AI ENGINEERING SERVICES LIMITED

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Board of Directors (as on 29-12-2020)

Shri Rajiv Bansal, Chairman

Shri Vimalendra Anand Patwardhan

Shri Satyendra Kumar Mishra

Ms Meenakshi Mallik

Chief Executive Officer

Shri Arun Kumar Bansal

Chief Financial Officer

Shri Kapil Aseri

Company Secretary

Shri Gagan Batra

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 Sixteenth Annual Report of the Company for the year 2019-20.

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 2019-20 was as under:

- The operating revenue has increased from Rs. 1191.96 crores in previous year to Rs. 1402.82 crores in current year and the total revenue increased from Rs. 1206.38 crores to Rs. 1427.58 during the period i.e. an increase of approx. Rs. 221 crores (18.3%).
- As against this, the total expenditure of the company decreased from Rs. 1411.32 crores to Rs. 1351.73 crores in the same period with a decrease of approx. Rs. 59.59 crores (4.22%).
- The company earned a net profit of Rs. 75.86 crores as compared to loss of Rs. 204.93 crores in FY 2018-19 which resulted increase in earnings by approx. Rs. 280.8 crores (137%).

The company has shown improved financials and has earned a net profit for the first time since operationalisation.

As regards, non-financial performance, in FY 2019-20, company handled around 168 aircraft, on average basis, of Air India Limited and its Subsidiary Companies viz. Air India Express Ltd. and Alliance Air Aviation Limited.

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 2019-20. In addition, AIESL carried out major maintenance work for Aviation Research Centre, Indian Air Force, Indian Navy, Indian Coast Guard, HAL and Pawan Hans. In 2019-20, AIESL undertook maintenance of private party's aircraft like – Reliance RCDL, Taj Air Charters and Bluedart Aircraft.

In 2019-20, we have signed up with 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 21 International Airlines and 2 Domestic Airlines for Line Maintenance work. During the year, AIESL signed SGHAs (Standard Ground Handling Agreements) with new International Airlines namely- Air Asia 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.

Recently, the sudden breakout of COVID-19 has considerably impacted almost every sphere of the economy including civil aviation and MRO services. The sudden decline in number of Air passengers in the country as well as world-wide is expected to slow down the growth potential in civil aviation and consequently the opportunities in MRO sector.

Atmanirbhar Bharat:

The ‘Atmanirbhar Bharat Abhiyan’ led by Government of India is giving significant impetus to self-reliance and local production which may favourably impact the operations of the company as Indian aircraft operators would prefer the services of your company.

As per the Union Budget 2020-21, the government will promote domestic manufacturing of aircraft and aircraft financing and leasing activities to make India’s aviation market self reliant. Up to 100 per cent Foreign Direct Investment (FDI) has been permitted for MRO industry.

Effective 1st April 2020, GST rate has been reduced from 18% to 5% which will attract MRO Business in coming days from other private operators, who are presently sending their aircraft and engine to foreign service providers.

FUTURE PLANS

The company is planning to improve revenue generation both by way of providing MRO services to third parties as well as imparting training through training institutes in India.

In an attempt to establish its footprints in Asian Region, the company is taking steps to provide Line Maintenance & certification services in neighboring as well as in Gulf countries.

SESF flights operations are being operated by Air India and AIESL shall be involved in the maintenance activity of these 2 aircraft of B 777-ER.

In addition to above, AIESL is in talks with DRDO & HAL for bringing synergy in Defense & Civil MRO in India, which will generate future additional revenue from MRO services.

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

Place : New Delhi
Date : 16-02-2021

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 ThirdParty 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.
- Optimising operational cost.

DIRECTORS' REPORT

The Members,

Air India Engineering Services Ltd.

The Directors have pleasure in presenting their Sixteenth Annual Report on the business and operations of the Company and the Audited Financial Statements for the Financial Year ended March 31, 2020 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 31.03.2020	Financial Year ended 31.03.2019
Total Revenue	1427.58	1206.38
Total Expenses	1320.38	1387.26
Profit (Loss) before tax	107.2	(180.88)
Less Provision of Tax	0.01	NIL
Profit after tax	107.19	(180.88)
Other Comprehensive Income	(31.33)	(24.06)
Total Comprehensive Income	75.86	(204.94)
Balance of profit brought forward from previous year	(2421.19)	(1944.87)
Balance carried to Balance Sheet	(2345.33)	(2149.81)

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.

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 FY2019-20 :

1.6.1 The World Health Organisation (WHO) declared a global pandemic of the Novel Coronavirus disease (CPVID-19) in Feb 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.

1.6.2 The details of fleet of AI group companies handled by AIESL during 2019-20, on average basis, is as under:

Type of Aircraft	Average No. of Aircraft
A319	22
A320	36
A321	20
B787	27
B777	16
B747	4
ATR	18
B737	25
Total	**168**

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 (Block Hrs) on Operating fleet	Daily Utilization (Block Hrs) on Total fleet	TDR (%)
A319	11.67	7.25	99.22
A320	14.05	13.28	99.36
A321	13.79	9.03	99.02
B787	12.63	12.63	97.06
B777	13.81	13.81	95.95
B747	5.50	5.50	95.21
ATR 42	3.50	3.11	98.28
ATR 72	9.15	7.93	99.05
B737	13.49	13.49	99.20

1.6.3 The operations of your 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: (Being operated by the company)

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

- DGCA approval received for testing of GE90 engines and Quick Turn (QT) jobs of GEnx engines in December 2017. Subsequently, Quick Turn (QT) repairs were completed on three GEnx Propulsors/ Engines QT as follows.

  1. Engine Sr No. 956504 during 22Jan2018 and 17 Nov 2018
  2. Engine Sr No. 956303 during 28 Jan 2019 and 05 July 2019
  3. Engine Sr No. 956425 during 31 July 2019 and 13 Dec 2019

- DGCA approval received for testing of GEnx engines in Jan 2019.
- 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 following engines were completed.

  1. Engine Sr No. 956352 during 18 Nov 2019 and 19 Sep 2020

Additionally, following engines have been inducted for QT.

  1. Engine Sr No. 956955 on 04 Feb 2020
  2. Engine Sr No. 956119 on 27 Jul 2020
  3. Engine Sr No. 956110 on 24 Nov 2020

- FAA Approval received for GE90 & GEnx engine testing in Dec 2019.
- EASA Approval received for GE90 & GEnx engine testing in July 2020.

B. Overview of Aircraft Checks done at MRO during FY 2019-20

- Total “D” checks (B777 aircraft) carried out - 01
- Total 'C' checks (B777 aircraft) carried out - 04
- Total phase checks (B777 aircraft) carried out - 28
- Total isolation checks (B777 aircraft) carried out - 03
- Total transit checks (B777 aircraft) carried out – 02

Total number of completed checks (B777 aircraft) were 38 in year 2019-20 and 100 checks since inception.

C. Back Shops – Approvals for B777

- C6 – Equipment: Maintenance of slide- raft assembly upto Level – 3 and Life Vest upto Level – 2. Till date 48 Slide Rafts and 700+ Life Vests certified.
- C15 – Oxygen: Maintenance of portable Oxygen bottles upto Level – 2 and Main Oxygen Cylinder Assembly upto Level – 3. Till date 245 Oxygen Bottles certified.

Till date Nagpur MRO has certified:

- 48 Sliderafts
- 29 Lifevest workorders - around 700 lifevest
- 245 Oxygen bottles
- 2 sets CALIBRATION OF DIGITAL WEIGHING PLATFORMS

D. Future operations plans are as under:AIESL 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:

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

II. TRIVANDRUM (TRV) MRO

TRV MRO base Maintenance Facility is dedicated to B737 maintenance including component overhaul and repair shop. The MRO primarily caters to maintenance needs of Air India Express aircraft. However, during year 2019-20, the MRO has done extensive work for 3rd party aircraft operated by Spice Jet and also aircraft owned by various lessor.

The MRO has base maintenance facility that accommodates 2 aircraft at any given time for major checks in twin hangers. 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.

The MRO has carried out major maintenance of 3rd party aircraft (SpiceJet) earning a large part of the revenues in addition to revenues from AIXL.

A. Major Achievements:

TRV MRO 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 world aircraft maintenance market. AIESL TRV MRO is now eyeing for more 3rd party jobs under FAA certification to earn more revenues. The MRO is already in talks with SpiceJet to take up major base maintenance jobs.

B. Statistics (Year 2019-20) for aircraft operated byAir India Express Ltd

TYPE OF AIRCRAFT IN FLEET	:	B 737-800 NG fitted with CFM 56-7B Engine
NO. 0F AIRCRAFT	:	25 (Now, 24 Aircraft)
AV. UTIL OF AIRCRAFT	:	13.49 hrs/day
NO. OF FLIGHT / WEEK	:	651
NO. OF STATION (INT)	:	14
NO. OF STATION (DOM)	:	21
DISPATCH RELIABILITY	:	99.27

C. Maintenance (Production) Statistics:

- Base Maintenance production: April 2019 till March 2020
  1. Phase checks -213
  2. Monthly checks- 129

3. Yearly Checks- 10
4. C Checks on AIX aircraft- 14
5. Spice Jet 6-yearly +C1, C2 checks- 10 aircraft

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

D. Component Overhaul Production: April 2019 till March 2020

- Wheels (main & Nose) - Quantity 1415 (OVHL and Tyre Change)
- Brakes - Quantity 232 (OVHL and Stack Change)
- Oxygen - Quantity 247 (Charging)
- Batteries - Quantity 106 (OVHL and Charging)

E. TRV MRO Earnings for Year 2019-2020:

The TRV MRO facilities have earned combined revenues for BMD and COD shop of Rs. 45.10 Crores during April 2019-March 2020. The overall revenues from B737 maintenance under TRV MRO administration including that of line maintenance, Mumbai Shops and 3rd party jobs is recorded at Rs. 139.49 Crores against previous year's profit at Rs. 90.23 Crores.

The expenditure for TRV MRO and network stations is 27.71 Crores.

The substantial jump in the MRO revenue is attributed to increasing productivity at MRO and its network stations; and taking over large contracts for Lessors' B737 aircraft for maintenance (after Jet Airways closed down) earning Rs. 23.09 Crores (US$ 3.078 Millions) and also SpiceJet base maintenance checks at TRV which earned the company with Rs. 6.63 crores before the production shifted to Delhi. The total revenues also include the TRV MTO revenues of 2.12 Crores.

TRV MRO has earned a substantial amount of Rs. 29,83,70,000 revenues only from 3rd party jobs during the FY 2019-20.

