corporation of India Limited (Subsidiary of Air India Ltd)	Hotel Expenses- Staff on Duty	1 April 2020-31 March 2021	Expenditure	9.1
	Total Expenditure			9.1

For and on behalf of Board of Directors
of AI Engineering Services Limited

Sd/-
Rajiv Bansal
Chairman
DIN: 00245460

Date: 09-11-2021
Place: New Delhi

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2021

(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,
AI Engineering Services Limited
Airlines House, 113, Gurudwara Rakabganj Road,
New Delhi – 110001.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **AI Engineering Services Limited** (CIN:U74210DL2004GOI125114) (hereinafter called the Company or AIESL). 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 **AI Engineering Services Limited'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 authorised representatives during the conduct of secretarial audit and as per the explanations given to me and the representations made by the Management, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021 generally 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:

A. I have examined the books, papers, minute books, forms and returns filed and other records made available to me and maintained by the company for the financial year ended on 31st March, 2021 according to the applicable provisions of:

   i. The Companies Act, 2013 ('the Act') andthe rules made there under;

      During the period under review the Company has complied with the provisions of Companies Act, 2013, ('the Act') and the rules made thereunder, as applicable, subject to the following observations:

      a) The annual accounts of the company relating to FY 2019-20 were adopted by members in adjourned AGM on Feb 23, 2021.

      b) The company did not have any woman Director during the period till 10.09.2020 in its Board of directors.

      c) Company has not appointed Independent directors pursuant to sub-section 4& 5 of section 149 of Companies Act, 2013, hence no meeting of independent directors could be held during the period under audit. Since, the company has not appointed independent directors, the company has not complied with the provisions of section 177(2) and 178 of Companies Act, 2013 read with Rule 6 of Companies(Meetings of Board and its Power) Rules, 2014 as regard the appointment of Independent directors in composition of the Audit Committee.

      d) Company has not constituted Remuneration and Nomination Committee of the Board pursuant to 178 of Companies Act, 2013 read with Rule 6 of Companies(Meetings of Board and its Power) Rules, 2014 as it meets the prescribe criteria as mentioned in Rule 6.

However, appointment of independent directors in public companies which are wholly-owned subsidiaries of unlisted public companies are not require to appoint independent directors, vide notification of MCA, Companies (Appointment and Qualification of Directors) Amendment Rules, 2017dated July 5, 2017.

e) Risk Management Policy:

Provisions of Section 134(3)(n) of Companies Act, 2013 provides that there shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include—

a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

It has been clarified that the Company is under process of development of Risk Management Policy.

DPE Guidelines also emphasize that the Board should ensure the integration and alignment of the risk management system with the corporate and operational objectives and also that risk management is undertaken as a part of normal business practice.

Queries raised by Statutory auditors of the company in Audit Observations in relation to compliance of Companies Act, 2013 which has been replied by the Management in Directors Report have not been reproduced here.

(ii) The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; (Not applicable to the company)

(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)

(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) Regulation, 2011; (Not applicable to the company)

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the company)

(d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; (Not applicable to the company)

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the company)

(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)

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the company) and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the company)

(vi) In aviation sector, following laws are specifically applicable to the Company:

- Aircraft Act, 1934
- Civil Aviation Requirements issued by DGCA

And the company has represented earlier that the AIESL is approved by the DGCA under CAR 145, and CAR 147, both issued by the DGCA. Both these regulations have been issued under Rule 133B of Indian Aircraft Rule 1937. Besides that, any person certifying the aircraft needs to hold a license issued under the provision of CAR 66, which is a regulation under Rule 61.

For the compliance of the mentioned Regulations,

a) AIESL had made the policy documents called "Maintenance Organisation Exposition (MOE)" and "Maintenance Training Organisation Exposition (MTOE)". These Documents are approved by the DGCA. Any amendment also needs to be approved by the DGCA.

b) AIESL Quality system needs to carry out frequent internal audits to ensure that each of the sections is in compliance of the regulations and the provision of MOE/MTOE.

c) DGCA conducts yearly scheduled audits. DGCA also carries out spot-checks, and other surprise audits.

d) AIESL is audited by agencies getting work done by AIESL, like the Air India and a number of other airlines.

e) AIESL is also subject to audits by foreign regulators, where AIESL is certifying the aircraft registered in their respective countries.

f) AIESL is also approved by many foreign regulators like EASA and FAA, who carry out surveillance audits.

DGCA has issued Civil Aviation Requirements (CAR) under section 4 of Aircraft Act, 1934 read with Rule 133A of Aircraft Rules, 1937 and the company is required to comply such requirements under DGCA check systems. While the broad principles of law are contained in the Aircraft Rules, 1937, Civil Aviation Requirements are issued to specify the detailed requirements and compliance procedures.

I further report, that the company carried the compliance of aforesaid CAR under aviation laws and the compliance by the Company of such aviation laws have not been reviewed in this Audit which have been subject to review by DGCA and other designated professionals/authorities.

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

a) Secretarial Standards issued by The Institute of Company Secretaries of India.

b) Guidelines on Corporate Governance for Central Public Sector Enterprises as stipulated in the O.M. No. 18(8)/2005-GM dated 14th May, 2010 of the Ministry of Heavy Industries and Public Enterprises, Government of India.

c) Being unlisted company, company was notrequire to enter into any listing agreements with Stock exchange(s).

I have examined the framework, processes and procedures of compliance with respect to laws applicable to the company on test basis.

Sexual Harassment of Women at Workplace(Prevention, Prohibition and Regulation) Act, 2013: 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.

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

During the period under review and as per the explanations and clarifications given to me and the representations made by the Management, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above subject to the observation made therein.

I further report that:

Subject to observation made above, the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Nominee 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 at least seven days in advance and where the Board meetings are called at shorter notice, presence of at least one Nominee director is ensured, agenda and detailed notes on agenda were sent 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.

I further report that as per the explanations given to me and the representations made by the Management and relied upon by me 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. It is informed that the Company has responded to notices for demands, claims, penalties etc. levied by various statutory / regulatory authorities and initiated actions for corrective measures, wherever necessary.

I further report that during the audit period the company has passed the necessary resolutions relating to change of its name to AI Engineering Services Limited in the EGM dated July 13, 2020.

For J P Saini & Associates
Company Secretaries

Sd/-
(Jiwan Parkash Saini)
Proprietor
FCS No: 3671
CP No: 2100
UDIN: F003671C001357716

Date: 02.11.2021
Place: New Delhi

Note_1: Specific non compliances / observations / audit qualification, reservation or adverse remarks has been reported in respect of the above at appropriate place .

Note_2: This Report is to be read with my letter of even date which is annexed as Annexure A and forms an integral part of this report.

‘ANNEXURE A’

To,
The Members,
Air India Engineering Services Limited
Airlines House, 113, Gurudwara Rakabganj Road,
New Delhi – 110001

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

1. Maintenance of Secretarial record 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 process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. I believe that the process and practices, we followed provide a reasonable basis for my opinion.

3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Where ever required, I have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.

5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedure on test 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.

For J P Saini & Associates
Company Secretaries

Sd/-
(Jiwan Parkash Saini)
Proprietor
FCS No: 3671
CP No: 2100

Date : 02.11.2021
Place: New Delhi

MANAGEMENT REPLY TO OBSERVATIONS OF SECRETARIAL AUDITOR FOR FY 2020-21

	Audit Observations	Management Reply
a	The annual accounts of the company relating to FY 2019-20 were adopted by members in adjourned AGM on Feb 23, 2021.	The annual accounts of the company for FY 2019-20 were approved by Board in its 63rd meeting held on 18-11-2020. The accounts along with Statutory Auditors' Report were forwarded to office of CAG for their comments there on in terms of requirements of Companies Act. Since the comments of CAG could not be received by Dec 2020 which were required to be annexed to the annual accounts before adopting in the AGM, the AGM of the company was held on 29-12-2020 to comply with statutory requirement and was adjourned for adoption of accounts along with CAG comments. The comments of CAG were received on 22-01-2021 and placed before 20th Audit Committee Meeting and 65th Board Meeting held on 16-02-2021. Subsequent to Board meeting, the Final accounts of the company containing CAG comments were placed and adopted in the 15th Adjourned AGM of the company held on 23-02-2021.
b	The company did not have any woman Director during the period till 10.09.2020 in its Board of directors.	In terms of Article of Association of the company, directors on Board of company can be appointed by Air India Ltd (AI). Ministry of Civil Aviation (MOCA) was, therefore, requested by Air India to consider appointment of a Woman Director on Board of AIESL in compliance of statutory provisions. Upon directions from MOCA, Ms Meenakshi Mallik was nominated by AI as Woman Director on Board of AIESL w.e.f. 11-09-2020.
c	Company has not appointed Independent directors pursuant to sub-section 4 & 5 of section 149 of Companies Act, 2013, hence no meeting of independent directors could be held during the period under audit. Since, the company has not appointed independent directors, the company has not complied with the provisions of section 177(2) and 178 of Companies Act, 2013 read with Rule 6 of Companies (Meetings of Board and its Power) Rules, 2014 as regard the appointment of Independent directors in composition of the Audit Committee.	AIESL being a wholly owned subsidiary of Air India is exempted from the requirement of appointing Independent Director under the Companies Act, 2013, vide MCA Notification dated 05th July, 2017.

d	Company has not constituted Remuneration and Nomination Committee of the Board pursuant to 178 of Companies Act, 2013 read with Rule 6 of Companies (Meetings of Board and its Power) Rules, 2014 as it meets the prescribe criteria as mentioned in Rule 6. However, appointment of independent directors in public companies which are wholly-owned subsidiaries of unlisted public companies are not require to appoint independent directors, vide notification of MCA, Companies (Appointment and Qualification of Directors) Amendment Rules, 2017 dated July 5, 2017.	AIESL being a wholly owned subsidiary of Air India is exempted from the requirement of appointing Independent Director and constitution of Nomination and Remuneration Committee under the Companies Act, 2013, vide MCA Notifications dated 05th July, 2017 and 13th July, 2017 respectively.
e	Risk Management Policy: Provisions of Section 134(3)(n) of Companies Act, 2013 provides that there shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include— a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company. It has been clarified that the Company is under process of development of Risk Management Policy. DPE Guidelines also emphasize that the Board should ensure the integration and alignment of the risk management system with the corporate and operational objectives and also that risk management is undertaken as a part of normal business practice.	 In compliance of provisions of Companies Act and DPE guidelines for unlisted CPSEs, the Risk Management policy in AIESL is being framed.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AI ENGINEERING SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2021.

The preparation of financial statements of **AI ENGINEERING SERVICES LIMITED** for the year ended 31 March 2021 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 26 August 2021.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **AI ENGINEERING SERVICES LIMITED** for the year ended 31 March 2021 under section 143(6)(a) of the Act. 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.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

A. Comments on Profitability

Statement of Profit and Loss

1. Revenue

Revenue from Operations (Note — 19) — Rs. 1160.02 crore

a. Above includes Rs. 93.84 crore (expenses booked for Rs. 87.10 crore and handling charges and foreign Exchange Gain) towards provision for signing of agreement with M/s GE Engine Services, LLC. The accounting entry for the same has been passed on the basis of Article 6.1 of agreement. As per Article 6.1 of the agreement total USD 32,000,000 was payable to M/s GE Engine Services, LLC in accordance with the table below:

Amount	Invoice Date	Payment Date
$ 12,000,000	Effective Date	Thirty (30) days from the Date of invoice issuance.
$ 10,000,000	15 May 2021	
$ 10,000,000	15 August 2021	

M/s GE Engine Services, LLC raised its first invoice only on 02 April 2021 for USD 12,000,000 and same had been paid by the company on 18 June 2021. The company further raised invoice to Indian Air Force (End user of the service of M/s GE Engine Services, LLC) on 12 April 2021 against the above demand. As per Article 2.6 of the above agreement, first payment of the Buy in amount pursuant to Article 6.1 is a condition precedent to the provision of series and service credits by M/s GE to the Customer under this agreement. Thus, the transfer of first amount towards buy in amount to M/s GE was a significant event to ensure services for the given requirement in future; therefore, booking of expenditure and revenue merely on signing of the agreement is not in order.

This has resulted in overstatement of Revenue by Rs. 6.74 crore (Revenue booked for Rs. 93.84 crore and expenses booked for Rs. 87.10 crore), Trade receivable by Rs. 93.84 crore & Trade payable by Rs. 87.10 crore.

b. Above does not include an amount of Rs.57.39 lakh earned by giving services to Air India Limited. The unscheduled work related to base maintenance involving 1633-man hours was done during the month of March 2021 and booked during the year 2021-22 instead of 2020-21. This has resulted in understatement of Revenue and Current assets — Trade receivables by Rs. 57.39 lakh.

B. Comments on Financial Position Balance Sheet
Assets
Current Assets

1. Inventories (Note - 5) — Rs. 82.82 crore

Above includes an amount of Rs. 17.03 crore for tools under the head fixed assets suspense account. The above tools include Revenue Tools (Inventory) and Capital tools (Fixed Asset). However, the company has not classified and taken them under the respective head. Thus, the impact of the depreciation on Capital Tools and charging of Revenue tools to Statement of Profit and Loss cannot be ascertained. Thus, the profit is overstated to that extent.

2. Other Current Assets (Note — 11) — Rs. 18.81 crore

a. Above includes an amount of Rs. 2.17 crore of advance given to M/s. Tata Technologies (Rs. 1.26 crore) and M/s. Sagar Asia Private Limited (Rs. 0.91 crore) for purchase of fixed height mobile stand and wing stands for use in trestles and docks for base maintenance at AIESL stations during the year 2017. Despite receipt and put to use of the concerned assets, the assets were not capitalized and the above advance remained unadjusted. This has resulted in overstatement of Advance by Rs.2.17 crore, understatement of Assets by Rs. 1.39 crore and Depreciation expenditure by Rs.0.78 crore.

b. Above includes an amount of Rs. 20.15 lakh of advance given to M/s. Anshaankan India Private Limited for calibration of equipment. Despite completion of calibration of the assets during the year 2018-19, 2019-20 and 2020-21, the company failed to adjust the above advance. This has resulted in understatement of Expenditure and overstatement of Advances by Rs. 20.15 lakh.