F. Comparative billing summary of AIXL during 2018-19 and 2019-20

FINANCIAL YEAR	2018-19	2019-20
TOTAL AMOUNT	INR	INR
TRV MRO	90,23,26,688.00	136,49,36,735.00

G. Future operations plans are as under:

TRV MRO wants to enhance its capabilities in the following areas:

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

H. Proposed Shops in future:

- Avionics Accessories repair shop
- Galley Inserts (Oven, Coffee Maker, Boiler etc.) Repair shop

- Cabin safety and survival equipment

III. JEOC (Jet Engine Overhaul Complex):

The details on No. of engines produced in JEOC from April 2018 to March 2019 & April 2019 to March 2020 is as follows:

Month / Year	JT8D	V2500	CFM	Total
Apr – 18 to Mar-19	02	00	18	20
Apr – 19 to Mar – 20	01	00	41	42
Total	**03**	**00**	**59**	**62**

- JEOC has attained the capability for BSI and Boro-blending on LEAP-1A engine. Also, it has attained capability of BSI on V2500-A5 engine to generate additional revenues.
- Further discussions are on with CFMI to make JEOC a CFM branded shop, and storing CFM engines of other operators in JEOC. This would result in generating additional revenues.
- Revenue Generated from Third Party Job by JEOC

Customer	Earning (Rs. in Lacs)
2018-19	1275.85
2019-20	184.75

IV. MUMBAI BASE (Western Region):

The performance of Western Region (WR) during the period was as under:

A. Overview Of Checks Completed by AIESL Group B is as below:

Details of the checks done at Mumbai during FY 2019-20.

- Total 'D' checks carried out – 2
- Total 'C' checks carried out – 12
- Total phase checks carried out - 12
- Total ‘A’ checks carried out - 90
- Total transit checks carried out – 3,811

Total completed check in year 2019-20 at Mumbai base.

B. Details of the checks done at Delhi during FY 2019-20.

- Total 'A' checks carried out - 147
- Total transit checks carried out -10,081

Total completed check in year 2019-20 at Delhi Base.

C. The details on No. of engines Repaired / Overhauled in EOH (Mumbai) in the Year 2019-2020 is as follows:

Month / Year	PW4056	CFM56-7B	GE90	GENx	Total
Apr – 19 to Mar-20	6	9	9	21	45

D. Classroom Trainings

Sr. No.	Financial Year	Designation	No. of Total courses	Total no. Of Trained Candidates
1.	2018-2019 (April 2018 to March 2019)	EXECUTIVE/ ENGINEERS	138	1881
		SERVICE ENGINEERS	122	1897
2.	2019-2020 (April 2019 to March 2020)	EXECUTIVE/ ENGINEERS	142	1763
		SERVICE ENGINEERS	127	1841

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

- Component Overhaul Shop (COD, Old Airport)
  1. A320 Landing Gear Overhaul set up in Santa Cruz East
  2. 34 components of B777, B787 & B737
  3. 1 component of Vistara B787-9 wheel
- Instrument Overhaul Shop (IOD, Old Airport)
  1. Clock/Mic for B777/ B787
  2. Control Display Unit & Control Panel Assy. B777/ B787
  3. Oxygen Box Assembly & Oxygen Panel Assembly B777/ B787
  4. Oxygen Pressure Regulator B777/ B787
  5. 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 B737aircraft
  - Weather Radar Control Panels of A320 and B777 aircraft

V. DELHI BASE (Northern Region)

Major events at Northern Region during the Financial Year 2019-20 were as under:

April' 2019 -

- On April 27, Saturday Air India was unable to fly passengers on pan world network due to software glitch in SITA software. As a result of same, there were night halting of 44 aircraft at Delhi, including 29 scheduled aircraft. On resumption of flights, there was NIL delay from Engg. in NR.
- More than 95% of aircraft of A320 fleet of AI were made available during the month for operation.

July' 2019-

- Northern Region achieved the distinction of releasing all 36 aircraft of A320 fleet of Air India to service during the month.

December’ 2019 -

- Initiative towards saving of foreign exchange outgo: At Electrical O/H Shop, commissioning of Dynamic Balancing Machine to service Avionics Ventilation Fan (EVT 3454HC) was done at a project cost of Rs. 13 lakhs. In the past 1 year 54 units were sent to vendor at an average cost of USD 5277 / unit. Thus, approximately Rs. 1.99 Cr. (taking 1 USD = INR 70 and calculating 54*5277*70) was spent in the calendar year 2019. This commissioning is bound to save Rs. 1.8 Cr. in the first year itself.

March’ 2020 –

- From Air India, 7 Passenger Charters and 7 Cargo Charters of A320 family aircraft were operated during the lock down period in Mar 2020 with technical assistance from AIESL.

VI. **HYDERABAD BASE (Southern Region):** Significant events during the year 2019-20 (Fleet –A), were as under:

A. Technical Certification provided to Client Airlines and revenue earned:

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

Client Airlines	**APRIL 2019 to MARCH, 2020 (No. of Flights)**							
	MAA	HYD	BLR	CCJ	COK	TRV	VTZ	Total
Silk Air	150	--	--	--	14	25	90	279
Etihad Airways	739	285	338	--	--	371	--	1733
Qatar Airways	--	--	--	350	--	360	--	710
Kuwait Airways	243	--	175	--	--	294	--	712
Air Vistara (Neo)	--	--	--	--	539	--	--	539
Air Vistara (Non-Neo)	--	--	--	--	165	84	--	249
Nepal Airlines	--	--	138	--	--	--	--	138
Air Asia	4	--	--	--	--	--	969	973
Scoot Airlines	--	--	--	--	--	--	73	73
Singapore Airlines	325	--	--	--	--	--	--	325
TOTAL	**1461**	**285**	**651**	**350**	**718**	**1134**	**1132**	**5731**

- At the above stations, we have provided Engineering Certification for Flights during April 2019 to March, 2020, earning revenue of approximately Rs.1014.04 Lacs.
- By way of providing Engg Hangar facilities for Aircrafts of outside parties at Chennai, we have earned revenue of Rs.238.50 Lacs during April 2019 to March 2020.
- We have earned revenue of approx. Rs.42.62 Lacs during April 2019 to March 2020 through aircraft component servicing of outside parties at Hyderabad.

B. Major Check activity at MRO Complex, RGIA, Shamshaba:

- At MRO, RGIA, Shamshabad “74”A-Checks on A-320 family A/c, “53” 4A Checks , ”20” C-Check on ATR-72 A/c & “1” structural repair on Trujet A/c have been carried out during the period from April 2019 to March 2020.

- We have earned revenue of 18.83 Lacs for Structural repair on "1" Trujet A/c and weighing of "2" Trujet A/c at MM, HYD.

C. Engineering Training School, CTE, Hyderabad: We have earned revenue of approx. Rs.21.81 Lacs during the period April 2019 to March 2020 by providing training facilities to outside agencies at ETS, Hyderabad.

D. Revenue from AME Trainees/Inplant Trainees/Project Work: During the April 2019 to March, 2020, we have earned revenue of Rs.53.93 Lacs by intake of AME trainees/On Job Trainees (6 months & 1 month On Job Training).

E. Revenue from AASL (Component Servicing/LM/Major Maintenance): During the period from April 2019 to March, 2020, we have earned revenue of Rs.2510.10 Lacs from AASL (Alliance Air) through Component Servicing/Major Checks/LM handling of ATR A/c.

F. Significant revenue was also earned by servicing of AI-A320 Family Aircrafts (Component Servicing/LM/Major Maintenance) in S/Region. During April 2019 to March'2020 we serviced approx. 37300 Flts, 1804 components and "24" Major checks of Air India A320 Family Aircrafts in S/region.

G. Proposed Marketing Initiatives for Additional Revenue Generation:

- Additional shop Capability Projects in S/R
  1. De-icing boot repair of ATR aircraft.
  2. Weighment of fire extinguisher bottles.
  3. P1 & P2 seat repair of ATR aircraft.
  4. Temperature Control Valve repair of ATR aircraft.
- Servicing of ATR starter generator.
- Servicing of ATR EPSU battery pack, landing lights, wing icing inspection lights, fuel pressure switch, Oil differential pressure switch, Air conditioning thermal switch, Anti-ice pressure switch, Head phone Series.

VII. KOLKATA BASE (EASTERN Region)

Significant events during the year 2019-20 (Fleet –A), were as under:

A. Technical Certification provided to Client Airlines and revenue earned:

- Engineering Certification of Client Airlines Aircraft (A320 family A/c) of M/s Air Vistara, M/s Air Asia, are provided at various Stations in Eastern Region as given under:

No. of Third Party Certification done during 2019-20 (Fleet-A)

Sr. No	Station	Airlines	April'19	MAY'19	JUN'19	JULY'19	AUG'19	SEP'19	OCT'19	NOV'19	DEC'19	JAN'20	FEB'20	MAR'20	TOTAL
1	BBI	Vistara	88	86	90	92	93	91	92	90	93	93	88	61	1057
2	IXR	Vistara	56	62	60	62	62	61	62	60	62	62	58	59	726
3	GAU	Vistara	30	31	30	31	31	30	31	30	55	64	58	48	469
4	IXB	Vistara	60	62	65	61	62	60	67	60	59	62	58	48	724
		Air Asia	120	143	150	155	142	137	155	150	155	155	145	120	1727

5	DIB	Vistara	30	31	30	31	31	30	31	30	31	31	29	24	359
6	IXZ	Vistara	30	31	60	19	17	39	62	54	31	31	29	24	427
7	IXZ	Air Asia	-	-	-	-	-	-	34	86	89	89	83	66	447
8	PAT	Vistara	-	-	-	-	-	-	-	-	-	31	29	22	82
Total			**414**	**446**	**485**	**451**	**438**	**448**	**534**	**560**	**575**	**618**	**577**	**472**	**6018**

- During FY 2019-20, services for certification of flights worth Rs. 541.79 lakhs were provided to third party client airlines by AIESL, ER.
- Line Maintenance was carried out with approximately 7590 PF inspection, 252 Weekly Inspection, 677 Lay Over Inspection & 31 400FH inspection on A-320 family aircraft.
- Line Maintenance at outstations were approximately 13260 PF inspection on A-320 family aircraft.

B. Major Check activity at Base Maintenance:

- At Base Maintenance, the number of checks carried out on A-319 aircraft during 2019-20 was as follows:
  1. A-Checks - 53
  2. 2A-Checks - 23
  3. 4A-Checks - 12
  4. Packages(P1-P25) - 66
  5. ARC - 19
- By way of providing Engg Hangar facilities for aircrafts of outside parties at Kolkata, we have earned revenue of Rs.11.26 Lakhs during 2019-20.
- A revenue of Rs.9.95 Lakhs during 2019-20 through Miscellaneous works like Loaning of equipment, Fixed charges etc.

C. Engineering Training School, Kolkata: We have earned revenue of approx. Rs.269.47 Lakhs during the period April 2019 to March 2020 by providing training facilities to outside agencies at ETS, Kolkata as per the invoices raised by Finance AIESL, ER.

D. Revenue from IAF: During the April 2019 to March, 2020, we have earned revenue of Rs.88.08 Lakhs from APU servicing & components of IAF as per the invoices raised by Finance AIESL, ER.

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

- AF Accy OH Shop : 2729
- APU & Engine OH Shop : 55
- Electric OH Shop : 372
- Instrument OH Shop : 1027 (including Calibration of Items)
- Radio OH Shop : 330

F. The certification of ATR flight of AASL are as follows:

- Transit Checks : **4203**
- Night Halt : 376
- Lay Over Inspection : 263

- Weekly Inspection : 129
- 400 FH Inspection : 10
- A1 TO A9 Checks : 10

G. Revenue earned from AASL: The revenue from AASL for certification of ATR Flights during 2019-20, is of Rs. 451.68 Lakhs.

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. SAIF ZONE –

AIESL established a branch in SAIFZONE at Sharjah in OCT, 2017. At present AIESL is providing Line Maintenance at three locations in UAE at Sharjah (SHJ), Ras Al Khaimah (RKT) and Dubai (DXB).

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: 2082 (1360 Permanent + 509 Contractual + 213 Retired)
- Staff: 4012 (1811 Permanent+ 2129 Contractual+ 72 Retired)
- Total: 6094 (3171 Permanent+2638 Contractual+ 285 Retired)
- Technical out of the above: 4936 (2845 Permanent+1867 Contract+ 224 Retired)

- Employees on deputation from Air India and other subsidiaries: 415.
- Employees on deputation to other companies: 03

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: 84
- No. of RTI Applications disposed of during the year: 84
- No. of RTI Applications pending as one end of FY: NIL

1.6.8 DISCLOSURE UNDER 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 sexual harassment: 02
- Remedial measures taken by the company: No complaints were received during the year.

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.

Consequently, the logo was also changed pursuant to decision taken in 62nd Board Meeting, held on 28-10-2020. The new logo of the company is as under:

AIESL
AI ENGINEERING SERVICES LIMITED

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):

1. AI Engineering Services Limited (AIESL),
2. AI Airport Services Ltd (AIASL)
3. Alliance Air Aviation Limited, (AAAL)
4. 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 82nd 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 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.

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 166,66,65,00 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 following changes have occurred in the constitution of directors of the company during the FY 2019-20.

S.No	Name	Designation	Date of appointment	Date of cessation
1.	Shri Ashwani Lohani	Chairman	14.02.2019	14.02.2020
2.	Shri Rajiv Bansal	Chairman	14.02.2020	-
3.	Shri Arun Kumar	Govt. Nominee Director	24.01.2019	10.07.2019
4.	Shri Praveen Garg	Govt. Nominee Director	21.08.2019	18.02.2020
5.	Shri V.A Patwardhan	Govt. Nominee Director	20.03.2020	-

Woman Director:

Ms Meenakshi Mallik has been 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.

4.2 Number of Meetings of the Board of Directors

During the Financial Year 2019-20, the Company held four 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.	56th	21.05.2019	4	3
2.	57th	05.08.2019	3	3
3.	58th	08.11.2019	4	4
4.	59th	04.03.2020	3	3

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 2020 was as under:

1. Govt. Nominee (Shri V.A. Patwardhan)	-	Chairperson
2. Govt. Nominee (Shri S.K. Mishra)	-	Member
3. Nominee of Holding Co. (Shri Vinod Hejmadi)	-	Member
4. CMD, Air India (Shri Rajiv Bansal)	-	Permanent Invitee

The constitution of Audit Committee was changed in the 62nd Board Meeting held on 28-10-2020.

Subsequently the reconstituted Audit Committee from 31st March 2020 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 (Shri Rajiv Bansal)	-	Member
4. Director Finance, AI (Shri Vinod Hejmadi)	-	Special Invitee

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 approved by the Board of Directors in its 58th Meeting held on 08th November 2019, in ex-officio capacity, as under:

1. Govt. Nominee Director (Shri S K Mishra)	-	Chairperson
2. Govt. Nominee Director (Shri V A Patwardhan)	-	Member
3. Nominee of Holding Co. (Shri Vinod Hejmadi)	-	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 2019-20.

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 Sanjay Gupta & Associates were appointed as Internal Auditors for the financial year 2019-20. 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. DISCLOSURES RELATING TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

6. DETAILS OF DEPOSITS

The Company has not accepted any public deposit during the year ended 31st March, 2020 as covered under the provisions of Section 76 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

7. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

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

8. 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. 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 2019-20.

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.

9. 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.

10. 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.

11. 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	41,84,22,225
Outgo	12,45,52,633

12. 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 has been initiated.

13. 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.

14. 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 covers the activities of AIESL also.

15. 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 2019-20.

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 NIL comments dated 22-01-2021 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 are attached.

16. SECRETARIAL AUDIT REPORT

Your company had appointed M/s SGS Associates, Practicing Company Secretary as Secretarial Auditor to conduct the Secretarial Audit for FY 2019-20. The Secretarial Audit Report given by him is attached.

The explanations or comments by the Board on Auditor's Report are **attached.**

17. 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.

18. 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.**

19. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed Management Discussion and Analysis Report is attached.

20. 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 the Board of Directors

Sd/-
Chairman

Place : New Delhi
Date : 16.02.2021

MANAGEMENT DISCUSSION & ANALYSIS REPORT (2019-20)

I. Analysis of Financial Performance:

Revenue

- Total revenue earned during 2019-20 was Rs 1427.58 Crores as against Rs.1206.38 Crores during 2018-19 i.e. an increase of approx Rs. 221 crores.

Expenditure

- The total expenditure incurred during the year 2019-20 was Rs.1351.73 Crores as compared to the previous year's figure of Rs 1411.32 Crores, a decrease of approx. Rs. 59.59 crores.

2. Business Environment Analysis:

A. ASIA PACIFIC MRO Scenario:

In Asia-Pacific, China and India combined represent 22 per cent of the world market. Whereas, India handles approximately one per cent of the global MRO business. Total MRO expenditure is expected to rise to USD 1160 crores by the year 2029, i.e. increased from USD 819 crores in 2019, as per the Global Fleet and MRO Market Forecast 2019-2029 by Oliver Wyman's Aviation Competitive & Market Intelligence team. Singapore has had a viable MRO industry and spare parts base for many global civil aircraft players. Thailand is also emerging as an MRO base. The Indian industry has good models to emulate in the Asian neighborhood. However, in India, very few companies provide heavy maintenance service.

B. Indian Aviation Scenario:

Private non-scheduled operators are required by the Directorate General of Civil Aviation (DGCA) to set up a CAR 145-approved maintenance shop or work with a DGCA approved third-party MRO. Most private operators prefer the outsourced model for line maintenance (on-tarmac checks) and use OEM/DGCA-approved facilities for engine, heavy maintenance and modifications on their aircraft. The Indian business aviation market is complex from a maintenance perspective as it has over 60 different aircraft types operating in a total market of about 350 aircraft (business jets, turboprops and helicopters). Each individual type requires trained technical manpower, tooling and approvals from regulator as well as the OEM to enable an MRO to offer world-class maintenance services.

C. INDIAN MRO Scenario:

The Indian MRO market is currently estimated to be around USD 80 crores and is growing at about eight per cent annually against a four per cent world average. A recent Ernst & Young study reveals that Indian MRO market growth rate will go up to 15 per cent. With India's growing aircraft fleet, it is cost-effective for domestic airlines to have their aircraft serviced within the country. The increasing age of Indian aircraft, both civil and defense, requires frequent maintenance.

MRO abroad involves ferry flight, logistics costs& engine and component hours. Having the flexibility to get the aircraft serviced in India at a local MRO, results in 30 to 40 per cent savings in aircraft maintenance costs for an airline, despite the tax regime on import of spares into the country making them 30 per cent more expensive as compared to international MROs. The other key impediment to growth of airline MRO in India is the lack of availability of hangar space at key international airports. This limits the ability of MROs to tap into the larger potential market of aircraft operating within five to six hours of flying distance from India.

The key MRO segments are defense, commercial aviation and business aviation. Major tasks are of engine overhaul, airframe heavy maintenance and modifications, line/field maintenance, and component overhaul. The Indian MRO industry must meet global standards. Setting up an MRO is highly capital intensive with a long break-even time. There is a need for the right manpower. Also, it requires continuous investment in tooling, certification from Indian and international regulators, and clearance from OEMs. The Indian MRO Market has just begun to grow.

D. Initiatives by government:

Recognising the potential of the MRO business and in line with the 'Make in India' policy, the Government of India has introduced certain policy initiatives recently. These include exemption from customs duty for the tools and tool-kits used by the industry; extension of the one-year timeline for utilisation of duty-free parts to three years so as to enable economies of scale and permission for foreign aircraft brought to India for MRO work to stay for the entire period of maintenance or up to six months. Earlier, foreign aircraft could not come into India for more than 15 days without a cumbersome approval process. Further, aircraft are now allowed to come in with passengers, which were not permitted earlier, leading to losses for the airlines. GST on MRO services reduced from 18 per cent to five per cent is considered great news for MRO in the Defense and Aerospace sector.

E. Private MRO players in India:

Air India has MRO facility at Nagpur. MRO services for GE aviation engines are at Mumbai. HAL and Pratt & Whitney Canada have an engine overhaul facility at Bengaluru. France-based Safran Group announced in December 2019, that it is planning to invest $150 million in a new unit for aircraft engine MRO in India to cater to its airline customers. The other major players in the market are Air Works, Hindustan Aeronautics Limited (HAL), Indamer Private Limited, Deccan Charter, Taj Air, Bird ExecuJet, GMR Aero Technic Limited, and Max MRO Private Limited.

Air Works India (Engineering) Pvt Ltd provides aviation services. The Company offers line maintenance, aircraft cabin interior, commercial aircraft asset management, and safety management solutions. Air Works is CEMILAC and DGAQA certified for MRO services and provides maintenance and warranty support programmes on behalf of OEM to defence establishments in India for airframe-related MRO. Max Aerospace and Aviation Ltd at Juhu airport and Hyderabad Aircraft Maintenance Company (HAMCO) at Hyderabad overhaul avionics and electrical and airframe services. Taneja Aerospace & Aviation Limited (TAAL) is part of the Pune-based Indian Seamless group. Most of these players provide line maintenance, heavy maintenance and component overhaul. AIESL is the only player extending full-fledged engine overhaul facility in India. AIESL is the market leader, followed by Air Works which has the second highest share in the market revenue. Air Works has a global presence. However, it provides only MRO services in India.