C. Comment on Auditors' Report

Independent Auditor's Report

1. Opinion

Statement of Profit and Loss of the company for the year 2020-21 is showing a profit of Rs.11.94 crore. However, Statutory Auditor gave its opinion on the Loss of the company instead of Profit of the company. This in not in line with Standard on Auditing (SA) 700 issued by Institute of Chartered Accountants of India and the Independent Auditor's Report is deficient to that extent.

2. Annexure A to the Independent Auditor's Report

The Annexure includes a statement that 'according to the information and explanations given to us and based on the records examined by us, there are no dues of income tax which have not been deposited on account of any dispute'. However, in the subsequent paragraph details of demands raised by Income Tax Department and the forum where the case is pending have been reported by the Statutory Auditor. This is not in line with the clause 3 (vii) (b) of CARO 2016.

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

Sd/-
(Rina Akoijam)
Director General of Audit (Infrastructure)
New Delhi

Place : New Delhi
Dated: 25.11.2021

MANAGEMENT REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (B) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AI ENGINEERING SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2021.

<table>
<tr><th>Comments</th><th>Management's Reply</th></tr>
<tr><td>

A. Comments on Profitability

Statement of Profit and Loss

1. Revenue

Revenue from Operations (Note — 19) — Rs. 1160.02 crore

a. Above includes Rs. 93.84 crore (expenses booked for Rs. 87.10 crore and handling charges and foreign Exchange Gain) towards provision for signing of agreement with M/s GE Engine Services, LLC. The accounting entry for the same has been passed on the basis of Article 6.1 of agreement. As per Article 6.1 of the agreement total USD 32,000,000 was payable to M/s GE Engine Services, LLC in accordance with the table below:

<table>
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Date of invoice issuance.</td></tr>
<tr><td>$ 10,000,000</td><td>15 May 2021</td><td></td></tr>
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</table>

M/s GE Engine Services, LLC raised its first invoice only on 02 April 2021 for USD 12,000,000 and same had been paid by the company on 18 June 2021. The company further raised invoice to Indian Air Force (End user of the service of M/s GE Engine Services, LLC) on 12 April 2021 against the above demand. As per Article 2.6 of the above agreement, first payment of the Buy in amount pursuant to Article 6.1 is a condition precedent to the provision of series and service credits by M/s GE to the Customer under this agreement. Thus, the transfer of first amount towards buy in amount to M/s GE was a significant event to ensure services for the given requirement in future; therefore, booking of expenditure and revenue merely on signing of the agreement is not in order.

</td><td>

a. The Agreement referred in the audit para is between AIESL and GE, the effective date is 9th March, 2021. As per the Article 6.1 of agreement between AIESL and GE, AIESL was to pay a total 'Buy-in' amount of US $ 32 Million and as per the term the said payment would be made in three instalments of US$ 12 Million, US$10 Million, and US$ 10 Million. As per agreement amount of US$ 12 Million was payable on 'Effective Date' of the agreement i.e., 9th March, 2021. As a matter of prudence, the liability of AIESL towards payment of $12 million was provided for expenditure during F.Y.2020-21.

Further, Matching Concept of Generally Accepted Accounting Principles requires that the revenue for a particular period to be matched with its corresponding expenditure so as to show the true revenue for the period. Hence, the amount paid / payable to GE is simultaneously recoverable from outside party as well and thus AIESL had to provide for the corresponding Revenue in the same F.Y, in light of the matching concept. If the company had not booked the revenue in the FY 2020-21, the expenditure would have been over stated by the same amount, whereas the fact remains that the entire amount incurred by AIESL is recoverable form outside party along with 7.50% mark-up.

</td></tr>
</table>

Comments	Management's Reply
This has resulted in overstatement of Revenue by Rs. 6.74 crore (Revenue booked for Rs. 93.84 crore and expenses booked for Rs. 87.10 crore), Trade receivable by Rs. 93.84 crore & Trade payable by Rs. 87.10 crore.	Hence, the accounting treatment made by AIESL for the transactions referred in audit para is as per IND AS and Generally accepted accounting principal (GAAP) as well. In view of the above, company is of the opinion that there is no overstatement of Revenue by Rs. 6.74 Crs. (Revenue booked for Rs. 93.84 crore and expenses booked for Rs. 87.10 crore), Trade receivable by Rs. 93.84 crore & Trade payable by Rs. 87.10 crore.
b. Above does not include an amount of Rs.57.39 lakh earned by giving services to Air India Limited. The unscheduled work related to base maintenance involving 1633-man hours was done during the month of March 2021 and booked during the year 2021-22 instead of 2020-21. This has resulted in understatement of Revenue and Current assets — Trade receivables by Rs. 57.39 lakh.	b. The base maintenance was carried out during the month of March 2021 and the amount against the same has been billed in the next financial year. It is a general practice that for services rendered in the month of March, the invoices are raised in April. However as on 31st March every year, provisions are made in respect of services rendered in a particular year but billed in subsequent financial year. In this case provisions against the said work done were not made as on 31st March 2021 due to oversight, however necessary instruction has been passed to all work centers not to repeat such slipups.
B. Comments on Financial Position Balance Sheet **Assets** **Current Assets**	
1. Inventories (Note - 5) — Rs. 82.82 crore Above includes an amount of Rs. 17.03 crore for tools under the head fixed assets suspense account. The above tools include Revenue Tools (Inventory) and Capital tools (Fixed Asset). However, the company has not classified and taken them under the respective head. Thus, the impact of the depreciation on Capital Tools and charging of Revenue tools to Statement of Profit and Loss cannot be ascertained. Thus, the profit is overstated to that extent. 2. **Other Current Assets (Note** — 11) — Rs. 18.81 crore	1. Out of the total amount of Rs. 17.03 Crores which consists of Revenue tools (Inventory) as well as Capital Tools (Fixed Asset). Due to lack of complete information, same could not be transferred to Revenue Tools or Capital Tools and the entire amount of Rs. 17.03 Crores has been debited in Fixed Asset Suspense Account, which has been grouped as part of Inventory. Company is in the process of obtaining complete information and action would be taken to clear the amount lying in Fixed Asset Suspense Account by transferring the same either to Fixed Assets or to Inventory during the forth-coming financial year and depreciation will be charged on bifurcated Fixed Assets portion of the tools.

a. Above includes an amount of Rs. 2.17 crore of advance given to M/s. Tata Technologies (Rs. 1.26 crore) and M/s. Sagar Asia Private Limited (Rs. 0.91 crore) for purchase of fixed height mobile stand and wing stands for use in trestles and docks for base maintenance at AIESL stations during the year 2017. Despite receipt and put to use of the concerned assets, the assets were not capitalized and the above advance remained unadjusted. This has resulted in overstatement of Advance by Rs.2.17 crore, understatement of Assets by Rs. 1.39 crore and Depreciation expenditure by Rs.0.78 crore. b. Above includes an amount of Rs. 20.15 lakh of advance given to M/s. Anshaankan India Private Limited for calibration of equipment. Despite completion of calibration of the assets during the year 2018-19, 2019-20 and 2020-21, the company failed to adjust the above advance. This has resulted in understatement of Expenditure and overstatement of Advances by Rs. 20.15 lakh.	a. The assets amounting to Rs 2.17 Crore were procured outside the SAP systems and the complete required details were not available for capitalizing the said assets in the books of account. However, the issue is being looked into in details through the concerned indenter and necessary corrective action shall be taken during the next financial year. b. The relevant documents have been obtained from concerned section and necessary accounting adjustment in this regard shall be carried out during the FY 2021-22.
C. Comment on Auditors' Report **Independent Auditor's Report** **1. Opinion** Statement of Profit and Loss of the company for the year 2020-21 is showing a profit of Rs.11.94 crore. However, Statutory Auditor gave its opinion on the Loss of the company instead of Profit of the company. This in not in line with Standard on Auditing (SA) 700 issued by Institute of Chartered Accountants of India and the Independent Auditor's Report is deficient to that extent. **2. Annexure A to the Independent Auditor's Report** The Annexure includes a statement that 'according to the information and explanations given to us and based on the records examined by us, there are no dues of income tax which have not been deposited on account of any dispute'. However, in the subsequent paragraph details of demands raised by Income Tax Department and the forum where the case is pending have been reported by the Statutory Auditor. This is not in line with the clause 3 (vii) (b) of CARO 2016.	1. This was a typographical error in the Independent Auditor's report. Observation of CAG has been noted and due care will be taken in future. 2. This is a typographical error as the word '**except**' is missed out before income tax in the para 3(vii)(b). However, we would like state that the fact of non-deposition of income tax dues on account of dispute is properly disclosed. The observations of CAG has been noted and will be taken due care in future.

INDEPENDENT AUDITOR'S REPORT

To the Members of
AI Engineering Services Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of AI Engineering Services Limited (formerly known as Air India Engineering Services Ltd.) ("the Company"), which comprise the balance sheet as at 31st March 2021, the statement of Profit and Loss, the statement of changes in equity and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st, 2021, and its losses, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Considering the situation due to second wave of pandemic "COVID 2019" and consequential restrictions on movement , the process of audit has been modified. Some of the documents /records /returns were not verified physically; however, the documents were made available in electronic mode and were verified based on the representations received from the Company for its accuracy and authenticity. *(Refer Note No. 44)*

Emphasis of Matter

1. The Company has not complied Section 149 (4) of The Companies Act 2013, relating to appointment of Independent Directors.
2. As per para 9 of Ind-AS 2 on Inventories

   Inventories shall be measured at cost or net realizable value.

   The Company has valued the inventories during the year at weighted average cost. Valuation of inventories has not been done as per Ind-AS 2 at year end. Hence we are unable to comment on the impact of the same.
3. Company has not deducted Income tax at source while accounting for certain expenses and provision for expenses. The impact of such non-compliance cannot be ascertained.

4. Company has calculated Interest Payable/Receivable on average balance of Inter Companies. The Company has not calculated Interest as per MSA with various Inter Companies.
5. Company has not shared / provided copies of certain contracts. Hence, we are unable to comment on compliance of provisions of Ind AS 115 "**Revenue from Contracts with Customers"** issued by Institute of Chartered Accountants of India by the company.
6. The Company is in process of reconciliation of revenue and tax deducted at source as accounted in financials and as per 26 AS.

Our Opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to the key audit matters to be communicated in our report.

S. No.	Key audit matter	Auditor's response
1	**Credit Impairement** Ind AS requires the company to recognize the expected credit losses (ECL) on financial assets consisting mainly debtors which involves significant judgment and estimates to be made by the company.	**Principle audit procedures** ▪ As per Ind AS, the shift is from 'Incurred Loss' approach to 'Expected Loss' approach while computing provision for losses on loans and advances. ▪ We have relied on the ECL calculations which were done by an expert/ outside agency. ▪ The accuracy and completeness of critical data was reviewed. ▪ System of Computation of ECL was found satisfactory. ▪ *Refer accounting policy No 11(A)(v)*
2.	The Ministry of Civil Aviation, Government of India, constituted a committee in the Chairmanship of Justice D.M. Dharmadhikari (Former Judge of Supreme Court of India) for suggesting the ways and means of harmonization and rationalization of the work force of the merged company.	▪ Details of the expenses has been sought. ▪ The said expense has been treated as exceptional item in the year 2019-2020. ▪ The books of 2019-20 has been restated and consequential adjustments / disclosure has been made.

	During 2019-20, Air India, on the basis of the recommendations of Justice Dharamadhikari Committee (JDC), has intimated company for making the provision of liability towards transferred employees to the tune of Rs. 516.20 millions.	■ This restatement has resulted into decrease in profit and consequential decrease in retained earnings with corresponding increase in employees liability by Rs. 516.20 Millions in 2019-2020. *(Refer Note No. 45)*

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of other information. The other information comprises the information included in the Board's Report including Annexure to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Board of Directors is responsible for the matters stated 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, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the ***Annexure-A*** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of Changes in Equity and the Statement of Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   (e) The company, being a government company, is exempt from the provisions of section 164 (2) of the Companies Act, 2013 vide Notification no GSR 463 (E) dated 05-06-2015 from Ministry of Corporate Affairs.

   (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".*** Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

   In our opinion and to the best of our information and according to the explanations given to us, The Company has not paid/provided the remuneration to its directors during the year.

   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – *Refer Note 27 to notes to financial statements*;

      ii. The Company does not foresee any material losses on long term contracts including derivatives contracts; hence no provision for the same has been made.

      iii. There is no amount required to be transferred to the Investor Education and Protection Fund by the Company.

   3. As required by section 143(5) of the Act and in pursuance of directions issued by the Office of the Comptroller and Auditor General of India for the year ended March 31st , 2021, we report that:

      a) Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.

      Yes, the company has the system in place to process all the accounting transactions through

IT system except as stated below:-

- The Company has SAP for maintenance of accounts. Most of the entries passed do not contain supporting attached with it. The system needs to be strengthened regarding the same.
- The company uses the information systems partially for maintenance and processing of payroll.
- The Company has no system of calculation of Interest on outstanding of Inter Company balances. The same has been done manually.

b) Whether there is any restructuring of an existing loan or cases of waiver/write off of debts / loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated. Whether such cases are properly accounted for? (In case, lender is a Government company, then this direction is also applicable for statutory auditor of lender company).

On the basis of information and explanation given to us, company has not availed any loans. Hence there is no restructuring, waiver / write off of debts/ loans/ interest etc. made by the lender to the company during the year.

c) Whether funds received/receivable for specific schemes from central/ state government or its agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.

On the basis of information and explanation given to us, no funds have been received / receivable for specific schemes from central / state agencies.

For and on behalf of

Prakash Chandra Jain & Co.
Chartered Accountants
Firm Registration No. 002438C

Sd/-
CA Pratibha Sharma
Partner
Membership No. 400755
UDIN - 21400755AAAABV8681

Place : Mumbai
Date : 26.08.2021

ANNEXURE – A TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph 1 under "Report on other legal and regulatory requirements" of our report of even date

i **(a)** The Company is in the process of updating its records of fixed assets with respective quantitative details and location thereof. Hence verification of the same has not been carried out till date.

(b) As explained to us, the Company has a policy of verification of fixed assets on bi-annual basis. Physical verification of fixed assets has not been carried out by the management.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not own any immovable property.

ii The Company has policy of physical verification of Inventories on bi-annual basis. The Company has not conducted physical verification of Inventories till date. Only tools were verified prior to 31.3.2018.

iii. As per the information and explanation given to us, the Company has not granted loans, secured or unsecured to companies, firms, Limited Liability Partnerships or parties covered in the register maintained under section 189 of the Act. Accordingly, provisions of clause 3(iii) (a), (b) and (c) are not applicable to the Company.

iv. In our opinion and according to the information and explanation given to us, the Company has not given any loans, guarantees & Security to any party covered by the provisions of section 185 of the Act.