F. Joint Ventures/Partnerships

With the increase in the number of civil and military aircraft, more and more global MRO companies are planning to offer engineering services by forming Joint Ventures (JV) with Indian firms. For instance, GMR Hyderabad International Airport (GHIAL) and MAS Aerospace Engineering (MAE), a wholly-owned subsidiary of Malaysia Airlines have set up a 50:50 JV airframe MRO company in Hyderabad. The company would make an initial investment of $50 million. Another 1,000-acre MRO and aerospace park will be developed near the international airport at Devanahalli in Bengaluru. Also, Jupiter Aviation and HAL have already acquired land for MRO in Karnataka. Other JVs include Boeing with Air India, Airbus with Air India, Sabena Technics of TAT Group, France with TAAL, Timco Aviation Services with HAL, EADS with Air India and Jupiter Aviation & Logistics, Eurocopter with Pawan Hans Helicopters for Dauphin fleet, Concor with HAL, SIA

Engineering of Singapore with Wadia group, Pratt and Whitney with HAL (engines), GE Aviation with Air India (engines), Rosoboronexport of Russia and India's Krasny Marine Services for Russian fleet, Taneja Aerospace with Air Works Commercial MRO Services Pvt. Ltd. For MRO, GMR with Lufthansa Technik, EADS with Indian Aero Ventures for airport development and operation, Max Aerospace with Air France-KLM for MRO facility for aircraft components in India and Maini Global Aerospace Pvt. Ltd. (MGA) with GE Aviation, among others.

G. Military MRO Market

The generated revenue from defense aircraft MRO has finally started increasing. The prime reason facilitating this has been the large fleet size of the Indian Air Force (IAF). Moreover, the Indian Navy and the Indian Army have their independent fleet which further increases the demand for aviation MRO. HAL provides aircraft MRO for Kiran, Jaguar, Mirage 2000, MiG-21 Bison, Dornier Do-228, HS-748, An-32, ALH, Cheetah and Chetak helicopters. Most of the revenue is generated from engine overhaul.

Militaries focus more on the periodic maintenance of the fleet in view of the flying risks involved. Technology advancements entail several upgrade contracts which have also propelled the growth of the military aviation MRO market. The increasing complexity of the engine and its parts gets high priority and militaries focus on frequent engine maintenance and periodic checks, irrespective of whether it is flying or not. Engine MRO is also the most expensive one. The quantum of flying being undertaken in each fleet is known and requirement of overhauls can be predicted. There is, therefore, some clarity in the task and job required for overhaul. It will make it is easier for industry to do logistics and economic planning based on such predictions. Success of the industry could also relieve the IAF of some non-core activities. The IAF operates nearly 240 Mi-17 variants. There are civil variants of this platform. This could be a great starting point. The strategic partner route will soon open up manufacture and procurements of aircraft and systems made in India. Production of parts will get the technological fillip. The setting up of aircraft production will certainly create MRO opportunities.

H. Regulatory changes

The below mentioned changes in Civil Aviation requirements have positively aided AIESL:

SL. No.	BRIEF REQUIREMENT	REFERENCE
01	The required Practical aircraft maintenance experience on operating aircraft for issue of Cat A & B1/B2 CAR 66 AME License is 01 & 02 year respectively for the applicant who has successfully completed training in an approved aircraft Maintenance Organization as a part of syllabi of the course he has from a Basic CAR 147 Maintenance training Organization.	Amendment of Rule 61 of Aircraft Rules 1937. CAR 66.AMC.30 (1A), Issue II, R4, dated 05/02/2019
02	Airbus A 319/320/321 (CFM 56 Leap-1A), Boeing 737-7/8/9 (CFM Leap-1B) & Boeing 787-8/9 (GEnx) type rating endorsement in CAR 66 AME License, under Group 1 is introduced.	Appendix 1 to AMC for CAR 66, Issue II, R5, dated 03/12/2019

SL. No.	BRIEF REQUIREMENT	REFERENCE
03	All the Certifying/ Support staff receive sufficient continuation training (Refresher Training) in each 2 Years. These training Modules & other approved trainings of Level 1 standard (without any mandatory Practical element) is permitted By DGCA through Distance online training as per approved MOE. Further, all the meetings required as per CAR 145 may also be conducted online, approved by DGCA.	CAR 145.A. 35 (d), Issue II, R4, dated 12/06/2020. AAC 4 of 2020, dated 05/05/2020 MOE, Section 3, Sub-section 3.4.4 (2) & Sub Section 1.3.4.1, Issue 3, Rev 18, May 2020
04	At least 10 % individuals employed in the Aircraft Maintenance Organization (CS/SS/AMP) are randomly subjected to BA Test, when reported on duty. This is mandatory for compliance as preventive measure of aircraft accident /incident due to use of psychoactive substance.	CAR, Section 5, Series F, Part IV

3. FUTURE OUTLOOK:

Opportunities and Challenges

Announcing the measures to boost the country's aviation sector, Hon'ble Finance Minister Ms Nirmala Sitharaman in May 2020 mentioned that the steps would be taken to make the country a hub for MRO services.

According to the Economic Survey for 2019-20, the annual import of MRO services by Indian carriers is around Rs 9,700 crore.

"With airlines' fleet growing annually by 100, the size of domestic and imported Indian airline MRO is set to grow annually to Rs 21,600 crore in the next five years and to Rs 36,000 crore once the fleet size reaches 2,000 aircraft," the Survey said.

The aircraft component repairs and airframe maintenance segment is worth Rs. 800 Crores and would increase to Rs. 2000 crores in three years.

As per an Advaya Legal Consultancy firm report, when compared to some other countries, India's taxation policies are less favourable for the MRO industry. With high rate of GST, Indian service providers have to compete with overseas players that only pay five per cent tax, that too at cost price. Furthermore, the MRO rentals at the privatised airports in New Delhi and Mumbai are higher than the rates for equivalent facilities in Europe and Turkey. Indian airports also charge a royalty of nearly 20 per cent on maintenance work. GST, royalty and lease rentals needed to be rationalised and made competitive so as to promote the Indian MRO business.The GST on MRO was finally reviewed in the Council meeting chaired by Finance Minister Nirmala Sitharaman, and the change is being implemented w.e.f. April 01, 2020.

Strengths and Weaknesses

The highest MRO revenue comes from defence aircraft. The revenue from commercial aircraft MRO has been the second highest share. The revenue generated from Engine Overhaul is the highest for civil sector. AIESL Overhaul facilities are located in Mumbai, Delhi, Nagpur, Kolkata. The revenue from aircraft heavy maintenance and modifications is the second highest. In India, very few companies provide heavy maintenance services and one stop solutions for almost all MRO services, and therefore, AIESL has an edge in this sphere.

5. GOING CONCERN

The high rate of growth in Indian Economy was resulting in more no. of passengers travelling by Air. The growth in Air Passenger traffic was in double digits prior to COVID-19. This was expected to result in more number of aircraft being operated by Airlines in India. The scenario was however affected due to COVID-19 outbreak which is expected to be temporary phase. Meanwhile, AIESL is focusing on capability enhancements, reduction in manpower costs, providing training facilities etc.

6. 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.

7. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has Internal Control System commensurate 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 Sanjay Gupta & Associates were appointed as Internal Auditors for the financial year 2019-20. The Internal Auditors have carried 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 outlookis 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.

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 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 2020

Shri Rajiv Bansal	CMD, AI (Chairman)
Shri Vinod Hejmadi	DF, AI (Nominee of Holding Co.)
Shri S K Mishra	JS, MOCA (Govt Nominee Director)
Shri V.A.Patwardhan	JS&FA, MOCA (Govt. Nominee Director)

Shri Ashwani Lohani ceased to be Chairman effective 14-02-2020 and Shri Rajiv Bansal, who was appointed Chairman & Managing Director of Air India became Chairman of the company, in ex officio capacity, from that date.

Further, 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 Ashwani Lohani, as Chairman and 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:

Four 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.	56th	21.05.2019	4	3
2.	57th	05.08.2019	3	3
3.	58th	08.11.2019	4	4
4.	59th	04.03.2020	3	3

The gap between two meetings of Board was less than 120 days.

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.

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 21/11/2019	Directorships in other companies	Memberships held other Committees
Shri Rajiv Bansal, Chairman	1	No	Chairman: 8 Director: 3	Chairman: 1 Member: 3
Shri V.A. Patwardhan, Director	0	No	Director: 8 Part Time Member: 1	Chairman:4 Member: 2
Shri Arun Kumar, Director	0	No	Government Nominee Director: 8	Member: 6 Chairperson: 3
Shri Praveen Garg, Director	1	No	Government Nominee Director: 8	Member: 6 Chairperson: 3
Shri Vinod Hejmadi, Director	4	Yes	Director: 8	Chairman: 1 Member: 7 Special Invitee: 1 Co-opted Member: 1
Shri S.K. Mishra, Director	4	No	Government Nominee Director: 5	Member: 8

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 the provisions of the Companies Act, 2013 and DPE Guidelines, the Company has the Audit Committee of the Board.

a) Composition of committee:

As on 31 March 2020, the following were the Members of the Audit Committee, in ex officio capacity:

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

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

1. To recommend for appointment, remuneration and terms of appointment of auditors of the company;
2. To review and monitor the auditor's independence and performance, and effectiveness of audit process;
3. To examine the financial statement and the auditors' report thereon;
4. To approve any subsequent modification of transactions of the company with related parties;
5. To scrutiny of inter-corporate loans and investments;
6. Valuation of undertakings or assets of the company, wherever it is necessary;
7. To evaluate internal financial controls and risk management systems;
8. To monitor the end use of funds raised through public offers and related matters.

c. **Meetings of committee:**

The Audit Committee had met four 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	11th	21.05.2019	2
2	12th	05.08.2019	2
3	13th	08.11.2019	3
4	14th	04.03.2020	2

The gap between two meetings of Board was less than 120 days.

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:

Name of the Director	Position held in the Committee
JS, MOCA	Chairman
JS&FA, MOCA	Member

DF, AI	Member
CMD, AI	Permanent Invitee

4. Remuneration to Directors

AIESL being a wholly owned subsidiary Company, the appointment and remuneration payable to its Directors is determined 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
14th AGM	21.11.2019 at 1415 Hrs	RegdOffice :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	Yes
13th AGM	26.12.2018 at 1730 Hrs	RegdOffice :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No
12th Adjourned AGM	19.03.2018 at 1100 Hrs	RegdOffice :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No
12th AGM	20.09.2017 at 1600 Hrs	RegdOffice :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	No
EGM	04.07.2017 at 11.15 Hrs	RegdOffice :Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001	Yes
11th Adjourned AGM	04.07.2017 at 11.00 Hrs	RegdOffice :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 400 083 are the Registrars and Transfer Agents of the Company.

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 31 March 2020.