The Company has complied with provisions of Section 186 of the Act in respect of investments made or loans or guarantee or security provided to the parties covered under Section 186.

v. The Company has not accepted any deposits during the year from the public within the meaning of the provisions of sections 73 to 76 or any other relevant provisions of the Act and rules made there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable.

vi. According to the information and explanations given to us, the Central Government has not specified maintenance of cost records under Section (1) section 148 of the Act. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

vii. (a) According to the information and explanations given to us and based on the records examined by us, the Company is not regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, value added tax, cess and other statutory dues with the appropriate authorities. Arrears of outstanding statutory dues as on the last day of the financial year 31st March 2021 of more than six months from the date they became payable are as below:

Nature of Statutory Dues	Amount Outstanding for more than 6 months as on 31st March 2021(rs. In millions)
Goods and Service Tax	187.84
PF	1716.64
ESIC	4.53
TDS	297.54
Professional tax	0.02

Statutory dues, if any, in respect of foreign business area not covered during the audit, since the record are maintained at the respective business areas which were not available for verification, we are unable to comment whether the dues have been deposited on a time basis.

(b) According to the information and explanations given to us and based on the records examined by us, there are no dues of Wealth tax, sales tax, duty of customs, duty of excise, goods and service tax and value added tax , income tax which have not been deposited on account of any dispute.

Income Tax Demand Notices received by the Company which are under Appeal:

Nature of statute	Nature of dues	Forum where pending	Period of demand	Total Demand
The Income Tax Act , 1961	Income Tax	CIT (Appeals)	2014-15	2,79,27,703
			2015-16	4,31,39,528
			2016-17	6,22,86,454
			2017-18	18,45,77,891
			2018-19	32,37,74,500
				64,17,06,077

viii. According to the information and explanations provided to us and based on the records examined by us, The Company does not have any loans or borrowings from any financial institution, banks, and government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.

ix. According to information and explanation given to us and based on the records examined by us, The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

x. According to the information and explanations provided to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of the audit.

xi. According to information and explanation provided to us and based on the records examined by us, the Company has not paid/provided for managerial remuneration during the year. Therefore the provisions of clause 3(xi) of the Order are not applicable to the company.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

xiii. According to the information and explanation provided to us and based on our examination of records of the Company, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards*. (Refer Note No 39.)*

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of clause 3(xiv) of the Order are not applicable.

xv. According to the information and explanation provided to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the directors or persons connected with them. Accordingly, provisions of clause 3(xv) of the Order are not applicable.

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

For and on behalf of
Prakash Chandra Jain & Co.
Chartered Accountants
Firm Registration No. 002438C

Sd/-
CA Pratibha Sharma
Partner
Membership No. 400755
UDIN- 21400755AAAABV8681

Place: Mumbai
Date : 26.08.2021

ANNEXURE – B TO THE INDEPENDENT AUDITOR’S REPORT

Referred to in paragraph 2(f) under “Report on other legal and regulatory requirements” of our report of even date

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 AI Engineering Services Limited (“the Company”) as of March 31st, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). 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 Act.

Auditor’s 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 Act, 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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.

According to the information and explanations given to us and based on our audit, the following weaknesses have been identified as at March 31, 2021:

i) The Company did not have an effective internal control system for deduction, timely deposit, filing of returns.

ii) The Company did not have an effective system for timely accounting of entries, to prevent duplicate accounting entry and maker checker processes.

iii) In SAP most of the entries has no supporting s to check the validity of entry. Expenses borne by other group companies and then reimbursed by the Company had no supporting s at all.

iv) The Company did not have effective system of reconciliation of balance with other parties.

v) The Company has internal audit in place. Internal auditors were appointed but the reports of three quarters were submitted together. Fourth quarters report is submitted in August 2021. We suggest company to appoint internal auditors at the beginning of the financial year, so that actions on their observations can be timely taken.

MATERIAL WEAKNESS

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

OPINION

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2021 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of March 31st, 2021 standalone financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone financial statements of the Company.

For and on behalf of
Prakash Chandra Jain & Co.
Chartered Accountants
Firm Registration No. 002438C

Sd/-
CA Pratibha Sharma
Partner
Membership No. 400755
UDIN- 21400755AAAABV8681

Place: Mumbai
Date : 26.08.2021

COMPLIANCE CERTIFICATE

We have conducted the audit of accounts of AI Engineering Services Limited for the year ended 31st March, 2021 in accordance with the directions issued by the Comptroller & Auditor General of India under section 143 (5) of the Companies Act, 2013 and certify that we have complied with all the Directions issued to us.

For Prakash Chandra Jain & Co
Chartered Accountants
FRN-002438C

Sd/-
(Pratibha Sharma)
Partner
Mo. - 400755

Date : 26.08.2021
Place : Mumbai

MANAGEMENT'S COMMENTS ON STATUTORY AUDITOR'S REPORT FOR THE FY 2020-21

Audit Observation	Management's Replies
Emphasis of Matter	
1. The Company has not complied Section 149 (4) of The Companies Act 2013, relating to appointment of Independent Directors.	The Exemption has been granted by Ministry of Corporate Affairs for appointment of Independent Director for a wholly owned subsidiary vide Notification no. 839 ('E) Dated 05th July, 2017.
2 As per para 9 of Ind-AS 2 on Inventories Inventories shall be measured at cost or net realizable value. The Company has valued the inventories during the year at weighted average cost. Valuation of inventories has not been done as per Ind-AS 2 at year end. Hence we are unable to comment on the impact of the same.	The company will review the process for valuation of inventory vis-à-vis requirement as per IndAS 2 and shall take necessary corrective action in forthcoming year.
3. Company has not deducted Income tax at source while accounting for certain expenses and provision for expenses. The impact of such non-compliance cannot be ascertained.	Non-deduction of TDS on certain expenditures is mainly for payment of advances to one time vendors. Point has been noted and TDS would be deducted henceforth. Non deduction of TDS on Provision for expenses, is mainly for the booking of expenditure received from group companies as on 31.03.2021. Entries for the same had been received very late. While all possible efforts were made to receive the invoices in timely manner, however during this year, mainly due to pandemic situation, invoices were not received on time. The management has taken a note of the same for the issuance of invoices by the group/sister companies on month to month basis in timely manner.

4. Company has calculated Interest Payable/Receivable on average balance of Inter Companies. The Company has not calculated Interest as per MSA with various Inter Companies.	As per the decision taken by the top management of group of companies, interest has been levied based on average of opening and closing balance. This practice is consistently followed by the group companies. The company will make necessary changes in the MSA with group companies in the forthcoming year.
5. Company has not shared / provided copies of certain contracts. Hence, we are unable to comment on compliance of provisions of Ind AS 115 "**Revenue from Contracts with Customers"** issued by Institute of Chartered Accountants of India by the company.	The copy of one of the contract signed by the company is extremely confidential and being sensitive in nature was not shared with the audit.
6. The Company is in process of reconciliation of revenue and tax deducted at source as accounted in financials and as per 26 AS.	For the purpose of reconciliation of tax deducted at source, the company has hired the services of a professional firm for reconciling the Tax deducted vis-à-vis tax deposited by the customer, however due to pandemic, this could not got completed and shall be completed in due course on priority basis.
Audit Observation	**Management's Replies**
Key Audit Matters: - Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to the key audit matters to be communicated in our report.	
<table><tr><th>Key audit matter</th><th>Auditor's response</th></tr><tr><td><u>Credit Impairment</u> Ind AS requires the company to recognize the expected credit losses (ECL) on financial assets consisting mainly debtors which involves significant judgment and estimates to be made by the company</td><td><u>Principle audit procedures</u> • As per Ind AS, the shift is from 'Incurred Loss' approach to 'Expected Loss' approach while computing provision for losses on loans and advances.</td></tr></table>	This is a statement of fact.

	• We have relied on the ECL calculations which were done by an expert/ outside agency. • The accuracy and completeness of critical data was reviewed. • System of Computation of ECL was found satisfactory. • *Refer accounting policy No 11(A)(v)*	
The Ministry of Civil Aviation, Government of India, constituted a committee in the Chairmanship of Justice D.M. Dharmadhikari (Former Judge of Supreme Court of India) for suggesting the ways and means of harmonization and rationalization of the work force of the merged company. During 2019-20, Air India, on the basis of the recommendations of Justice Dharamadhikari Committee (JDC), has intimated company for making the provision of liability towards transferred employees to the tune of Rs. 516.20 millions.	• Details of the expenses has been sought. • The said expense has been treated as exceptional item in the year 2019-2020. • The books of 2019-20 has been restated and consequential adjustments / disclosure has been made. • This restatement has resulted into decrease in profit and consequential decrease in retained earnings with corresponding increase in employees liability by Rs. 516.20 Millions in 2019-2020. *(Refer Note No. 45)*	This is a statement of fact.
Report on Other Legal and Regulatory Requirements: -		
1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the ***Annexure-A*** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.		This is a statement of fact.
2. As required by Section 143(3) of the Act, we report that: a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.		 This is a statement of fact. This is a statement of fact.

c)	The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of Changes in Equity and the Statement of Cash Flow Statement dealt with by this Report are in agreement with the books of account.	This is a statement of fact.
d)	In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.	This is a statement of fact.
e)	The company, being a government company, is exempt from the provisions of section 164 (2) of the Companies Act, 2013 vide Notification no GSR 463 (E) dated 05-06-2015 from Ministry of Corporate Affairs.	This is a statement of fact.
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".*** Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.	This is a statement of fact.
g)	With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended: In our opinion and to the best of our information and according to the explanations given to us, The Company has not paid/provided the remuneration to its directors during the year.	This is a statement of fact.
h)	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:	This is a statement of fact.
i.	The Company has disclosed the impact of pending litigations on its financial position in its financial statements – *Refer Note 27 to notes to financial statements*;	This is a statement of fact.
ii.	The Company does not foresee any material losses on long term contracts including derivatives contracts; hence no provision for the same has been made.	This is a statement of fact.
iii.	There is no amount required to be transferred to the Investor Education and Protection Fund by the Company.	This is a statement of fact.
3.	As required by section 143(5) of the Act and in pursuance of directions issued by the Office of the Comptroller and Auditor General of India for the year ended March 31st , 2021, we report that:	

a) Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated. Yes, the company has the system in place to process all the accounting transactions through IT system except as stated below:-	
• The Company has SAP for maintenance of accounts. Most of the entries passed do not contain supporting attached with it. The system needs to be strengthened regarding the same.	As regard to attaching supporting document to SAP entries, documents for the entries passed at outstation (other than Delhi) are attached. Further efforts will be made to attach the same for Delhi also.
• The company uses the information systems partially for maintenance and processing of payroll.	This is a statement of fact.
• The Company has no system of calculation of Interest on outstanding of Inter Company balances. The same has been done manually.	This is a statement of fact.
b) Whether there is any restructuring of an existing loan or cases of waiver/write off of debts /loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated. Whether such cases are properly accounted for? (In case, lender is a government company, then this direction is also applicable for statutory auditor of lender company). On the basis of information and explanation given to us, company has not availed any loans. Hence there is no restructuring, waiver / write off of debts/ loans/ interest etc. made by the lender to the company during the year.	This is a statement of fact.
c) Whether funds received/receivable for specific schemes from central/ state government or its agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation. On the basis of information and explanation given to us, no funds have been received /receivable for specific schemes from central / state agencies.	This is a statement of fact.
Audit Observation	**Management's Replies**
<u>Annexure – A to the Independent Auditor's Report</u>	
i **(a)** The Company is in the process of updating its records of fixed assets with respective quantitative details and location thereof. Hence verification of the same has not been carried out till date.	This is a statement of fact.

(b) As explained to us, the Company has a policy of verification of fixed assets on bi-annual basis. Physical verification of fixed assets has not been carried out by the management. **(c)** According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not own any immovable property.	This is a statement of fact. This is a statement of fact.
ii The Company has policy of physical verification of Inventories on bi-annual basis. The Company has not conducted physical verification of Inventories till date. Only tools were verified prior to 31.3.2018.	The physical verification of inventory for the Biennial year 2020-22 could not be commenced in FY 2020-21 due pandemic, however same would be completed in the FY 2021-22.
iii. As per the information and explanation given to us, the Company has not granted loans, secured or unsecured to companies, firms, Limited Liability Partnerships or parties covered in the register maintained under section 189 of the Act. Accordingly, provisions of clause 3(iii) (a), (b) and (c) are not applicable to the Company.	This is a statement of fact.
iv. In our opinion and according to the information and explanation given to us, the Company has not given any loans, guarantees & Security to any party covered by the provisions of section 185 of the Act. The Company has complied with provisions of Section 186 of the Act in respect of investments made or loans or guarantee or security provided to the parties covered under Section 186.	This is a statement of fact.
v. The Company has not accepted any deposits during the year from the public within the meaning of the provisions of sections 73 to 76 or any other relevant provisions of the Act and rules made there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable.	This is a statement of fact.
vi. According to the information and explanations given to us, the Central Government has not specified maintenance of cost records under Section (1) section 148 of the Act. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.	This is a statement of fact.
vii. (a) According to the information and explanations given to us and based on the records examined by us, the Company is not regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, value added tax, cess and other statutory dues with the appropriate authorities. Arrears of outstanding statutory dues as on the last day of the financial year 31st March 2021 of more than six months from the date they became payable are as below:	The delay in payment of statutory dues was mainly on account of reduction in revenue due pandemic and delayed realisation of dues from its customers, as such the company had faced the liquidity crunch during the FY 2020-21.

Nature of Statutory Dues	Amount Outstanding for more than 6 months as on 31st March 2021(Rs. In millions)
Goods and Service Tax	187.84
PF	1716.64
ESIC	4.53
TDS	297.54
Professional tax	0.02

Statutory dues, if any, in respect of foreign business area not covered during the audit, since the record are maintained at the respective business areas which were not available for verification, we are unable to comment whether the dues have been deposited on a time basis.

The company's management has taken stringent view on same and a payment plan has been made. Accordingly during the period April, 2021 to 25th August, 2021, the company has paid the following statutory dues:

Head	**Rs in Mill**
GST	227.67
TDS on GST	2.14
TDS on Salary	625.99
Prof Tax	2.21
PF Trust	1,337.96
EPFO	20.38
ESIC	4.58
Total	**2,220.93**

(b) According to the information and explanations given to us and based on the records examined by us, there are no dues of Wealth tax, sales tax, duty of customs, duty of excise, goods and service tax and value added tax , income tax which have not been deposited on account of any dispute.

This is a statement of fact.

<u>Income Tax Demand Notices received by the Company which are under Appeal:</u>

Nature of statute	**Nature of dues**	**Forum where pending**	**Period of demand**	**Total Demand**
The Income Tax Act , 1961	Income Tax	CIT (Appeals)	2014-15	2,79,27,703
			2015-16	4,31,39,528
			2016-17	6,22,86,454
			2017-18	18,45,77,891
			2018-19	32,37,74,500
				64,17,06,077

The company has filed an appeal against the demand issued by the CIT (Appeals) and the company is of the opinion that the judgement would be in favour of company. However, as a matter of prudence, same has been disclosed as Contingent liability.

viii. According to the information and explanations provided to us and based on the records examined by us, The Company does not have any loans or borrowings from any financial institution, banks, and government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.

This is a statement of fact.

ix. According to information and explanation given to us and based on the records examined by us, The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

This is a statement of fact.

x. According to the information and explanations provided to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of the audit.	This is a statement of fact.
xi. According to information and explanation provided to us and based on the records examined by us, the Company has not paid/ provided for managerial remuneration during the year. Therefore the provisions of clause 3(xi) of the Order are not applicable to the company.	This is a statement of fact.
xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.	This is a statement of fact.
xiii. According to the information and explanation provided to us and based on our examination of records of the Company, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards. (Refer Note No 39.)	This is a statement of fact.
xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of clause 3(xiv) of the Order are not applicable.	This is a statement of fact.
xv. According to the information and explanation provided to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the directors or persons connected with them. Accordingly, provisions of clause 3(xv) of the Order are not applicable.	This is a statement of fact.
xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.	This is a statement of fact.
Audit Observation	**Management's Replies**
Annexure – B to the Independent Auditor's Report	
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. According to the information and explanations given to us and based on our audit, the following weaknesses have been identified as at March 31, 2021:	

i) The Company did not have an effective internal control system for deduction, timely deposit, filing of returns. ii) The Company did not have an effective system for timely accounting of entries, to prevent duplicate accounting entry and maker checker processes.	The company is in the process of augmenting more manpower in the Finance Department and shall be able to further strengthen the system.
iii) In SAP most of the entries has no supportings to check the validity of entry. Expenses borne by other group companies and then reimbursed by the Company had no supporting s at all.	The basis of reimbursement is the MSA signed with respective group companies. The matter will be taken up with the group companies to provide the supporting documents for all major entries.
iv) The Company did not have effective system of reconciliation of balance with other parties.	The company has already initiated the process of reconciliation of balances with other parties on regular basis.
v) The Company has internal audit in place. Internal auditors were appointed but the reports of three quarters were submitted together. Fourth quarters report is submitted in August 2021. We suggest company to appoint internal auditors at the beginning of the financial year, so that actions on their observations can be timely taken.	Delay in Internal Audit during FY 2020-21 is mainly due to pandemic.
MATERIAL WEAKNESS A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.	This is a statement of fact.
OPINION In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2021 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of March 31st, 2021 standalone financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone financial statements of the Company.	This is a statement of fact.

BALANCE SHEET AS AT 31ST MARCH 2021

(Amount in Millions)
(Restated)

Particulars	Note No.	As at March 31, 2021		As at March 31, 2020	
ASSETS :					
1) **Non-current Assets**					
(i) Property, Plant & Equipment	2	**488.0**		593.9	
(ii) Other Intangible Asset	2				
(iii) Capital Work-in-Progress	2	**109.5**			
(iv) Financial Assets:					
a) Loans					
b) Others	3	**0.1**		0.1	
v) Income Tax Assets					
vi) Other Non-Current Assets	4				
			597.5		593.9
2) **Current Assets**					
i) Inventories	5	**828.2**		752.6	
ii) Financial Assets:				-	
a) Trade Receivables	6	**12,531.1**		26,686.3	
b) Cash and Cash Equivalents	7	**4.8**		82.3	
c) Bank Balance other than (b) above	8	**33.7**		33.7	
c) Loans	9	**3.9**		3.9	
d) Others		**-**		-	
iii) Current Tax Assets	10	**780.7**		1,125.1	
iv) Other Current Assets	11	**188.1**		245.6	
			14,370.7		28,929.6
TOTAL			**14,968.2**		**29,523.5**
EQUITY AND LIABILITIES :					
1 **Equity**					
i) Equity Share Capital	12	**1,666.7**		1,666.7	
ii) Other Equity	13	**-23,850.1**		-23,969.5	
			-22,183.5		-22,302.9
2 **Liabilities:**					
Non Current Liabilities					
a) Financial Liabilities					
i) Borrowings					
ii) Trade Payables					
iii) Other					
b) Provisions	14	**6,645.6**		7,070.3	
c) Other Liabilities					
			6,645.6		7,070.3
Current Liabilities					
a) Financial Liabilities					
i) Trade Payables					
- MSME	15	**36.2**		7.1	
- Other than MSME	15	**6,094.4**		7,564.3	
ii) Other	16	**19,072.2**		31,940.0	
b) Provisions	17	**2,596.6**		2,840.1	
c) Other Non Financial Current Liabilities	18	**2,706.6**		2,404.6	
			30,506.0		44,756.1
TOTAL			**14,968.2**		29,523.5
Significant Accounting Policies and	**1**		**-**		-
Notes forming part of the Financial Statement	**2-52**				

The accompanying notes are an integral part of the Financial Statements
This is the Balance Sheet referred to in our report of even date.

For and on Behalf of
Prakash Chandra Jain & Co.
Chartered Accountants
Firm Registration No. 002438C

Sd/-
Pratibha Sharma
Partner
Membership No:400755
UDIN: 21400755AAAABV8681

For and on behalf of the Board

Sd/-
Rajiv Bansal
Chairman
DIN - 00245460

Sd/-
V A Patwardhan
Director
DIN - 08701559

Sd/-
Arun Kumar Bansal
Chief Executive Officer

Sd/-
Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi
Date : 26.08.2021

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2021

(Amount in Millions)
(Restated)

	Particulars	Note No.	For the Year 2020-21	For the year 2019-20
	Revenue			
I	Revenue from Operations	19	**11,600.2**	14,028.3
II	Other Income	20	**255.2**	247.6
III	**Total Reveune (I+II)**		**11,855.4**	14,275.9
IV	**Expenses**			
	Employee Benefit Expenses	21	**6,911.1**	8,573.7
	Finance Costs	22	**1,561.6**	1,442.6
	Depreciation and Amortization Expense	23	**115.2**	126.5
	Other Expenses	24	**3,363.4**	3,061.1
	Total Expenditure		**11,951.2**	13,203.8
	Total Expenditure After Prior Period Adj		**11,951.2**	13,203.8
V	**Profit/ (Loss) before Exceptional Items and Tax (III-IV)**		**-95.8**	1,072.0
VI	Exceptional Items	45		516.2
VII	**Profit/ (Loss) before Extraordinary Items and Tax (V+VI)**		**-95.8**	555.8
VIII	**Tax Expenses :**			
	i) Current Tax		**-**	0.2
	ii) Tax Adjustment relating to earlier year			
	iii) Deferred Tax			
IX	**Profit/ (Loss) after Tax for the period (IX-X)**		**-95.8**	555.7
X	**Other Comprehensive Income**			
	Acturial Gain/(Loss) on Defined benefit obligation		**215.2**	-313.3
	Total Comprehensive Income		**119.4**	242.4
XI	**Earning per Share of Rs. 10 each**			
	Basic	25	**-0.6**	3.3
	Diluted	25	**-0.6**	3.3
Significant Accounting Policies		1		
Notes forming part of the Financial Statement		2-52		

As per our report of even date attached

For and on Behalf of
Prakash Chandra Jain & Co.
Chartered Accountants
Firm Registration No. 002438C

Sd/-
Pratibha Sharma
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Sd/-
Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi
Date : 26.08.2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st MARCH, 2021

(Amount in Millions)

A. Equity Share Capital	As at 31.03.2021		As at 31.03.2020	
			No. of Share	Amount
Balance at the beginning of the reporting period	**166,666,500**	1,666.7	166,666,500	1,666.7
Changes in equity share capital during the year				
Add: Equity Shares alloted during the year	**-**	-	-	-
Less: Buybacks	**-**	-	-	-
Balance at the end of reporting period	**166,666,500**	1,666.7	166,666,500	1,666.7

Particulars	Other Equity		Total equity attributable to equity Holders of the company
	Reserves and Surplus	Other comprehensive income - Reserve	
	Retained Earnings	Remeasurement of defined benefit plans	
Opening Balance as at 1 April 2019	**-21,498.1**	**-**	**-21,498.1**
Profit/(Loss) for the period	555.7	-	555.7
Other Comprehensive Income/(loss)	-	-313.3	-313.3
Add/Less: Prior Period Adjustments	-2,713.8	-	-2,713.8
Balance as at 31 March 2020	**-23,656.2**	**-313.3**	**-23,969.5**
Opening Balance as at 1 April 2020	**-23,969.5**	**-**	**-23,969.5**
Effect of Deferred Tax Asset of earlier years	-	-	-
Profit/(Loss) for the period	-95.8	-	-95.8
Add/Less: Prior Period Adjustments	-	-	-
Other Comprehensive Income/(loss)	-	215.2	215.2
Balance as at 31 March 2021	**-24,065.3**	**215.2**	**-23,850.1**

For and on Behalf of
Prakash Chandra Jain & Co.
Chartered Accountants
Firm Registration No. 002438C

Sd/-
Pratibha Sharma
Partner
Membership No:400755
UDIN: 21400755AAAABV8681

For and on behalf of the Board

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Sd/-
Arun Kumar Bansal
Chief Executive Officer

Sd/-
Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi
Date : 26.08.2021

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2021

(Amount in Millions)
(Restated)

	Particulars	As at March 31, 2021		As at March 31, 2020	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net (Loss) / Profit Before Taxes and Exceptional Items:		-95.8		1,072.0
	Adjustment for :				
	Depreciation and amortisation	**115.2**		126.5	
	Net (Loss) / Profit from sale of Assets	**0.0**		0.0	
	Interest on Call & Fixed Deposit	**-2.0**		-1.0	
	Interest Expense	**1,561.6**		1,442.6	
		-		-516.2	
	Other Adjustments	**215.2**	1,890.0	-313.3	738.6
	Operating (Loss) / Profit Before Working Capital Changes		1,794.2		1,810.6
	Change in Assets & Liabilities				
	Trade and Other Receivables	**14,155.2**		-12,601.0	
	Trade and Other Payables	**-1,440.7**		6,911.8	
	Other Financial Assets & Other Assets	**326.3**		-657.5	
	Other Financial Liabilities & Other Liabilities	**-13,234.0**	-193.2	6,046.3	-300.5
	Cash flow from operations		1,601.0		1,510.2
	Income Tax Paid				0.2
	Net Cash Flow (used in)/ from Operating Activities		**1,601.0**		**1,510.0**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Acquisition of fixed assets	**-118.8**		-40.0	
	Acquisition of other non current assets	**-**		0.2	
	Interest Income	**2.0**	-116.9	1.0	-38.8
	Net Cash Flow used in Investing Activities		**-116.9**		**-38.8**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Interest Expense	**-1,561.6**		-1,442.6	
	Net Cash Flow from/(used in) Financing Activities		-1,561.6		-1,442.6
	Net increase/ (Decrease) in Cash and Cash equivalents		-77.44		28.6
	Cash and Cash equivalents (Opening balance)		82.3		53.7
	Cash and Cash equivalents (Closing balance)		**4.8**		**82.3**

Notes

1 The Cash Flow Statement has been prepared under the “Indirect Method” as set out in the Accounting Standard 3 (AS-3) on “Cash Flow Statements”, and present cash flows by operating, investing and financing actvities.

For and on Behalf of
Prakash Chandra Jain & Co.
Chartered Accountants
Firm Registration No. 002438C

Sd/-
Pratibha Sharma
Partner
Membership No:400755
UDIN: 21400755AAAABV8681

For and on behalf of the Board

Sd/-
Rajiv Bansal
Chairman
DIN - 00245460

Sd/-
V A Patwardhan
Director
DIN - 08701559

Sd/-
Arun Kumar Bansal
Chief Executive Officer

Sd/-
Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi
Date : 26.08.2021

Notes forming part of the financial statements as at and for the year ended March 31, 2021

NOTE "1"

A. CORPORATE INFORMATION

AI Engineering Services Limited (a wholly owned subsidiary of Air India Limited a Government of India Company) is a public limited company incorporated in India under the provisions of the Companies Act applicable in India with a CIN: U74210DL2004GOI125114. The Company has changed its name from Air India Engineering Services Limited to AI Engineering Services Limited dated 3rd August, 2020. The registered office of the company is situated at: Airlines House 113, Gurudwara Rakabganj Road, New Delhi and Delhi - 110001. The company secured DGCA approval for providing MRO services from 1st January, 2015. The Company has entered into MOUs with its parent company, Air India Ltd and subsidiary companies of Air India Ltd, viz. 'Air India Express Ltd' and 'Airline Allied Services Ltd' for rendering their aircraft engineering related services. The company is also providing the Line Maintenance Services and MRO services to Indian and Foreign Third parties, mainly airlines.

B. ACCOUNTING CONVENTION

The Company has prepared these Financial Statements which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss, the Statement of Cash Flows and the Statement of Changes in Equity for the year ended as on that date, and accounting policies and other explanatory information (together hereinafter referred to as "Financial Statements").

i. Basis of preparation and presentation:

The Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention except for certain financial instruments measured at fair values at the end of each reporting year, as explained in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1,2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the balance sheet on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

ii. Functional Currency

Currency of the primary economic environment in which the Company operates ("the Functional Currency") is Indian Rupee (Rs.) in which the Company primarily generates and expends cash. Accordingly, the Management has assessed its functional currency to be Indian Rupee (Rs.) The Financial Statements are presented in Indian Rupee (INR) which is Company's Presentation and Functional currency and all amounts disclosed in the Financial Statements and Notes have been rounded off to the nearest Million (up to one decimal), unless otherwise stated.

iii. Current and non-current classification

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.