Sd/-
(Arun Kumar Bansal)
Chief Executive Officer
AI Engineering Services Limited

Place : New Delhi
Date : 24.12.2020

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2020

(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
(formerly Air-India Engineering Services Limited)
Airlines House, 113, Gurudwara Rakab Ganj 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) (formerly Air-India Engineering Services Limited) (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 led and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit and as per the explanations given to me and the 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, 2019 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 2020 according to the applicable provisions of:

   i. The Companies Act, 2013 ('the Act') and the 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) *There were few instances of delay in filing of e-forms under the Act and the rules made there under, but they were regularized by payment of additional fees under the Act.*

      b) *Company needs to appoint a woman director in compliance to Section 149 (1) and Rule 3 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 w.e.f. 24th January 2019.*

      c) *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 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; (Not applicable to the company)

(iii) The Depositories Act, 1996 and the Regulations and Byelaws 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; (NOT APPLICABLE TO THE COMPANY)

(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

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 Organization Exposition (MOE)" and "Maintenance Training Organization 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 is generally regular in 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 not required to enter into any listing agreements with Stock exchange(s).

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

Apprentices Act, 1961; Payment of Wages Act,1948; Minimum Wages Act, 1948; Industrial Disputes Act, 1947; Payment of Bonus Act, 1965; Payment of Gratuity Act, 1972; Contract Labour (Regulation and Abolition) Act, 1970; Maternity Benefit Act, 1961; The Child Labour (Prohibition & Regulation) Act, 1986; Equal RemunerationAct,1976; The Employment Exchange (Compulsory Notification of Vacancies) Act,1956,

The Company contributes to Air India and its subsidiary airlines Employees Provident Fund Trusts under the Provident Fund Act, which governs the Provident Fund Plans for eligible employees.

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.

In connection with aforesaid laws, adequate systems and processes are in place to monitor and ensure compliance with such laws.

During the audit, it is observed that the Compliance Management System needs to be further strengthen by taking the following actions:

a) To establish Corporate Compliance Committee and designate a Chief Compliance officer and to maintain centralized mechanism to ensure compliance with all applicable laws;

b) To establish and maintain effective co-ordination of functional units and the compliance department under the overall supervision of the Board;

c) To establish mechanisms to prevent, detect, report and to respond to non-compliances;

d) To present Quarterly compliance Report to the Board;

e) Identification and classification of various compliance risks;

f) Organization of compliance Check list, Audit, feedback, remedies.

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 their presentations 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:

I) During the financial year, there are no specific events having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

For SGS Associates
Company Secretaries
FIRM REGN. NO. S2002DE058200

CS DAMODAR PRASAD GUPTA
FCS No: 2411
CP No: 1509
ICSI UDIN NO. F002411B001695181

Place : New Delhi
Date : 28th December 2020

Note_1: Specific non compliances / observations / audit qualification, reservation or adverse remarks 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
(formerly Air-India Engineering Services Limited)
Airlines House, 113, Gurudwara Rakab Ganj 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. Wherever 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 SGS Associates
Company Secretaries
FIRM REGN. NO. S2002DE058200

CS DAMODAR PRASAD GUPTA
FCS No: 2411
CP No: 1509
ICSI UDIN NO. F002411B001695181

Place : New Delhi
Date : 28th December 2020

REPLY TO OBSERVATIONS OF SECRETARIAL AUDITOR FOR FY 2019-20

	Audit Observations	Management Reply
a	There were few instances of delay in filing of e-forms under the Act and the rules made there under, but they were regularised by payment of additional fees under the Act.	Statement of Fact
b	Company needs to appoint a woman director in compliance to Section 149(1) and Rule 3 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 w.e.f. 24th January 2019.	The company (AIESL) was in compliance of these provisions of Companies Act 2013 upto January 2019, as Smt. Gargi Kaul, Govt. Nominee Director was the Woman Director on the Board of company. Subsequent to cessation of Smt. Gargi Kaul on Board of the company in her ex-officio capacity, there was no Woman Director on the Board. Board of company was constituted by Ministry of Civil Aviation vide its order dated 26-12-2012. 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 has been nominated by AI as Woman Director on Board of AIESL w.e.f. 11-09-2020.
c	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 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.

Annexure to Board Report

FORM NO. MGT 9 - EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2020

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) Earlier 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 01-04-2019]				No. of Shares held at the end of the year [As on 31-03-2020]				% 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	-	-	-	-	-	-	-	-	-
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

Shareholding of Promoter-

Sr No.	**Shareholder's Name**	**Shareholding at the beginning of the year**			**Shareholding at the end of the year**			**% change in Share-holding 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 itsnominees	166,666,500	100	NIL	166,666,500	100	NIL	0.00

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 2018-19 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	Commissionas % of profitothers 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)	-	-	-	-	-	-

Sr No.	Particulars of Remuneration	Name of Directors					Total Amount
	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**
1	Gross salary	29,79,200			**29,79,200**
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	22,96,485	**22,96,485**
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	21,600	**21,600**
	(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	**29,79,200**		**23,18,085**	**52,97,285**

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	-	-	-	-	-

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AIR INDIA ENGINEERING SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2019.

The preparation of financial statements of **AIR INDIA ENGINEERING SERVICES LIMITED** for the year ended 31 March 2020 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 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 18 November 2020.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **AIR INDIA ENGINEERING SERVICES LIMITED** for the year ended 31 March 2020 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.

On the basis of my supplementary audit nothing significant has come to my knowledge which would gives rise to any comment upon or suppliment to statuory auditor's report under section 143(6)(b) of the act.

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

(Rina Akoijam)
Principal Director of Audit (Infrastructure) New Delhi

Place : New Delhi

Date : 22 January 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of

Air-India Engineering Services Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Air-India Engineering Services Limited ("the Company"), which comprise the balance sheet as at 31st March 2020, 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, 2020, and its profit, 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 pandemic "COVID 2019" and lockdown being declared nationwide from March 22, 2020 and 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. 46)*

Emphasis of Matter

1. Company has not complied certain provisions of The Companies Act 2013, as stated below:

   (i) Second proviso of section 149 (1) relating to appointment of women director

   (ii) Section 149 (4) 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. The 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. The 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. The Company has not disclosed corrections of prior period errors as required by Ind AS 8 and its corresponding tax effects.

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.	**Intangible Asset** Expenses of Rs.2713.90 million, incurred prior to the date of obtaining the License, were capitalized in FY 2014-15 as Intangible Assets.	■ Details of the expenses has been sought. ■ The opinion from Expert Advisory Committee of ICAI has been taken into consideration. ■ The said expenses has been adjusted with retained earnings. This restatement has resulted into decrease in retained earnings with corresponding decrease in Asset by Rs. 2713.19 Millions. *(Refer Note No. 43)*

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 , 2020, 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:-

(i) The Company has SAP for maintenance of accounts. Most of the entries passed does not contain supportings attached with it. The system needs to be strengthened regarding the same.

(ii) The company uses the information systems partially for maintenance and processing of payroll.

(iii) 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.

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 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

CA Pratibha Sharma
Partner
Membership No. 400755

UDIN-20400755AAAACA5751

Place : Mumbai

Date : 18.11.2020

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.

(b) As explained to us, the Company has a policy of verification of fixed assets on bi-annual basis. As per the information and explanation provided to us, all the tools and equipment capitalized have not been physically verified during the years 2018-20. As regard to other fixed assets (i.e. other than tools and equipment), physical verification has not been carried out by the management during the year.

(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 of only tools for the last two years.

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 2020 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 2020
Goods and Service Tax	49,47,37,370.56
PF	56,62,36,112.83
ESIC	10,16,423.00
TDS	12,64,73,701.00

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, service tax, duty of customs, duty of excise, goods and service tax and value added tax which have not been deposited on account of any dispute.

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 38.)*

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

CA Pratibha Sharma
Partner
Membership No. 400755
UDIN-20400755AAAACA5751

Place : Mumbai
Date : 18.11.2020

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 Air-India Engineering Services Limited ("the Company") as of March 31st, 2020 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, 2020:

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

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

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.

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

v) The company has Internal Audit on yearly basis. It shall be on Monthly/Quarterly basis. Year end finalization entries may be checked by internal auditors before posting in SAP.

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 2020 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 , 2020 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

CA Pratibha Sharma
Partner
Membership No. 400755
UDIN-20400755AAAACA5751

Place : Mumbai
Date : 18.11.2020

COMPLIANCE CERTIFICATE

We have conducted the audit of accounts of Air India Engineering Services Limited for the year ended 31st March, 2020 in accordance with the directions/sub-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 and on behalf of

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

CA Pratibha Sharma
Partner
Membership No. 400755
UDIN-20400755AAAACA5751

Place : Mumbai
Date : 18.11.2020

AI ENGINEERING SERVICES LIMITED

Management's comments on Statutory Auditors' Report for FY 2019-20

Audit Observation	Management's Replies
Emphasis of Matter:	
1. Company has not complied certain provisions of The Companies Act 2013, as stated below:	
(i) Second proviso of section 149 (1) relating to appointment of women director	In compliance with the provisions of the Companies Act, the company through Ministry has now appointed Women Director – Ms. Meenakshi Mallik, CD, AI w.e.f. 11th Sept 2020.
(ii) Section 149 (4) 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.
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.	This is statement of fact.
3. The 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.	This is mainly for the booking of expenditure received from group companies, entries for 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. Our management has already taken a serious note of same for the issuance of invoices by the group companies on month to month basis in timely manner.
4. The 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 balance. As the company has not availed any loan from financial institutions and the rate of interest charged is based on average rate of borrowing of holding company.
5. The Company has not disclosed corrections of prior period errors as required by Ind AS 8 and its corresponding tax effects.	As per the Accounting Policy of the company the threshold for booking of expenditure as Prior Period Expenditure is Rs. 5 Crore. Since all such expenditure were well below threshold limit, same has been booked as current year's expenditure.

<table>
<tr><th>Audit Observation</th><th>Management's Replies</th></tr>
<tr><td>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.</td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td>
<table>
<tr><th>Key audit matter</th><th>Auditor's response</th></tr>
<tr><td>1. <u>Credit Impairement</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.

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)</td></tr>
</table>
</td><td>This is statement of Fact</td></tr>
</table>

<table>
<tr><th>Audit Observation</th><th>Management's Replies</th></tr>
<tr><td><table><tr><td>2. Intangible Asset

Expenses of Rs.2713.90 million, incurred prior to the date of obtaining the License, were capitalized in FY 2014-15 as Intangible Assets.</td><td>Details of the expenses have been sought.

The opinion from Expert Advisory Committee of ICAI has been taken into consideration.

The said expenses has been adjusted with retained earnings. This restatement has resulted into decrease in retained earnings with corresponding decrease in Asset by Rs. 2713.19 Millions.