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realized in the Company's normal operating cycle. it is held primarily for the purpose of providing services;
- it is expected to be realized within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the Company's normal operating cycle;
- it is held primarily for the purpose of providing services;
- it is due to be settled within 12 months after the reporting date; or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current only.

iv. Critical accounting estimates / judgments:

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, the actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates where necessary are recognized prospectively.

Significant areas of estimation and judgments (as stated in the respective Accounting Policies) that have the most significant effect on the Financial Statements are as follows:

a) Impairment of Assets

b) Measurement of useful life and residual values of property, plant and equipment and the assessment as to which components of the cost may be capitalized

c) Basis of classification of a Property as Investment Property

d) Basis of classification of Non-Current Assets held for sale

e) Estimation of Costs of Re-delivery

f) Recognition of Deferred Tax Assets

g) Recognition and measurement of defined benefit obligations

h) Judgment required to ascertain lease classification

i) Measurement of Fair Values and Expected Credit Loss (ECL)

j) Judgment is required to ascertain whether it is probable or not that an outflow of resources embodying economic benefits will be required to settle the taxation disputes and legal claim.

C. SIGNIFICANT ACCOUNTING POLICIES

1. PROPERTY PLANT & EQUIPMENT

a. Property Plant and Equipment are stated at cost including incidental costs incurred pertaining to the acquisition and bringing them to the location for use and interest on loans borrowed where applicable, upto the date of putting the concerned asset to use.

b. Physical Verification of Assets

Physical Verification of Assets is done on a rotational basis so that every asset is verified once in every two years and the discrepancies if any observed are dealt with in the books of accounts accordingly.

2. DEPRECIATION / AMORTIZATION

i. Depreciation is provided on all assets on straight-line method over the useful life of assets as provided in Part C of Schedule II of the Companies Act 2013, keeping a residual value of 5% of the original cost.

ii. Depreciation on addition to assets provided for the full year of acquisition and no depreciation is provided in the year of disposal.

iii. Intangible asset which have a definite useful economic life are amortized over the estimated useful life. Intangible Assets which have an indefinite useful life are tested for impairment.

3. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and the company applied practical expedient to “grandfather approach” for the assessment of transactions as leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17. Leases as Lessee (Assets taken on lease) the Company applies a single recognition and measurement approach for all leases, except for short-term leases, leases of low-value assets and the lease contracts in which the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

As a lessee:

The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

i. the contact involves the use of an identified asset,

ii. the Company has substantially all of the economic benefits from use of the asset through the period of the lease and

iii. the Company has the right to direct the use of the asset.

As a Lessor:

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the ROU asset arising from the head lease. For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

4. REVENUE RECOGNITION

i. The Company derives revenue primarily from maintenance, Repair and Overhaul services (MRO Services) and line maintenance (technical handling) of Aircraft Engines and other aircraft related services.

ii. Revenue from Operations

Revenue is recognised when the entity satisfies a performance obligation by transferring the promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

In the case of contract based on Block Hours flown by Aircraft and Aircraft Engines, the revenue is recognised on the basis of actual Block Hours flown.

In case of other contracts for Line Maintenance services, revenue is being recognised based on number of flights handled.

iii. Revenue from the training services is recognised as and when fees are received.

iv. Gain or loss arising out of sale/scrap of PPE over the net depreciated value is taken to Statement of Profit & Loss as Non-Operating Revenue or Other Expenses.

v. Income from Interest is recognized using the effective interest method on a time proportion basis. Income from Rentals is recognized on a time proportion basis.

vi. The claims receivable from Insurance Company are accounted for on the acceptance by the Insurance Company of such claims.

vii. Warranty claims/credit notes received from vendors are recognized on acceptance of claim/receipt of credit note.

5. INVENTORIES

Inventories primarily consist of stores and spares and loose tools. Inventories consist of various stores and spares which are valued at lower of cost and Net Realizable Value ('NRV'). Costs of inventories are determined on weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

6. **EMPLOYEE BENEFITS**

a) **Short term employee benefits:** All employee benefits falling due wholly within twelve months of rendering the services are classified as short term employee benefits. The benefits like salaries, wages, and short term compensated absences etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related services.

b) **Post-employment benefits:**

Defined Contribution Plans consist of contributions to Employees Provident Fund and Employees State Insurance Scheme. As regard to the permanent employees of Air India Limited transferred to the company, the PF dues are deposited in the PF trusts created by Air India Limited. As regard to the other employees, PF dues are deposited with the office of EPFO by the company.

ESI dues are regularly deposited with government authorities.

Defined Benefit Plans, which are not funded, consist of Gratuity, Leave Encashment including Sick Leave and other benefits.

The liability for Gratuity, Leave Encashment and medical are actuarially determined under the Projected Unit Credit Method at the end of the financial year.

7. **IMPAIRMENT OF ASSETS**

At each Balance Sheet date, the carrying amount of assets is tested for impairment in terms of Ind AS-36 so as to determine:

a) the provision for impairment loss, if any; and

b) the reversal of impairment loss recognized in previous periods, if any,

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

8. **TAXES ON INCOME**

Income tax expense represents the sum of the tax currently payable and deferred tax.

i. **Current Tax**

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

ii. **Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as a deferred tax asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they are relating to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

9. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

a) Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation (legal or constructive) as a result of past events and it is probable that there will be an outflow of resources. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. The expense relating to a provision is presented in the statement of profit and loss

b) The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, it carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

c) When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

d) Contingent liabilities are disclosed by way of a note 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.

e) Contingent assets are possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent asset is disclosed, when an inflow of economic benefits is probable.

Onerous contracts

f) An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Present obligations arising under onerous contracts are recognized and measured as provisions.

10. EARNING PER SHARE

The Company presents basic and diluted earnings/ (loss) per share (EPS) data for its equity shares. Basic earnings per equity share are computed by dividing the net profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing adjusted net profit after tax by the aggregate of weighted average number of equity shares and dilutive potential equity shares during the year.

11. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A. Financial Assets

(i) Classification

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through Statement of Profit and Loss (FVTPL) on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

(ii) Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through Statement of Profit and Loss, transaction costs that are attributable to the acquisition of the financial asset.

(iii) Subsequent measurement

For purposes of subsequent measurement financial assets are classified in below categories:

(a) **Financial assets carried at amortized cost:** A financial asset other than derivatives and specific investments, is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) **Financial assets at fair value through other comprehensive income:** A financial asset comprising specific investment is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

(c) **Financial assets at fair value through Statement of Profit and Loss:** A financial asset comprising derivatives which is not classified in any of the above categories is subsequently fair valued through profit or loss.

(iv) De-recognition

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset

(v) Impairment of other financial assets

The Company assesses impairment based on expected credit losses (ECL) model for measurement and recognition of impairment loss on the financial assets that are trade receivables or contract revenue receivables etc.

(vi) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

B. Financial Liabilities

(i) **Initial recognition and measurement**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

(ii) **Classification**

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through Statement of Profit and Loss. Such liabilities, including derivatives shall be subsequently measured at fair value.

(iii) **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below.

a) **Financial liabilities at amortized cost:**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

b) **Financial liabilities at fair value through Statement of Profit and Loss:**

Financial liabilities at fair value through Statement of Profit and Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through Statement of Profit and Loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category comprises derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

(iv) **De-recognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

(v) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to sell on a net basis, to realize the assets and sell the liabilities simultaneously.

12. BORROWING COST

i. Borrowing cost that are directly attributable to acquisition, construction of qualifying assets including capital work–in-progress are capitalized, as part of the cost of assets, up to the date of commencement of commercial use of the assets.

ii. Interest incurred on borrowed funds or other temporary borrowings in anticipation of the receipt of long term borrowings that are used for acquisition of qualifying assets exceeding the value of Rs.10.0 million is capitalized at the weighted average borrowing rate on loans outstanding at the time of acquisition.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

14. FOREIGN CURRENCY MONETARY ITEM

i. Foreign currency Revenue and Expenditure transactions relating to Foreign Stations are recorded at established monthly rates (based on published IATA rates).

ii. Foreign currency monetary items are translated using the exchange rate circulated by Foreign Exchange Dealers Association of India (FEDAI). Gains/ (losses) arising on account of realization/ settlement of foreign exchange transactions and on translation of monetary foreign currency assets and liabilities are recognized in the Statement of Profit and Loss.

15. THRESHOLD LIMIT

The Company has adopted following materiality thresh hold limits in the classification of expenses/ incomes and disclosure:

Thresh hold Items	Unit	Thresh hold Value
Prior Period Expenditure/Revenue		
- Restatement based on individual limits	Million	50.00
- Restatement based on overall limits	Million	1% of Total Revenue of previous financial year
Fair Valuation of Financial Instruments	Million	50.00

NOTE "2" : PROPERTY PLANT AND EQUIPMENT

Sr. No.	Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
		As at April 01, 2019	Additions	Other Adjustments	Deductions / Adjustments	As at March 31, 2020	As at April 01, 2019	For the year	Deductions/ Adjustments	Total Upto March 31, 2020	As at March 31, 2020	As at March 31, 2019
TANGIBLE ASSETS :												
a)	Land	-	-	-	-	-						
b)	Buildings	-	-	10.4	-	10.4	-	0.2	4.8	5.0	5.5	-
c)	Plant & Equipment	-	-	-			-	-	-			-
	Workshop Equipment, Instruments,	1,405.5	26.4	-	-0.1	1,431.8	806.8	110.5	-0.1	917.2	514.6	598.7
	Machinery and Plants	91.2	0.6	-		91.8	29.5	10.0	-	39.5	52.4	61.8
d)	Furniture & Fixtures	10.0	1.5	-		11.6	2.3	1.1	-	3.4	8.1	7.7
e)	Electrical Fittings	0.3	0.2	-		0.5	0.1	0.0	-	0.1	0.4	0.2
f)	Computer System	5.2	2.4	-		7.6	3.0	1.7	-	4.7	2.8	2.2
g)	Vehicles	7.7	-	-		7.7	2.0	0.9	-	2.8	4.8	5.7
h)	Office Equipment	8.1	3.2	-		11.3	4.0	2.1	-	6.1	5.2	4.1
TOTAL FOR TANGIBLE ASSETS		1,528.0	34.3	10.4	-0.1	1,572.7	847.7	126.5	4.7	978.8	593.9	680.3
INTANGIBLE ASSETS :												
d)	Licenses & Franchise	2,713.8			-2,713.8	-						2,713.8
TOTAL FOR INTANGIBLE ASSETS		**2,713.8**	**-**	**-**	**-2,713.8**	**-**	**-**	**-**	**-**	**-**	**-**	**2,713.8**
TOTAL		**4,241.8**	**34.3**	**10.4**	**-2,713.9**	**1,572.7**	**847.7**	**126.5**	**4.7**	**978.8**	**593.9**	**3,394.2**
PREVIOUS YEAR		**4,229.0**	**16.9**	**-**	**-4.1**	**4,241.8**	**655.4**	**193.9**	**-1.7**	**847.7**	**3,394.2**	**3,573.6**

Note : 1. As per MOU entered between Air India Limited (AIL) & Air India Engineering Services Limited (AIESL) dated 5th April, 2013 Air India Limited shall trasnfer all its movable assets such as machinery, equipment etc. pertaining to MRO unit of AIL to AIESL at a written down value of such moveable assets as on 01-04-2014. It was clarified by MOU that written down value of movable assets trfansferred from AIL to AIESL shall be the cost of these assets transferred and shall form part of initial equity contribution.

NOTE “2” : PROPERTY PLANT AND EQUIPMENT

Sr. No.	Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
		As at April 01, 2020	Additions	Other Adjustments	Deductions / Adjustments	As at March 31, 2021	As at April 01, 2020	For the year	Deductions/ Adjustments	Total Upto March 31, 2021	As at March 31, 2021	As at March 31, 2020
TANGIBLE ASSETS:												
a)	Land	-	-	-	-	-						
b)	Buildings	10.4	-	-	-	10.4	5.0	0.2		5.1	5.3	5.5
c)	**Plant & Equipment**		-					-				
	Workshop Equipment, Instruments,	1,431.8	4.0		-0.0	1,435.8	917.2	98.7		1,016.0	419.8	514.6
	Machinery and Plants	91.8	0.9			92.7	39.5	10.0		49.5	43.3	52.4
d)	**Furniture & Fixtures**	11.6	0.1			11.6	3.4	1.1		4.5	7.1	8.1
e)	**Electrical Fittings**	0.5	0.3			0.8	0.1	0.1		0.2	0.6	0.4
f)	**Computer System**	7.6	2.5			10.0	4.7	2.0		6.8	3.3	2.8
g)	**Vehicles**	7.7	-			7.7	2.8	0.8		3.6	4.1	4.8
h)	**Office Equipment**	11.3	1.6			12.9	6.1	2.3		8.4	4.5	5.2
TOTAL FOR TANGIBLE ASSETS		**1,572.7**	**9.3**	**-**	**-0.0**	**1,582.0**	**978.8**	**115.2**	**-**	**1,094.0**	**488.0**	**593.9**
Capital Work-in-Progress		109.5				109.5					109.5	-
Total Capital Work-in-Progress		**109.5**	**-**	**-**	**-**	**109.5**	**-**	**-**	**-**	**-**	**109.5**	**-**
Grand Total		**1,682.2**	**9.3**	**-**	**-0.0**	**1,691.5**	**978.8**	**115.2**	**-**	**1,094.0**	**597.5**	**593.9**
PREVIOUS YEAR		**4,241.8**	**34.3**	**10.4**	**-2,713.9**	**1,572.7**	**847.7**	**126.5**	**4.7**	**978.8**	**593.9**	**3,394.2**

Note : 1. As per MOU entered between Air India Limited (AIL) & Air India Engineering Services Limited (AIESL) dated 5th April, 2013 Air India Limited shall trasnfer all its movable assets such as machinery, equipment etc. pertaining to MRO unit of AIL to AIESL at a written down value of such moveable assets as on 01-04-2014. It was clarified by MOU that written down value of movable assets trfansferred from AIL to AIESL shall be the cost of these assets transferred and shall form part of initial equity contribution.