(Refer Note No. 43)</td></tr></table></td><td>This is statement of Fact</td></tr>
<tr><td>Report on Other Legal and Regulatory Requirements:</td><td></td></tr>
<tr><td>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 , 2020, 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:-</td><td>This is statement of fact.</td></tr>
<tr><td>a (i) The Company has SAP for maintenance of accounts. Most of the entries passed does not contain supporting attached with it. The system needs to be strengthened regarding the same.</td><td>As regard to the expenditure incurred at HQ level, physical documents are kept and since the documents are bulky, it is not possible to attach the invoice copy along with SAP Payment Voucher. As regard to other regions, except WR, all other regions are attaching the copies of duly certified invoices, as the payments are centrally processed at HQ level. Also, we are making efforts to attach the supporting documents in respect of billing received through group companies.</td></tr>
</table>

Audit Observation	Management's Replies
(ii) The company uses the information systems partially for maintenance and processing of payroll.	This is statement of fact.
(iii) The Company has no system of calculation of Interest on outstanding of Inter Company balances. The same has been done manually.	The basis of charging interest among group companies has been decided by the top management and if required, SAP can generate ageing report based on which interest can be calculated, if required.
(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. 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 statement of fact.
(c) Whether funds received/receivable for specific schemes from central/ state 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 statement of fact.
Annexure – A to the Independent Auditor's Report (i) (a) The Company is in the process of updating its records of fixed assets with respective quantitative details and location thereof.	This is statement of fact.
(b) As explained to us, the Company has a policy of verification of fixed assets on bi-annual basis. As per the information and explanation provided to us, all the tools and equipment capitalized have not been physically verified during the years 2018-20. As regard to other fixed assets (i.e. other than tools and equipment), physical verification has not been carried out by the management during the year.	This is statement of fact.
(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 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 of only tools for the last two years.	This is statement of fact.

<table>
<tr><th>Audit Observation</th><th>Management's Replies</th></tr>
<tr><td>(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.</td><td>This is statement of fact.</td></tr>
<tr><td>(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.</td><td>This is statement of fact.</td></tr>
<tr><td>(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.</td><td>This is statement of fact.</td></tr>
<tr><td>(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.</td><td>This is statement of fact.</td></tr>
<tr><td>(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 2020 of more than six months from the date they became payable are as below:

<table>
<tr><th>Nature of Statutory Dues</th><th>Amount Outstanding for more than 6 months as on 31st March 2020</th></tr>
<tr><td>Goods and Service Tax</td><td>49,47,37,370.56</td></tr>
<tr><td>PF</td><td>56,62,36,112.83</td></tr>
<tr><td>ESIC</td><td>10,16,423.00</td></tr>
<tr><td>TDS</td><td>12,64,73,701.00</td></tr>
</table>
</td><td>This is statement of fact.

While all possible efforts are made to deposit the statutory dues in timely manner, however, due to shortage of liquidity due to non-payment of dues mainly by group companies the company not in position to make the payment in timely manner.</td></tr>
</table>

Audit Observation	Management's Replies
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, service tax, duty of customs, duty of excise, goods and service tax and value added tax which have not been deposited on account of any dispute.	This is statement of fact.
(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 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 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 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 statement of fact. No managerial remuneration other than Rs. 3.03 Million paid to CEO as salary during the year.
(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 statement of fact.

Audit Observation	Management's Replies
(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 38.)	This is 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 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 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 statement of fact.
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, 2020:	

Audit Observation	Management's Replies
i) The Company did not have an effective internal control system for deduction, timely deposit, filing return.	The company is making all possible efforts for filing of various returns, however due to paucity of funds, company is not able to pay the taxes in timely manner which has resulted in delay in filing return on time.
ii) The Company did not have an effective system for timely accounting of entries, to prevent duplicate accounting entry and maker checker process.	As a procedure, no payment is made unless invoices are entered in SAP and also the invoices are entered in SAP first before raising the invoices on all the customers. The delay is happening mainly for accounting MSA based transaction received from Inter company, for which company is taking proactive steps.
iii) In SAP most of the entries has no supporting to check the validity of entry. Expenses borne by other group companies and then reimbursed by the Company had no supportings at all.	We are taking necessary corrective steps in this regard.
iv) The Company did not have effective system of reconciliation of balance with other parties.	Reconciliation of amount recoverable from all major customers is a continuous process. However, as regard to reconciliation with group companies, we are taking necessary corrective action.
v) The company has Internal Audit on yearly basis. It shall be on Monthly/Quarterly basis. Year-end finalization entries may be checked by internal auditors before posting in SAP.	We have already mandated this requirement at the time of selection of external internal auditor for forthcoming financial year.

BALANCE SHEET AS AT 31ST MARCH 2020

(Amount in Millions)

Particulars	Note No.	As at March 31, 2020		As at March 31, 2019	
ASSETS :					
1) **Non-current Assets**					
(i) Property, Plant & Equipment	2	593.85		680.35	
(ii) Other Intangible Asset	2	-		2,713.83	
(iii) Financial Assets:					
a) Loans		-		-	
b) Others	3	0.06		0.06	
iv) Income Tax Assets					
v) Other Non-Current Assets	4	-		0.20	
			593.91		3,394.44
2) **Current Assets**					
i) Inventories	5	752.62		632.39	
ii) Financial Assets:					
a) Trade Receivables	6	26,686.33		14,085.35	
b) Cash and Cash Equivalents	7	82.28		53.67	
c) Bank Balance other than (b) above	8	33.75		25.11	
c) Loans	9	3.91		3.08	
d) Others					
iii) Current Tax Assets	10	1,125.14		715.66	
iv) Other Current Assets	11	245.55		127.19	
			28,929.58		15,642.45
TOTAL			29,523.49		19,036.88
EQUITY AND LIABILITIES :					
1 **Equity**					
i) Equity Share Capital	12	1,666.67		1,666.67	
ii) Other Equity	13	-23,453.32		-21,498.07	
			-21,786.65		-19,831.40
2 **Liabilities:**					
Non Current Liabilities					
a) Financial Liabilities					
i) Borrowings		-		-	
ii) Trade Payables		-		-	
iii) Other		-		-	
b) Provisions	14	6,554.09		6,328.17	
c) Other Liabilities		-		-	
			6,554.09		6,328.17
Current Liabilities					
a) Financial Liabilities					
i) Trade Payables					
- MSME	15	-		-	
- Other than MSME	15	4,516.44		659.55	
ii) Other	16	31,954.50		27,532.64	
b) Provisions	17	3,107.25		1,561.71	
c) Other Non Financial Current Liabilities	18	5,177.87		2,786.21	
			44,756.06		32,540.11
TOTAL			29,523.49		19,036.88
Significant Accounting Policies and	1				
Notes forming part of the Financial Statement	2-47				

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: 20400755AAAACA5751

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 Office

Sd/-
Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi
Date : 18th November, 2020

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2020

(Amount in Millions)

Particulars		Note No.	2019-20	2018-19
	Revenue			
I	Revenue from Operations	19	**14,028.29**	11,919.66
II	Other Income	20	**247.56**	144.21
III	**Total Reveune (I+II)**		**14,275.85**	12,063.87
IV	**Expenses**			
	Employee Benefit Expenses	21	**8,573.70**	8,960.06
	Finance Costs	22	**1,442.60**	1,448.50
	Depreciation and Amortization Expense	23	**126.45**	193.93
	Other Expenses	24	**3,061.06**	3,270.15
	Total Expenditure		**13,203.81**	13,872.64
	Total Expenditure After Prior Period Adj		**13,203.81**	13,872.64
V	**Profit/ (Loss) before Exceptional Items and Tax (III-IV)**		**1,072.04**	-1,808.77
VI	Exceptional Items		**-**	-
VII	**Profit/ (Loss) before Extraordinary Items and Tax (V+VI)**		**1,072.04**	-1,808.77
VIII	Tax Expenses :		**-**	-
	i) Current Tax		**0.16**	-
	ii) Tax Adjustment relating to earlier year		**-**	-
	iii) Deferred Tax		**-**	-
IX	**Profit/ (Loss) after Tax for the period (IX-X)**		**1,071.88**	-1,808.77
X	**Other Comprehensive Income**			
	Acturial Gain/(Loss) on Defined benefit obligation		**-313.30**	-240.60
	Total Comprehensive Income		**758.58**	-2,049.37
XI	**Earning per Share of Rs. 10 each**			
	Basic	25	**6.43**	-10.85
	Diluted	25	**6.43**	-10.85
Significant Accounting Policies		1		
Notes forming part of the Financial Statement		2-47		

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: 20400755AAAACA5751

For and on behalf of the Board

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DIN - 00245460

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Director
DIN - 08701559

Sd/-
Arun Kumar Bansal
Chief Executive Office

Sd/-
Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi
Date : 18th November, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2020

(Amount in Millions)

A. Equity Share Capital	As at 31.03.2020		As at 31.03.2019	
	No. of Share	Amount	No. of Share	Amount
Balance at the beginning of the reporting period	**166,666,500**	**1,666.67**	166,666,500	1,666.67
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**	**1,666.67**	**166,666,500**	**1,666.67**

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 2018	**-19,448.70**	-	-19,448.70
Profit/(Loss) for the period	-1,808.77	-	-1,808.77
Other Comprehensive Income/(loss)	-	-240.60	-240.60
Balance as at 31 March 2019	**-21,257.47**	-	-21,498.07
Opening Balance as at 1 April 2019	**-21,257.47**	-	**-21,498.07**
Effect of Deferred Tax Asset of earlier years	-	-	-
Profit/(Loss) for the period	1,071.88	-	1,071.88
Add/Less: Prior Period Adjustments	-2,713.83	-	-2,713.83
Other Comprehensive Income/(loss)	-	-313.30	-313.30
Balance as at 31 March 2020	**-22,899.42**	**-313.30**	**-23,453.32**

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

Sd/-
Pratibha Sharma
Partner
Membership No:400755
UDIN: 20400755AAAACA5751

For and on behalf of the Board

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Chief Executive Office

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Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi
Date : 18th November, 2020

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2020

(Amount in Millions)

	Particulars	As at March 31, 2020		As at March 31, 2019	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net (Loss) / Profit Before Taxes:		**1,072.04**		-1,808.77
	Adjustment for :				
	Depreciation and amortisation	**126.45**		193.93	
	Net (Loss) / Profit from sale of Assets	**0.01**		-0.14	
	Interest on Call & Fixed Deposit	**-0.95**			
	Interest Expense	**1,442.60**		1,454.97	
	Other Adjustments	**-313.30**	**1,254.81**	-240.60	1,408.16
	Operating (Loss) / Profit Before Working Capital Changes		**2,326.85**		-400.61
	Change in Assets & Liabilities				
	Trade and Other Receivables	**-12,600.98**		-6,359.61	
	Trade and Other Payables	**3,856.89**		-1,332.86	
	Other Financial Assets & Other Assets	**-657.54**		729.35	
	Other Financial Liabilities & Other Liabilities	**8,584.97**	**-816.66**	8,715.02	1,751.91
	Cash flow from operations		**1,510.19**		1,351.31
	Income Tax Paid		**0.16**		-
	Net Cash Flow (used in)/ from Operating Activities		**1,510.03**		1,351.31
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Acquisition of fixed assets	**-39.97**		-14.32	
	Acquisition of other non current assets	**0.20**		156.74	
	Interest Income	**0.95**	**-38.82**	-	
	Net Cash Flow used in Investing Activities		**-38.82**		142.42
C.	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Interest Expense	**-1,442.60**		-1,454.97	
	Net Cash Flow from/(used in) Financing Activities		**-1,442.60**		-1,454.97
	Net increase/ (Decrease) in Cash and Cash equivalents		**28.61**		38.75
	Cash and Cash equivalents (Opening balance)		**53.67**		14.92
	Cash and Cash equivalents (Closing balance)		**82.28**		53.67

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.