NOTE "3" : Other Non Current Financial Asset

(Amount in Millions)

Particulars	As at March 31st, 2021	As at March 31st, 2020
Deposits - Others (More than 12 Months)	0.1	0.1
TOTAL	**0.1**	**0.1**

NOTE ''4" : Other Non- Current Assets

(Amount in Millions)

Particulars	As at March 31st, 2021	As at March 31st, 2020
Advances Recoverable in Cash or Kind	-	-
Capital Advances	-	-
Security deposit with DGCA	-	-
Other	-	-
TOTAL	**-**	**-**

NOTE "5" : INVENTORY

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Stores and Spare Parts	**18.5**	20.5
Loose Tools	**492.4**	453.6
Fuel, Gas, Coal, Oil and lubricants	**1.2**	1.1
Non-Aircraft Inventory	**6.4**	6.4
Other Inventory	**309.8**	271.0
Total	**828.2**	**752.6**

NOTE "6" : TRADE RECEIVABLES

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Secured, Considered Good		
Unsecured, Considered Good	**12,531.1**	26,686.3
Trade Receivables having significant increase in Credit Risk	**549.2**	447.0
Trade Receivables - Credit Impaired		
	13,080.4	27,133.3
Less : Allowance for Doubtful	**549.2**	447.0
Total	**12,531.1**	**26,686.3**

NOTE “7” : CASH AND BANK BALANCES

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Balances with Banks		
a) In Current Accounts	**4.6**	**82.1**
b) In Deposit Accounts (Maturity less than12 months)		
C) Cash in Hand	**0.2**	**0.1**
Cheques, Drafts on Hand	**0.1**	**0.1**
TOTAL	**4.8**	**82.3**

NOTE ‘’8” : Bank Balances other than Cash Equivalents

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Balance with Banks		
In Margin Money Deposits (3 < Maturity < 12)	**33.7**	33.7
	33.7	33.7

NOTE ‘’9” :Current Loans

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Advances		
Secured - Considered Good		
Unsecured-Considered Good (Inter Company)		
Security Deposits	3.9	3.9
Total	**3.9**	**3.9**

NOTE “10” : Current Tax Assets

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Total Advance payment for Income Tax and TDS	**780.7**	1,125.1
Balances with Statutory / Govt Authorities		
TOTAL	**780.7**	1,125.1

NOTE “11” : Others-Current Asset

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Prepaid Expenses	**11.8**	16.4
Advances Recoverable in Cash or Kind	**172.4**	227.1

Particulars	As at March 31, 2021	As at March 31, 2020
Petty Cash		
GST Interim Bank Account		
Interest accrued on investment	**3.9**	2.1
TOTAL	**188.1**	**245.6**

NOTE "12" : SHARE CAPITAL

(Amount in Millions)

	Particulars	As at March 31, 2021		As at March 31, 2020	
		Number of shares	Amount	Number of shares	Amount
a)	**AUTHORISED**				
	1000,000,000 Equity Shares (Previous Year : 10,000,000) of Rs.10 each	1,000,000,000.00	10,000.0	1,000,000,000.00	10,000.0
		1,000,000,000.00	**10,000.0**	**1,000,000,000.00**	**10,000.0**
b)	**ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES**				
	1666,66,500 Equity Shares of Rs. 10 each	166,666,500.00	1,666.7	166,666,500.00	1,666.7
		166,666,500.00	**1,666.7**	**166,666,500.00**	**1,666.7**

c) Reconciliation of number of shares :

Particulars			As at March 31, 2020	
	Number of share	Amount	Number of share	Amount
Equity Shares at the beginning of the year	166,666,500	1,666.7	166,666,500	1,666.7
Add : Equity Shares Allotted during the year			-	-
Equity Shares at the end of the year	166,666,500	1,666.7	166,666,500	1,666.7

d) Rights Preferences and restriction attached to equity shares

The company has single class of shares i.e. Equity Shares having a par value of Rs. 10 per share as per. 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 distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

e) Details of Shares held by the Holding Company, Subsidiary & Associates

Particulars	As at March 31, 2021		As at March 31, 2020	
Shares held by Holding Company	Number of share	Amount	Number of share	Amount
Air India Limited	166,666,500	1,666.67	166,666,500	1,666.67

f) Details of Shareholders holding more than 5%

Particulars	As at March 31, 2021		As at March 31, 2020	
Air India Limited	166,666,500	1,666.67	166,666,500	1,666.67

g) Details of Shares Issued & Allotted as fully paid up pursuant to contract withput payment being received in cash

Particulars	As at March 31, 2021	As at March 31, 2020
1666,16,500 Equity Shares of Rs. 10 each were allotted towards theWDV of engineering assets transferred by the Holding Company Air India Limited as on 1st April 2014 towards capital infusion in terms of clause 5 (a) MoU entered between Air India Limited & Air India Engineering Services Limited dated 05th April, 2013)		-

NOTE "13" : Other Equity

(Amount in Millions)
(Restated)

Particulars	As at March 31, 2021	As at March 31, 2020
Surplus / (Deficit) as per Statement of Profit & Loss		
Opening Balance	**-23,969.5**	-21,498.1
Add/Less Prior Period Adjustments	**-**	-2,713.8
Profit / (Loss) for the year	**119.4**	242.4
Closing Balance	**-23,850.1**	-23,969.5
TOTAL	**-23,850.1**	**-23,969.5**

NOTE "14" : NON CURRENT PROVISIONS

(Amount in Millions)
(Restated)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for Employee Benefits		
a) Gratuity	**2,296.6**	2,596.6
b) Leave Encashment	**1,595.0**	1,766.5
c) Medical	**2,241.4**	2,191.0
d) Other Benefits	**512.5**	516.2
TOTAL	**6,645.6**	**7,070.3**

NOTE “15” : TRADE PAYABLES

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Due to Micro and Small Enterprises	**36.2**	7.1
Others Payables	**6,094.4**	7,564.3
(Refer Point no. ‘13’ of Note No. 21)		
TOTAL	**6,130.7**	**7,571.3**

NOTE “16” : Other Current Financial liability

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Security Deposit	**23.4**	21.0
Earnest Money Deposit	**4.1**	4.6
Loan & Advances	**104.3**	104.5
Payable to Employees	**461.6**	403.4
Holding Company - Air India Limited- Current Account	**-**	-
Inter company Payable/Receivable	**18,385.6**	31,327.0
Others	**93.2**	79.6
TOTAL	**19,072.2**	**31,940.0**

NOTE “17” : CURRENT PROVISIONS

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision		
For employees Benefits		
a) Gratuity	**779.7**	626.3
b) Leave Encashment	**463.3**	451.6
c) Medical	**92.8**	82.2
d) Other Benefits	**-**	25.1
Other than employees	**1,260.8**	1,655.0
TOTAL	**2,596.6**	**2,840.1**

NOTE “18” : OTHER CURRENT LIABILITIES

(Amount in Millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Other Payables (Net)		
Advance from Customers		

Particulars	As at March 31, 2021	As at March 31, 2020
Forward Sales		
others		
Statutory Dues	2,706.6	2,404.6
TOTAL	**2,706.6**	**2,404.6**

NOTE "19" : REVENUE FROM OPERATION

(Amount in Millions)

Sr. No.	Particulars	For the Year 2020- 21	For the Year 2019-20
1	**Sales of Services**		
	Technical Handling Services Reveune	**1,705.8**	3,390.3
	Other Servicing Revenue	**9,193.2**	10,167.9
		10,899.0	13,558.1
2	**Other Operating Revenue**		
	Engineering Training Reveune	**170.2**	253.4
		170.2	253.4
3	**Incidental Revenue**	**531.0**	**216.8**
		531.0	216.8
	Total reveune from operation	**11,600.2**	**14,028.3**

NOTE "20" : OTHER INCOME

(Amount in Millions)

Sr. No.	Particulars	For the Year 2020- 21	For the Year 2019-20
1	Other Income	**45.5**	35.9
2	Interest Income	**209.8**	211.7
	TOTAL	**255.2**	**247.6**

NOTE "21" : EMPLOYEE BENEFIT EXPENSES

(Amount in Millions)

Sr. No.	Particulars	For the Year 2020- 21	For the Year 2019-20
1	Salaries, Wages & Bonus	**5,562.8**	7,222.0
2	Contribution to Provident and Other Funds	**309.0**	316.0
3	Staff Welfare Expenses	**421.6**	415.3
4	Provision for Gratuity	**470.9**	341.8
5	Provision for Leave Encashment	**146.7**	278.5
	TOTAL	**6,911.1**	**8,573.7**

NOTE "22" : FINANCE COST

(Amount in Millions)

Sr. No.	Particulars	For the Year 2020- 21	For the Year 2019-20
1	Interest Expenses	**1,561.6**	1,442.6
	TOTAL	**1,561.6**	**1,442.6**

NOTE "23" : DEPRECIATION AND AMORTIZATION EXPENSE

(Amount in Millions)

Sr. No.	Particulars	For the Year 2020- 21	For the Year 2019-20
1	Depreciation of Tangible Assets	**115.2**	126.5
	TOTAL	**115.2**	**126.5**

NOTE "24" : OTHER EXPENSES

(Amount in Millions)

Sr. No.	Particulars	For the Year 2020- 21	For the Year 2019-20
1	Insurance Expenses	**54.7**	33.4
2	Material Consumed-Aircraft	**95.5**	161.9
3	Outside Repairs-Aircraft	**-**	-
4	Handling Charges	**159.6**	244.5
5	Communication Charges	**9.3**	10.2
6	Travelling Expenses	**72.7**	143.1
7	Rent	**979.7**	1,158.1
8	Rates and Taxes	**87.0**	97.6
9	Conveyance Expenses	**-**	-
10	Repair Maintenance:	**-**	-
	i) Buildings	**18.6**	27.1
	ii) Others	**1,132.2**	255.1
11	Hire of Transport	**128.8**	112.7
12	Hire of Manpower	**-**	-
13	Fees to DGCA	**3.2**	3.7
14	Electricity & Heating Charges	**307.8**	393.2
15	Consumption of Gas & Fuel	**-**	-
16	Water Charges	**43.5**	8.2
17	Publicity & Sales Promotion	**0.6**	0.4
18	Printing and Stationery	**6.6**	4.8
19	Professional & Legal Charges	**10.7**	18.1
20	Auditors' Remuneration and Expenses	**-**	-
	i) Audit Fees	**0.3**	0.3

Sr. No.	Particulars	For the Year 2020- 21	For the Year 2019-20
	ii) Other Expenses	**0.0**	0.0
21	Other Audit Expenses	**0.9**	3.2
22	Bank Charges	**0.6**	0.3
23	Other Expenses	**152.7**	222.9
24	Exchange Variation	**-**	-
25	Loss on Sale of Assets/Scrap	**0.0**	0.0
26	Passenger Amenities	**-**	-
27	Provision for Doubtful Debts	**98.5**	162.2
	TOTAL	**3,363.4**	**3,061.1**

Disclosure of Earnings Per Share (EPS) computation as per Indian Accounting Standard -33 of the Institute of Chartered Accountants of India:

NOTE "25" : EARNING PER SHARE

(Amount in Millions)

Particulars	For the Year 2020- 21	For the Year 2019-20
Profit available for appropriation as per Profit & Loss		
Account	**-95.8**	556
Weighted average No. of equity shares outstanding		
during the year	**166,666,500.0**	166,666,500.0
Basic and Diluted EPS	**-0.57**	3.33
Face value per equity share	**10.0**	10.00

Notes forming part of the financial statements as at and for the year ended March 31, 2021

26. Disinvestment Process:

(i) In view of the NITI Aayog recommendations on the disinvestment of Air India (AI) and followed by the recommendations of the Core Group of Secretaries on disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) had given an 'In-Principle' approval for considering the strategic disinvestment of the Air India group in its meeting held on June 28, 2017. CCEA also constituted the Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment.

The Transaction Advisor, Legal Advisor and Asset Valuer have also been appointed to guide the Government and to carry forward the process of Disinvestment.

(ii) The AISAM in its meetings held on September 21, 2017 and October 05, 2017 decided that :

a) The following Four Subsidiaries of Air India be demerged and parked in the newly created Special Purpose Vehicle (SPV):

i) AI Engineering Services Limited (AIESL),

ii) AI Airport Services Ltd (AIASL)

iii) Alliance Air Aviation Limited, (AAAL)

iv) Hotel Corporation of India (HCI)

b) A Special Purpose Vehicle (SPV) be created for warehousing accumulated working capital loan not backed by any asset along with four subsidiaries AIATSL, AASL, AIESL, HCI, non-core assets, paintings & artifacts and other non- operational assets. This entity be named "Air India Assets Holding Limited".

(iii) Pursuant to the above decision of the AISAM, the SPV **Air India Assets Holding Limited** (AIAHL) was formed.

(iv) The Ministry of Civil Aviation vide their Letter No. AV.17046/368/2017- AI dated November 03, 2017 directed Air India to demerge the above mentioned four subsidiaries to park it in the SPV. It further directed to transfer the investment in the shares of the subsidiary companies namely AIASL, AASL, AIESL and HCI from Air India to the SPV company at book values (at value shown in the Balance Sheet as at March 31, 2017 with any addition to "Equity" thereto during the year)

(v) The Board of Air India in its 82^{nd} Board meeting held on November 17, 2017 had given in-principle approval for transferring the interest of Air India in the subsidiary companies viz. AIATSL, AIESL, AASL and HCI to the SPV after following the necessary procedures under the Companies Act, 2013 and other legal formalities as may be recommended by the legal advisor.

As on date the Ministry of Civil Aviation (MOCA) has not taken any decision for disinvestment of AI Engineering Service Limited (AIESL) and will separately decide the contours of the mode of disposal of AIESL.