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
Partner
Membership No:400755
UDIN: 20400755AAAACA5751

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 Office

Sd/-
Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi

Date : 18th November, 2020

Notes forming part of the financial statements as at and for the year ended March 31, 2020

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-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, 2020, 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. The standalone Financial Statements for the year ended 31st March, 2020 have been approved by Board of Directors of the Company in their meeting held on 18th November, 2020.

v. 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, 2018	Add-itions	Other Adjust-ments	Deductions / Adjust-ments	As at March 31, 2019	As at April 01, 2018	For the year	Deductions / Adjust-ments	Total Upto March 31, 2019	As at March 31, 2019	As at April 01, 2018
TANGIBLE ASSETS :												
a)	Land	-										
b)	Buildings	-										
c)	Plant & Equipment											
	Workshop Equipment,		4.13	-	-0.81	1,405.52	628.86	178.73	-0.77	806.83	598.69	773.34
	Instruments,	1,402.20										
	Machinery and Plants	86.11	5.81	-	-0.71	91.21	19.93	10.12	-0.60	29.46	61.75	66.18
d)	Furniture & Fixtures	7.41	2.63	-	-	10.04	1.37	0.95	-	2.32	7.72	6.04
e)	Electrical Fittings	0.20	0.11	-	-	0.30	0.04	0.03	-	0.07	0.24	0.16
f)	Computer System	2.23	2.94	-	-	5.16	1.36	1.64	-	2.99	2.17	0.87
g)	Vehicles	10.26	-	-	-2.60	7.65	1.34	0.91	-0.29	1.95	5.70	8.92
h)	Office Equipment	6.81	1.31	-	-	8.12	2.50	1.55	-	4.05	4.07	4.31
TOTAL FOR TANGIBLE ASSETS		**1,515.22**	**16.93**	**-**	**-4.12**	**1,528.02**	**655.40**	**193.93**	**-1.66**	**847.67**	**680.34**	**859.82**
INTANGIBLE ASSETS :		-	-	-	-	-	-	-	-	-	-	-
a)	Goodwill	-	-	-	-	-	-	-	-	-	-	-
b)	Brands/trademarks	-	-	-	-	-	-	-	-	-	-	-
c)	Computer Software	-	-	-	-	-	-	-	-	-	-	-
d)	Licenses & Franchise		-	-	-	2,713.83	-	-	-	-	2,713.83	2,713.83
		2,713.83										
TOTAL FOR INTANGIBLE ASSETS		2,713.83	-	-	-	2,713.83	-	-	-	-	2,713.83	2,713.83
TOTAL		4,229.04	16.92	-	-4.12	4,241.85	655.40	193.93	-1.66	847.67	3,394.18	3,573.65
PREVIOUS YEAR		4,112.84	116.84	-	-0.64	4,230.31	423.31	232.69	-0.60	655.40	3,573.65	3,689.53

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.

Sr. No.	Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
		As at April 01, 2019	Addi-tions	Other Adjust-ments	Deductions / Adjust-ments	As at March 31, 2020	As at April 01, 2019	For the year	Deductions/ Adjust-ments	Total Upto March 31, 2020	As at March 31, 2020	As at March 31, 2019
TANGIBLE ASSETS :												
a)	Land	-	-	-	-	-	-	-	-	-	-	-
b)	Buildings	-	-	10.42	-	10.42	-	0.16	4.79	4.95	5.47	-
c)	Plant & Equipment	-	-	-		-	-	-	-	-	-	-
	Workshop Equipment,		26.40	-	-0.09	1,431.83	806.83		-0.07	917.22	514.61	598.69
	Instruments,	1,405.52						110.47				
	Machinery and Plants	91.21	0.62	-	-	91.83	29.46	10.00	-	39.46	52.37	61.75
d)	Furniture & Fixtures	10.04	1.52	-	-	11.56	2.32	1.10	-	3.42	8.14	7.72
e)	Electrical Fittings	0.30	0.17	-	-	0.47	0.07	0.04	-	0.11	0.36	0.24
f)	Computer System	5.16	2.40	-	-	7.57	2.99	1.74	-	4.74	2.83	2.17
g)	Vehicles	7.65	-	-	-	7.65	1.95	0.87	-	2.83	4.83	5.70
h)	Office Equipment	8.12	3.22	-	-	11.34	4.05	2.06	-	6.10	5.24	4.07
TOTAL FOR TANGIBLE ASSETS		**1,528.02**	**34.33**	**10.42**	**-0.09**	**1,572.67**	**847.67**	**126.44**	**4.72**	**978.83**	**593.85**	**680.34**
INTANGIBLE ASSETS :		-	-	-	-	-	-	-	-	-	-	-
d)	Licenses & Franchise		-	-	-2,713.83	-	-	-	-	-	-	2,713.83
		2,713.83										
	(Refer Note 43)	-	-	-	-	-	-	-	-	-	-	-
TOTAL FOR INTANGIBLE ASSETS		2,713.83	-	-	-2,713.83	-	-	-	-	-	-	2,713.83
TOTAL		4,241.85	34.34	10.42	-2,713.91	1,572.69	847.67	126.44	4.71	978.84	593.85	3,394.18
PREVIOUS YEAR		4,229.04	16.92	-	-4.12	4,241.84	655.40	193.93	-1.66	847.67	3,394.18	3,573.65

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, 2020	As at March 31st, 2019
Deposits - Others (More than 12 Months)	**0.06**	0.06
TOTAL	**0.06**	0.06

NOTE ‘’4” : OTHER NON- CURRENT ASSETS

(Amount in Millions)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Advances Recoverable in Cash or Kind	**-**	-
Capital Advances	**-**	-
Security deposit with DGCA	**-**	0.20
Other	**-**	-
TOTAL	**-**	0.20

NOTE “5” : INVENTORY

(Amount in Millions)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Stores and Spare Parts	**20.53**	19.06
Loose Tools	**453.56**	399.25
Fuel, Gas, Coal, Oil and lubricants	**1.14**	1.34
Non-Aircraft Inventory	**6.38**	6.38
Other Inventory	**271.01**	206.35
TOTAL	**752.62**	632.38

NOTE “6” : TRADE RECEIVABLES

(Amount in Millions)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Secured, Considered Good		
Unsecured, Considered Good	**26,686.33**	14,085.35
Trade Receivables having significant increase in Credit Risk	**446.97**	284.75
Trade Receivables - Credit Impaired	**-**	-
	27,133.30	14,370.10
Less : Allowance for Doubtful	**446.97**	284.75
TOTAL	**26,686.33**	14,085.35

NOTE "7" : CASH AND BANK BALANCES

(Amount in Millions)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Balances with Banks		
a) In Current Accounts	**82.07**	53.03
b) In Deposit Accounts (Maturity less than12 months)	**-**	-
C) Cash in Hand	**0.15**	0.63
Cheques, Drafts on Hand	**0.06**	0.01
TOTAL	**82.28**	53.67

NOTE ''8" : BANK BALANCES OTHER THAN CASH EQUIVALENTS

(Amount in Millions)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Balance with Banks		
In Margin Money Deposits (3 < Maturity < 12)	**33.75**	25.11
TOTAL	**33.75**	25.11

NOTE ''9" :CURRENT LOANS

(Amount in Millions)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Advances		
Secured - Considered Good		
Unsecured-Considered Good (Inter Company)	**-**	-
Security Deposits	**3.91**	3.08
TOTAL	**3.91**	3.08

NOTE "10" : CURRENT TAX ASSETS

(Amount in Millions)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Total Advance payment for Income Tax and TDS	**1,125.14**	715.66
Balances with Statutory / Govt Authorities	**-**	-
TOTAL	**1,125.14**	715.66

NOTE "11" : OTHERS-CURRENT ASSET

(Amount in Millions)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Prepaid Expenses	**16.38**	-0.00
Advances Recoverable in Cash or Kind	**227.06**	125.85
Interest accrued on investment	**2.11**	1.34
TOTAL	**245.55**	127.19

NOTE "12" : SHARE CAPITAL

(Amount in Millions)

	Particulars	As at March 31, 2020		As at March 31, 2019	
		No. of Shares	Amount	No. of Shares	Amount
a)	**AUTHORISED**				
	1000,000,000 Equity Shares (Previous Year : 10,000,000) of Rs.10 each	**1,000,000,000**	**10,000.00**	1,000,000,000	10,000.00
		1,000,000,000	**10,000.00**	1,000,000,000	10,000.00
b)	**ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES**				
	1666,66,500 Equity Shares of Rs. 10 each	**166,666,500**	**1,666.67**	166,666,500	1,666.67
		166,666,500.00	**1,666.67**	166,666,500.00	1,666.67

c) Reconciliation of number of shares :

(Amount in Millions)

	Particulars	As at March 31, 2020		As at March 31, 2019	
		No. of Shares	Amount	No. of Shares	Amount
	Equity Shares at the beginning of the year	**166,666,500**	**1,666.67**	166,666,500	1,666.67
	Add : Equity Shares Allotted during the year	**-**	**-**	-	-
	Equity Shares at the end of the year	**166,666,500**	**1,666.67**	166,666,500	1,666.67

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

(Amount in Millions)

	Particulars	As at March 31, 2020		As at March 31, 2019	
		No. of Shares	Amount	No. of Shares	Amount
	Shares held by Holding Company				
	Air India Limited	**166,666,500**	**1,666.67**	166,666,500	1,666.67

f) Details of Shareholders holding more than 5%

(Amount in Millions)

	Particulars	As at March 31, 2020		As at March 31, 2019	
		No. of Shares	Amount	No. of Shares	Amount
	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 without payment being received in cash

(Amount in Millions)

	Particulars	As at March 31, 2020		As at March 31, 2019	
	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)