27. Contingent Liabilities:

Disputed Claims / Levies (Including Interest, if any):

Claims against the company not acknowledged as debts (excluding interest and penalty, in certain cases) and the required information, in compliance of Ind AS 37, are as under:

Amount in Millions

Sr no.	Description	Balance as on March 31, 2021	Balance as on March 31, 2020
(i)	Income Tax Demand Notices received by the Company which are under Appeal (*).	641.71	641.71
(ii)	Other Claims on account of Staff/Civil/Arbitration Cases pending in Courts	Amount not ascertainable	Amount not ascertainable
	Total	**641.71**	**641.71**

Explanatory Statement in respect of Other Contingent Liabilities

*** Income Tax Demand Notices received by the Company which are under Appeal:**

FY	Amount of Rent	Amount of Interest	Total amount of Default u/s 210(1)	Total Amount of Interest u/s 210(1A)	Total Demand
2014-15	16,23,70,374		1,62,37,037	1,16,90,666	2,79,27,703
2015-16	21,32,31,680	5,63,90,370	2,69,62,205	1,61,77,323	4,31,39,528
2016-17	23,90,18,420	18,18,36,002	4,20,85,442	2,02,01,012	6,22,86,454
2017-18	25,85,99,324	1,09,85,91,060	13,57,19,038	4,88,58,853	18,45,77,891
2018-19	1,15,61,14,683	1,45,49,70,001	26,11,08,468	6,26,66,032	32,37,74,500
	2,02,93,34,481	**2,79,17,87,433**	**48,21,12,191**	**15,95,93,886**	**64,17,06,077**

28. Capital Commitments

Capital Commitments are in respect of estimated amount of contracts remaining to be executed on Capital Account is NIL. (Previous Year NIL)

29. Confirmations/Reconciliations

The Company has sought for the confirmation of balances for all the major trade receivables & trade payables.

In case of trade receivables, the company has obtained the balance confirmation of balances receivables from the holding company and all the subsidiary companies and sister concern of the holding company, which consist of 70.39% (Pervious year 94.51%) of receivables of the company and reconciliation has been completed and balance confirmations have been obtained.

30. Physical Verification & Reconciliation

a. **Property, Plant and Equipment (PPE)**

As per policy of the company, the biennial exercise of physical verification of PPE which was due to be completed in the Biennial year 2020-22 could not be commenced due to Global pandemic of COVID-19.

b. **Physical Verification of Inventory**

As per policy of the company, exercise of physical verification of inventory which was due to be completed in the Biennial year 2020-22 could not be commenced due to Global pandemic of COVID-19.

31. Internal Control

The Company is in continuous process of strengthening the internal control process in the company so as to ensure the coverage of all the areas as envisaged and ensure effective internal controls at stations, regional offices, user departments. The company has appointed independent firm for conducting the internal audit to provide suggestions for the improvement in the system required, if any.

32. Revenue Related Matters:

The total revenue from Operation during FY 2020-21 is Rs. 11,600.19 Million as against Rs.14,028.29 Million during FY 2019-20, leading to decrease of Rs. 2,428.11 Million i.e. reduction of 17.31%. The percentage of revenue from group Co. is 64.86% (PY 86.95%) and percentage of revenue from third party is 35.14% (PY 13.05%). The reduction in Total Operating Revenue is mainly because of decrease in revenue from Group Cos. to the tune of Rs. 4,672.49 Million, whereas the revenue from third parties has increased by Rs. 2,244.38 Million. The reduction in revenue from Group Companies is due to impact of Covid and the increase in revenue from Third Parties is mainly due to revenue from Indian Airforce.

33. Segment Reporting :

The company is engaged in MRO (Maintenance, Repair & Overhaul of aircraft, engines & components) services, which is its primary and only reportable business segment.

34. Retirement Benefits

i. Contributions to Defined Contribution Schemes such as Provident Fund are charged to the Profit & Loss Account as follows:

Provident Fund Rs. 305.18 Million (Previous Year Rs. 310.21 Million)

ii. The Company also provides retirement benefits in the form of Gratuity and Leave Encashment on the basis of valuation, as at the Balance Sheet Date, carried out by independent Actuaries, as per IndAS19 issued by the Institute of Chartered Accountants of India.

a. Privilege Leave Encashment is payable to all eligible employees at the time of retirement, which is unfunded. Leave Encashment liability for the current financial year is Rs. 2,058.31 Million (Previous Year Rs. 2,218.14 Million).

b. Defined Benefit Plan-Gratuity (Unfunded) :

The Company has a defined benefit gratuity plan in India (unfunded). The company's defined benefit gratuity plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund. Gratuity is paid from company as and when it becomes due and is paid as per company scheme for Gratuity. During the year, there were no plan amendments, curtailments and settlements.

Movement in net Defined Benefit (Asset) / Liability:

Gratuity & Medical

a) **Reconciliation of balances of Defined Benefit Obligation**:

(Amount in Million)

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2020-21	**2019-20**	**2020-21**	**2019-20**
Defined Obligation at the beginning of the year	**3,222.9**	3,218.9	**2,273.1**	1976.9
Interest Cost	**220.1**	247.5	**154.8**	153.8
Current Service Cost	**86.1**	86.3	**25.0**	23.7
Past Service Cost	**-**	-	**-**	-
Liability transferred out/Disinvestments	**-**	-	**-**	-
Benefits Paid directly by the employer	**(351.9)**	(518.1)	**(4.3)**	(6.3)
Benefit paid from the fund	**-**	-	**-**	-
Actuarial (Gain) / Losses on obligation				
Demographic Assumptions	**-**	-	**190.04**	-
Changes in financial Assumptions	**(2.3)**	105.4	**(28.9)**	(243.9)
Experience Adjustments	**(98.5)**	82.9	**(275.9)**	(118.9)
Defined Benefit Obligation at the end of the year	**3,076.3**	3,222.9	**2,334.2**	2,273.1

Amount recognized in Balance Sheet:

(Amount in Million)

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2020-21	**2019-20**	**2020-21**	**2019-20**
Liability at the end of the year	**(3076.3)**	(3,222.9)	**(2,334.2)**	(2,273.1)
Funded Status Surplus/(Deficit)	**(3076.3)**	(3,222.9)	**(2,334.2)**	(2,273.1)
Amount Recognized in the Balance Sheet	**(3076.3)**	(3,222.9)	**(2,334.2)**	(2,273.1)

b) **Amount Recognized in Statement of Profit & Loss**

(Amount in Million)

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2020-21	**2019-20**	**2020-21**	**2019-20**
Current Service Cost	**86.1**	86.3	**25.0**	23.7
Interest Cost	**220.1**	247.5	**154.8**	153.8
Past Service Cost	**-**	-	**-**	-
Interest Income	**-**	-	**-**	-
Expenses for the year	**306.2**	333.8	**179.8**	177.5

Amount Recognized in Other Comprehensive Income

(Amount in Million)

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2020-21	**2019-20**	**2020-21**	**2019-20**
Actuarial (Gains)/Losses on Obligation For the Period	**(100.8)**	188.3	(114.4)	125.0
Return on Plan Assets	**-**	-	-	-
Total	**(100.8)**	**188.3**	**(114.4)**	**125.0**

c) **Major Actuarial Assumptions**

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2020-21	**2019-20**	**2020-21**	**2019-20**
Discount Rate (%)	**6.83%**	7.83%	6.91%	6.81%
Salary Escalation / Inflation (%)	**5.50%**	5.50%	-	-
Medical Cost Inflation	**-**	-	4.00%	4.00%
Rate of Employee Turnover	**2.00%**	2.00%	2.00%	2.00%
Expected Return on Plan Assets (%)	-	-	-	-

d) **Sensitivity Analysis**

Sensitivity Analysis for significant actuarial assumptions, showing how the defined benefit obligation would be affected, considering increase / decrease of 1% as at 31 March 2021 and 31 March 2020 is given below:

(Amount in Million)

Particulars	Gratuity		Medical	
	2020-21	**2019-20**	**2020-21**	**2019-20**
+1 % change in rate of Discounting	**(108.1)**	(121.8)	(258.5)	(250.8)
-1 % change in rate of Discounting	**118.6**	133.3	319.3	309.6
+1 % change in rate of Medical cost Inflation	**-**	-	325.7	315.6
-1 % change in rate of Medical Cost Inflation	**-**	-	(267.3)	(259.1)
+1 % change in rate of Salary Increase	**83.5**	92.8	-	-
-1 % change in rate of Salary Increase	**(83.9)**	(93.0)	-	-
+1 % change in rate of Employee Turnover	**11.9**	13.7	-	-
-1 % change in rate of Employee Turnover	**(12.7)**	(14.7)	-	-

35. The Code on Social Security ,2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020.The code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code become effective.

36. The Micro, Small and Medium Enterprises Development Act

The SAP system has a field, minority indicator in Vendor Master, which is updated to identify the vendor as MSME. The system has been enhanced to capture more details of MSME Vendors, such as certificate number, name of the entrepreneur, type of organization, date of commencement, bank details, etc. Accordingly, dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the company and relied upon by the Auditors. However, payments to such undertakings covered under the Micro, Small and Medium Enterprises Development Act (to the extent identified) have been made within the prescribed time limit/ date agreed upon with the supplier and hence, no interest is payable on delayed payments. In other cases, necessary compliance/disclosure will be ensured in due course.

(Amount in Rupees Million)

Sr. No.	Particulars	31st March, 2021	31st March, 2020
a.	Principal amount due and remaining unpaid	**36.23**	7.07
b.	Interest due on above	**-**	-
c.	Payment made beyond the appointed day during the year	**-**	-
d.	Interest paid	**-**	-
e.	Interest due and payable for the period of delay	**-**	-
f.	Interest accrued and remaining unpaid	**-**	-
g.	Amount of further interest remaining due and payable in succeeding years	**-**	-

37. Deferred tax assets / (liabilities)

The company had losses since inception except previous financial year i.e. 2019-20 and in the absence of convincing evidence that sufficient taxable profit will be available against which the unused tax losses, deductible timing differences or unused tax credit can be utilized by the entity in near future. Hence in line with IndAS 12 “Income Taxes” the existence of unused tax losses is strong evidence that future taxable profit may not be available. Hence based on the same Deferred Tax assets / Liabilities has not been created.

38. Related Party Transactions

Disclosure of the names and designations of the Related Parties as required by Indian Accounting Standard (Ind AS 24) during the year 2020-21.

A. List of Related parties:

i. In terms of Ind AS 24, following are related parties which are Government Related entities i.e. Significantly controlled and influenced entities (Government of India) :

Sr. No	Name of Company	Relationship
1	Air India Limited	Holding Company

ii. **List of Fellow Subsidiary Companies**:

Sr. No.	Name of Company	Relationship
1	Hotel Corporation of India Limited (HCI)	Fellow Subsidiary
2	Air India Airport Services Limited (AIASL)	Fellow Subsidiary
3	Air India Express Limited (AIEL)	Fellow Subsidiary
4	Alliance Air Aviation Limited (AAAL)	Fellow Subsidiary

5	Air India SATS Airport Services Private Limited (Other than Government related entities)	Fellow Joint Venture

A. **Board of Directors**

Sr. No.	Name of Director	Designation	Remark
1	Shri Rajiv Bansal	CMD, Air India Limited	Chairman (w.e.f. 14th Feb. 2020)
2	Shri Satyendra Kumar Mishra	Jt. Secretary, MOCA	Government Nominee Director
3	Shri Vimalendra Anand Patwardhan	JS & FA, MOCA	Government Nominee Director
4	Shri Vinod Hejmadi	Director – Finance, Air India Limited	Air India Nominee Director (up to 11th Sep. 2020)
5	Ms. Meenakshi Mallik	Director – Commercial, Air India Limited	Air India Nominee Director & Woman Director w.e.f. 11th Sep. 2020

B. **Key Managerial Personnel**

Sr. No.	Name of Key Managerial Personnel	Designation
1.	Shri H.R. Jagannath	Chief Executive Officer up to 31st Oct. 2020
2.	Shri Arun Kumar Bansal	Chief Executive Officer From 1st Nov. 2020 to 31st Dec, 2020
3.	Shri Senthil Kumar	Chief Executive Officer From 1st Jan 2021 to 31st May 2021
4.	Shri P. Kumarvel	Chief Executive Officer From 1st June to 30th Jun. 2021
5.	Shri CBK Karkhanis	Chief Executive Officer From 2nd Jul 2021 to 29th July, 2021
6	Shri Jose Mathew	Chief Executive Officer w.e.f. 30th Jul. 2021
7.	Shri Kapil Aseri	Chief Financial Officer
8.	Shri Gagan Batra	Company Secretary

C. **Related Party Transactions**

i. There are no transactions with Key Managerial Personnel except remuneration and perquisites to Chief Executive Officer, Chief Financial Officer and Company Secretary. During the year 2020-21, remuneration and perquisites is Rs. 3.03 Million (PY Rs. 3.02 Million) for Chief

Executive Officer, Rs 2.33 Million (PY Rs 2.32 Million) for Chief Financial Officer and Rs 1.20 Million (PY Rs 1.17 Million) for Company Secretary.

ii. Transactions such as providing MRO related services in the normal course of airline business are not included above.

iii. No Loans or Credit Transactions were outstanding with Directors or Officers of the Company or their relatives during the year.

iv. In term of Ind AS 24, following are the disclosure requirements related to transactions with certain Government Related entities i.e. significantly controlled and influenced entities (Government of India) and other than government related parties:

S. No.	Name of the Entities and Nature of transactions	2020-21 (Amount in Million)	2019-20 (Amount in Million)
1.	**Air India Ltd (AIL)**		
	Revenue from operation	6260.9	10495.6
	Expenditure		
	Interest on dues to AI	1321.2	1,351.8
	Rent Premises	513.3	486.8
	Other Expenses	1.7	116.1
	Total Expenditure	**2714.7**	**2751.5**
	Closing Balance (Payable)	**15,043.7**	**14,209.8**
	Alliance Air Aviation Limited (AAAL)		
	Income		
	Revenue from operation	459.1	553.2
	Other Income (Interest)	117.4	89.0
	Expenditure		
	Total Expenditure	7.4	23.3
	Closing Balance (Receivable)	**1,414.9**	**1,310.2**
	Air India Airport Services Limited (AIASL)		
	Revenue from Operation	0.6	23.7
	Expenditure		
	Handling Charges	98.9	76.8
	Interest on dues AIATSL	89.9	90.8
	Closing Balance (Payable)	**1,072.3**	**1,014.7**

	Air India Express Limited (AIXL)		
	Income		
	Revenue from operation	803.4	1124.1
	Other Income (Interest)	90.5	107.1
	Expenditure		
	Total Expenditure	-	-
	Closing Balance (Receivable)	**749.4**	**1,342.5**
	Air India SATS Airport Services Private Limited (AISATS)		
	Revenue from operation	0.3	0.3
	Expenditure		
	Handling Charges	55.9	142.5
	Hire of Manpower on contract	26.8	12.4
	Hire / Lease of Equipment	15.6	-
	Other Expense	1.4	-
	Closing Balance (Payable)	**862.8**	**737.8**
	Centaur Hotel (HCI)		
	Expenditure		
	Hotel Expenses- Staff on Duty	9.1	17.9
	Closing Balance (Payable)	**7.4**	**34.9**

39. 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 as per Section 178.

40. Remuneration to Auditors

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

(Amount in Million)

Particulars	**2020-21**	**2019-20**
Statutory Audit Fees - For the Year	0.33	0.33
Out of Pocket Expenses	0.03	0.03
Total	0.36	0.36

41. Fair value measurement and financial instruments

a. Financial instruments – by category and fair value hierarchy

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy.

As on 31 March, 2021

(Amount In Million)

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others	-	-	0.06	0.06	-	-	0.06
Current							
Trade Receivable*	-	-	12,531.14	12,531.14	-	-	12,531.14
Loans	-	-	3.91	3.91	-	-	3.91
Cash & Cash Equivalents*	-	-	4.83	4.83	-	-	4.83
Bank Balance other than above	-	-	33.75	33.75	-	-	33.75
Total	-	-	**12,573.69**	**12,573.69**	-	-	**12,573.69**
Financial liabilities							
Non-Current	-	-	-	-	-	-	-
Current							
Trade Payable*							
a. MSME			36.2	36.2			36.2
b. Other than MSME	-	-	6,094.4	6,094.4	-	-	6,094.4
Other Financial Liabilities	-	-	19,072.2	19,072.2	-	-	19,072.2
Total	-	-	**25,202.8**	**25,202.8**	-	-	**25,202.8**

As on 31 March 2020

(Amount In Million)

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others			0.06	0.06	-	-	0.06
Current							
Trade Receivable*			26,686.33	26,686.33	-	-	26,686.33
Loans			-	-	-	-	-
Cash & Cash Equivalents*			82.28	82.28	-	-	82.28
Bank Balance other than above			33.75	33.75	-	-	33.75
Total			**26,802.42**	**26,802.42**	-	-	**26,802.42**

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial liabilities							
Non-Current			-	-	-	-	-
Current							
Trade Payable*							
a. MSME			7.07	7.07			7.07
b. Other than MSME			7,564.28	7,564.28	-	-	7,564.28
Other Financial Liabilities			31,940.05	31,940.05	-	-	31,940.05
Total			**39,511.40**	**39,511.40**	**-**	-	**39,511.40**

(i) The companies' receivable/payable to holding company and its subsidiaries have been contracted at market rate of interest, which resets at regular intervals. Accordingly, the carrying value of such borrowings (including interest accrued) approximates fair value

* The carrying amounts of trade receivables, trade payables, cash and cash equivalents, and other current financial assets, approximates the fair values, due to their short-term nature.

b. **Fair Value Hierarchy**

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consist of the following three levels:

Level 1:	Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2:	Inputs are other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs are not based on observable market data unobservable inputs. Fair value are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

42. Financial Risk Management

The company has exposure to following risks arising from financial instruments:

i. Credit Risk

ii. Liquidity Risk

iii. Market Risk – a. Foreign Currency, and

a. Interest Rate

The Company's principal financial liabilities comprise of trade and other payables. The main purpose of these financial liabilities is to finance its operations.

The Company is exposed to credit risk, liquidity risk and market risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which summarized below:

(i) **Credit Risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

The maximum exposure to the credit at the reporting date is primarily from trade receivables. Trade receivables are typically unsecured are derived from revenue earned from customers. The Company does monitor the economic environment in which it operates. The Company manages its credit risk through credit approval and continuously monitoring credit worthiness of customers to which the Company brands credit terms in the normal course of the business.

Trade receivable as at year end primarily includes Rs. 12,531.14 Million as on 31st March 2021 (Previous Year as on 31st March 2020 Rs. 26,686.33 Million) relating to revenue generated from MRO services.

Trade receivables consist of number of customers from the same aviation industry. Significant of outstanding is from its Group Companies and for which the Management expects no credit risk. Accordingly, no expected credit loss has been considered on receivables from Group Companies.

Apart from Group Company, in respect of government and other parties there is no significant concentration of credit risk. No single customer accounted for 10% or more of revenue in any of the years indicated, except for Indian Airforce which is considered good. The outstanding trade receivables are regularly monitored, and appropriate action is taken for collection of overdue receivables.

As per simplified approach, the Company makes provision of expected credit losses on trade receivables using a provision matrix to mitigate the risk of default payments and makes appropriate provision at each reporting date wherever outstanding is for longer period and involves higher risk. Our historical experience of collecting receivables indicates a low credit risk. Hence, trade receivables are considered to be a single class of financial assets.

As per policy receivables are classified into different buckets based on the overdue period ranging from 6 months – one year to more than one year and one to two years.

Based on the business environment in which the company operates, management considers that the trade receivable are in default (credit impaired) if the payments are past due. There provisioning norms computed based on the proportion computed by taking ratio of outstanding receivables for more than 36 months. According ECL is providing using following rates:

Bucket	As at March 31, 2021	As at March 31, 2020
Government Company past due more than three years	100.00 %	100.00 %
Group Company	0.00 %	0.00 %
Other Parties past due greater than one year and up to three years	10.96%	2.11%
Other Parties past due more than three years	100.00 %	100.00 %
Specific Credit Risk impairment on individual basis	100.00 %	100.00 %

The Companies exposure to credit risk for trade receivables is as follows:

(Amount in Million)

Particulars	As at 31st March 2021		As at 31st March 2020	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
Debts not due	0.00	0.00	0.00	0.00
Debts over due	13,080.35	549.21	27,133.30	446.97
Total	**13,080.35**	**549.21**	**27,133.30**	**446.97**

Movement in the allowance for impairment in respect of trade receivables:

(Amount in Million)

Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
Balance at the beginning of the Year	446.97	284.75
Movement during the year	102.24	162.22
Balance at the end of the Year	**549.21**	**446.97**

(ii) **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Company's approach to manage Liquidity is to have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed circumstances, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company believes that its liquidity position, including total cash (including bank deposit lien and excluding interest accrued but not due) anticipated future internally generated funds from operations may enable it to meet its future known obligation in the ordinary course of business.

The Company's liquidity management process as monitored by management includes the following:

- Day to day funding, managed by monitoring future cash flows to ensure that requirement can be met.
- Maintaining rolling forecast of the Company's liquidity position on the basis of expected cash flows.
- Maintaining diversified credit lines.

Exposure to Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting data. The contractual cash flow amount are gross and undiscounted, and includes interest accrued but not due on building.

As at 31st March 2021

(Amount in Million)

Particulars	Carrying amount	Contractual Cash Flows				
		Upto 1 year	1-3 Year	3-5 Year	More than 5 years	Total
Current						
Trade Payables	3,496.12	3,496.12	-	-	-	3,496.12
Other Financial Liabilities	19,080.63	19,080.63	-	-	-	19,080.63

As at 31st March 2020

(Amount in Million)

Particulars	Carrying amount	Contractual Cash Flows				
		Upto 1 year	1-3 Year	3-5 Year	More than 5 years	Total
Current						
Trade Payables	4,516.44	4,516.44	-	-	-	**4,516.44**
Other Financial Liabilities	31,954.50	31,954.50	-	-	-	**31,954.50**

(iii) **Market risk**

Market risk is that the fair value and future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises two type of risk namely: currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

A. Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to any borrowings.

B. **Currency risk**

Currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to the effects of fluctuation in the prevailing foreign currency rates on its financial position and cash flows. Exposure arises primarily due to exchange rate fluctuation between the functional currency and other currency from the company's operating activities.

The summary of quantitative data about the Company's exposure to currency risk, as expressed in Indian Rupees, as at 31 March 2021 and 31 March 2020 are as below:

As at 31st March 2021

Particulars	USD	EUR	GBP	AED	NPR	OMR	SGD	THB	CHF	QAR	AUD
Financial Assets	-										
Trade Receivables	-	-	-	-	-	-	-	-	-	-	-
Cash and Cash equivalents	-	-	-	-	-	-	-	-	-	-	-

Loans	-	-	-	-	-	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-
Trade Payables	-	-	-	-	-	-	-	-	-	-	-
Total Financial Liabilities											

As at 31st March 2020

Particulars	USD	EUR	GBP	AED	NPR	OMR	SGD	THB	CHF	QAR	AUD
Financial Assets	-										
Trade Receivables	-	-	-	-	-	-	-	-	-	-	-
Cash and Cash equivalents	-	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-
Trade Payables	-	-	-	-	-	-	-	-	-	-	-
Total Financial Liabilities											

Sensitivity Analysis

A reasonably possible change of **(5%)** strengthening/(weakening)of the USD against INR at the reporting date would have affected the profit or loss and measurement of financial instruments denominated in US dollars by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in INR (before tax)	**Profit or Loss**	
For the year ended on 31st March, 2021	Strengthening	Weakening
0.5% Movement	NIL	NIL
USD	NIL	NIL
Effect in INR (before tax)	**Profit or Loss**	
For the year ended on 31st March, 2020	Strengthening	Weakening
0.5% Movement	NIL	NIL
USD	NIL	NIL

43. IND AS 115: Performance Obligations and remaining Performance Obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of reporting period and an explanation as to when the company expects to recognize these amounts in revenue. Remaining performance obligation estimates are subject to change and are affected by the several factors, including terminations of contract, changes in scope of contracts etc.

The aggregate value of performance obligations that are completely or partially unsatisfied as at 31st March, 2021, is Rs. Nil (Rs. Nil as on 31st March, 2020).

44. Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19):

The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of receivables. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources of information including credit reports and related information, economic forecasts. The Company has performed sensitivity analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements.

45. Payments to and Provision for Employees:

The Ministry of Civil Aviation, Government of India, constituted a committee in the Chairmanship of Justice D.M. Dharmadhikari (Former Judge of Supreme Court of India) for suggesting the ways and means of harmonization and rationalization of the work force of the merged company.

The above committee has recommended the revision in the Basic Pay (RBP) of all the categories of the employees from different date of all employees.

On formation of the AIESL, Air India Limited had transferred certain permanent employees to AIESL.

During 2019-20, Air India has intimated to AIESL for making the provision of liability towards transferred employees on the basis of the recommendations of Justice Dharamadhikari Committee (JDC).

Accordingly, based on that recommendation of Air India Limited, the company had made estimation towards liability against the same and total provision Rs. 516.20 million (PY: Rs Nil) has been made in the current financial year as Prior Period Expense.

Accordingly, the estimated liability for the period from October, 2014 to December, 2015 of Rs. 516.20 million has been disclosed as Exception Item in the PY 2019-20 by crediting Provision for Expenses - Employees. The omission of FY 2019-20 has been corrected by reinstating the affected financial statement line items for the year 2019-20.

The Deduction of 25% cut of PLI was implemented in July, 2012 and the liability for the period July, 2012 to September, 2014 (i.e. before hiving of Engineering Staff to AIESL w.e.f. 1st October, 2014) is provided in the books of Air India Limited.

Given below is the statement indicating the details of figures reinstated as on 31st March, 2020:

(Amount in Rs. Million)

Statement of Profit & Loss A/c	**Balance as at 31st March 2020**	**Adjustment**	**Restated balance as at 31st March 2020**
Exceptional Items	-	516.2	516.2

Total Comprehensive Income	758.6	-516.2	242.4
Balance Sheet			
Other Equity	-23453.3	-516.2	-23969.5
Non Current Provision	0.00	-516.2	-516.2

46. AIESL has signed a Long Term Maintenance Agreement (LTMA) with Indian Air Force (IAF) on 4th March, 2021 for the purpose of operation and maintenance of Special Extra Section Flights (SESF) two B-777 ER Aircraft for a period of five years from the effective date. The effective date of LTMA is 28th March, 2021.

47. The company is in process of transfer of hangars constructed on the land leased by Airport Authority of India or land owned by the holding company at various locations in India. This process is likely to completed in the Financial Year 2021-22.

48. The name of company has been changed from Air-India Engineering Services Limited to **AI Engineering Services Limited** w.e.f **03-08-2020**.

49. Earning Per Share

Particulars	For Year ended 31st March, 2021	For the year ended on 31st March, 2020
Profit/(Loss) After Tax for the year (Rs in Million)	(95.81)	770.40
Weighted Average No. of Equity Shares	166,666,500	166,666,500
EPS (Rs. per Share) (Basic)	(0.57)	3.33
EPS (Rs. per Share) (Diluted)	(0.57)	3.33

50. Details of Provision are as under: -

GL Code	Particulars	Balance as on 31st March 2020	Utilisation/ Reversal During the Year	Provision Made During the Year	Adjustment done for Grouping	Closing Balance as on 31st March 2021
1107001000	Provision for Gratuity Liability	3,222.9	-516.7	370.1	-	3,076.3
1107002000	Provision for Leave Encashment	2,218.1	-305.8	145.9	-	2,058.3
1107003000	Provision for Medical Liability	2,273.1	-	61.1	-	2,334.2
1107003010	Provision for Other Retirement Benefit	-	-	-0.7	-	-0.7
1109001235	Provision for Expenses - Stores & Spare	11.8	-0.2	-	-	11.6
1109001245	Provision for Expenses - Others (Trade)	1.6	-0.1	-	-	1.5

1110004400	Provision for Other Retirement Benefit	541.3	-28.7	0.0	-0.0	512.5
1110004410	Provision for Expenses-Others (Non-Trad	1,908.8	-1,553.3	1,179.5	-286.5	1,248.4
	Total	**10,177.54**	**-2,404.78**	**1,755.91**	**-286.46**	**9,242.2**

51. Previous Year's figures have been re-casted/regrouped/re-arranged, wherever necessary.

52. Previous Year figures have been re-grouped/re-arranged wherever considered necessary to be compatible with the Schedule III of the Companies Act 2013 and as per requirement specified in IndAS, to the extent of information being available and required for compilation.

Signatures to the schedules forming part of the Balance Sheet and Statement of Profit and Loss and to the above notes**.**

For and on Behalf of

Prakash Chandra Jain & Co.
Chartered Accountants
Firm Registration No. 002438C

Sd/-
Pratibha Sharma
Partner
Membership No:400755
UDIN: 21400755AAAABV8681

For and on behalf of the Board

Sd/-
Rajiv Bansal
Chairman
DIN - 00245460

Sd/-
V A Patwardhan
Director
DIN - 08701559

Sd/-
Arun Kumar Bansal
Chief Executive Officer

Sd/-
Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi
Date : 26.08.2021