Particulars	As at March 31, 2020	As at March 31, 2019
Surplus / (Deficit) as per Statement of Profit & Loss		
Opening Balance	-21,498.07	-19,448.70
Add/Less Prior Period Adjustments	-2,713.83	-
Profit / (Loss) for the year	758.58	-2,049.37
Closing Balance	-23,453.32	-21,498.07
TOTAL	**-23,453.32**	**-21,498.07**

NOTE "14" : NON CURRENT PROVISIONS

(Amount in Millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Employee Benefits		
a) Gratuity	**2,596.61**	2,624.90
b) Leave Encashment	**1,766.51**	1,796.37
c) Medical	**2,190.97**	1,906.90
TOTAL	**6,554.09**	6,328.17

NOTE "15" : TRADE PAYABLES

(Amount in Millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Due to Micro and Small Enterprises	**-**	-
Others Payables	**4,516.44**	659.55
(Refer Point no. '13' of Note No. 21)		
TOTAL	**4,516.44**	659.55

NOTE "16" : OTHER CURRENT FINANCIAL LIABILITY

(Amount in Millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Security Deposit	**21.02**	19.66
Earnest Money Deposit	**4.55**	4.17
Loan & Advances	**104.50**	129.84
Payable to Employees	**417.19**	348.60
Holding Company - Air India Limited- Current Account	**-**	-
Inter company Payable/Receivable	**31,327.01**	27,003.84
Others	**80.23**	26.52
TOTAL	**31,954.50**	27,532.63

NOTE "17" : CURRENT PROVISIONS

(Amount in Millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision		
For employees Benefits		
a) Gratuity	**626.28**	593.98
b) Leave Encashment	**451.63**	454.57
c) Other Benefits	**107.22**	90.04
Other than employees	**1,922.12**	423.12
TOTAL	**3,107.25**	1,561.71

NOTE "18" : OTHER CURRENT LIABILITIES

(Amount in Millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Other Payables(Net)	-	-
Advance from Customers	-	-
Forward Sales	-	-
others	-	-
Statutory Dues	**5,177.87**	2,786.21
TOTAL	**5,177.87**	2,786.21

NOTE "19" : REVENUE FROM OPERATION

(Amount in Millions)

Sr. No.	Particulars	2019-20	2018-19
1	**Sales of Services**		
	Technical Handling Services Reveune	**3,390.27**	142.38
	Other Servicing Revenue	**10,167.88**	11,494.27
		13,558.15	11,636.65
2	**Other Operating Revenue**		
	Engineering Training Reveune	**253.37**	43.52
3	**Incidental Revenue**	**216.78**	239.49
	Total reveune from operation	**14,028.29**	11,919.66

NOTE "20" : OTHER INCOME

(Amount in Millions)

Sr. No.	Particulars	2019-20	2018-19
1	Other Income	**35.86**	1.95
2	Interest Income	**211.70**	142.26
	TOTAL	**247.56**	144.21

NOTE "21" : EMPLOYEE BENEFIT EXPENSES

(Amount in Millions)

Sr. No.	Particulars	2019-20	2018-19
1	Salaries, Wages & Bonus	**7,221.98**	7,593.38
2	Contribution to Provident and Other Funds	**316.01**	363.63
3	Staff Welfare Expenses	**415.34**	402.23
4	Provision for Gratuity	**341.83**	323.07
5	Provision for Leave Encashment	**278.55**	277.75
	TOTAL	**8,573.71**	8,960.06

NOTE "22" : FINANCE COST

(Amount in Millions)

Sr. No.	Particulars	2019-20	2018-19
1	Interest Expenses	**1,442.60**	1,448.50
	TOTAL	**1,442.60**	1,448.50

NOTE "23" : DEPRECIATION AND AMORTIZATION EXPENSE

(Amount in Millions)

Sr. No.	Particulars	2019-20	2018-19
1	Depreciation of Tangible Assets	**126.45**	193.93
	TOTAL	**126.45**	193.93

NOTE "24" : OTHER EXPENSES

(Amount in Millions)

Sr. No.	Particulars	2019-20	2018-19
1	Insurance Expenses	**33.37**	0.71
2	Material Consumed-Aircraft	**161.93**	222.01
3	Outside Repairs-Aircraft	**-**	-
4	Handling Charges	**244.54**	283.70
5	Communication Charges	**10.18**	8.71
6	Travelling Expenses	**143.11**	152.08
7	Rent	**1,158.06**	1,156.11
8	Rates and Taxes	**97.58**	40.55
9	Conveyance Expenses	**-**	-
10	Repair Maintenance:		
	i) Buildings	**27.11**	9.46
	ii) Others	**255.15**	340.34
11	Hire of Transport	**112.73**	80.24
12	Hire of Manpower	**-**	-
13	Fees to DGCA	**3.69**	2.50
14	Electricity & Heating Charges	**393.18**	400.67
15	Consumption of Gas & Fuel	**-**	-
16	Water Charges	**8.18**	17.10
17	Publicity & Sales Promotion	**0.40**	0.46
18	Printing and Stationery	**4.76**	14.03
19	Professional & Legal Charges	**18.08**	14.01
20	Auditors' Remuneration and Expenses		

Sr. No.	Particulars	2019-20	2018-19
	i) Audit Fees	**0.33**	0.22
	ii) Other Expenses	**0.03**	0.02
21	Other Audit Expenses	**3.18**	0.61
22	Bank Charges	**0.35**	0.18
23	Other Expenses	**222.90**	235.35
24	Exchange Variation	**-**	6.47
25	Loss on Sale of Assets/Scrap	**0.01**	-0.14
26	Passenger Amenities	**-**	-
27	Provision for Doubtful Debts	**162.22**	284.75
	TOTAL	**3,061.07**	3,270.14

NOTE "25" : EARNING PER SHARE

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

(Amount in Millions)

Particulars	2019-20	2018-19
Profit available for appropriation as per Profit & Loss Account	**1,071.88**	-1,808.77
Weighted average No. of equity shares outstanding during the year	**166,666,500**	166,666,500
Basic and Diluted EPS (Amount in Rupees)	**6.43**	-10.85
Face value per equity share	**10.00**	10.00

Notes forming part of the financial statements as at and for the year ended March 31, 2020

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 82nd 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 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, 2020	Balance as on March 31, 2019
(i)	Income Tax Demand Notices received by the Company which are under Appeal (*)	641.71	Nil
(ii)	Other Claims on account of Staff/Civil/Arbitration Cases pending in Courts	Amount not ascertainable	Amount not ascertainable
	TOTAL	641.71	Nil

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
2019-20	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**	**48,21,12,190**	**15,95,93,886**	**64,17,06,076**

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 94.51% (Pervious year 94.34%) 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 2018-20 could not be completed 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 2019-20 could not be completed 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 2019-20 is Rs. 14,028.29 Million as against Rs. 11,919.66 Million during FY 2018-19, leading to increase of Rs. 2,108.63 Million. The percentage of revenue from group Co. is 86.95% (PY 91.08%) and percentage of revenue from third party is 13.05% (PY 8.92%). Out of the total increase in Operating Revenue is mainly because of increase in revenue from Group Cos. to the tune of Rs. 2,108.63 Million and third party revenue from 1,063.81 Million to 1,831.38 Million. The Master Service Agreement (MSA) between AIESL and AIL during FY 2017-18 and 2018-19 was based on Block Hour basis, however, Block Hour rate was revised w.e.f. 1st April, 2019 which is based on activities. This revision in the MSA has been done to further rationalize and have related party transactions at arms- length price.

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. 310.21 Million (Previous Year Rs. 353.35 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. 2,218.14 Million (Previous Year Rs. 2250.94 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	
	2019-20	2018-19	2019-20	2018-19
Defined Obligation at the beginning of the year	3,218.9	3252.5	1976.9	1682.7
Interest Cost	247.5	250.8	153.8	130.6
Current Service Cost	86.3	72.9	23.7	28.7
Past Service Cost	-	-	-	-
Liability transferred out/Disinvestments	-	-	-	-
Benefits Paid directly by the employer	(518.1)	(461.5)	(6.3)	(1.5)
Benefit paid from the fund	-	-	-	-
Actuarial (Gain) / Losses on obligation				
Demographic Assumptions	-	-	-	-
Changes in financial Assumptions	105.4	2.5	(243.9)	(4.6)
Experience Adjustments	82.9	101.7	(118.9)	(141.0)
Defined Benefit Obligation at the end of the year	3,222.9	3218.9	2,273.1	1976.9

Amount recognized in Balance Sheet:

(Amount in Million)

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2019-20	2018-19	2019-20	2018-19
Liability at the end of the year	(3,222.9)	(3,218.9)	(2,273.1)	(1,976.9)
Funded Status Surplus/(Deficit)	(3,222.9)	(3,218.9)	(2,273.1)	(1,976.9)
Amount Recognized in the Balance Sheet	(3,222.9)	(3,218.9)	(2,273.1)	(1,976.9)

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

(Amount in Million)

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2019-20	2018-19	2019-20	2018-19
Current Service Cost	86.3	72.9	23.7	28.7
Interest Cost	247.5	250.8	153.8	130.6
Past Service Cost	-	-	-	-
Interest Income	-	-	-	-
Expenses for the year	333.8	323.7	177.5	159.3

Amount Recognized in Other Comprehensive Income

(Amount in Million)

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2019-20	2018-19	2019-20	2018-19
Actuarial (Gains)/Losses on Obligation For the Period	188.3	104.2	125.0	136.4
Return on Plan Assets	-	-	-	-
TOTAL	**188.3**	**104.2**	**125.0**	**136.4**

c) **Major Actuarial Assumptions**

Particulars	Gratuity – Unfunded		Medical – Unfunded	
	2019-20	2018-19	2019-20	2018-19
Discount Rate (%)	7.83%	7.69%	6.81%	7.78%
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 2020 and 31 March 2019 is given below:

(Amount in Million)

Particulars	Gratuity		Medical	
	2019-20	2018-19	2019-20	2018-19
+1 % change in rate of Discounting	(121.8)	(119.9)	(250.8)	(209.6)
-1 % change in rate of Discounting	133.3	130.7	309.6	256.5
+1 % change in rate of Medical cost Inflation	-	-	315.6	264.1
-1 % change in rate of Medical Cost Inflation	-	-	(259.1	(218.3)
+1 % change in rate of Salary Increase	92.8	96.0	-	-
-1 % change in rate of Salary Increase	(93.0)	(95.3)	-	-
+1 % change in rate of Employee Turnover	13.7	18.8	-	-
-1 % change in rate of Employee Turnover	(14.7)	(20.1)	-	-

35. 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 is being enhanced to capture more details of SSI Vendors, such as certificate no., issuing agency, validity, etc. 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.

36. Deferred tax assets / (liabilities)

The company had losses since inception except current 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.

37. Uncertainty over Income Tax Treatments (Appendix – C to Ind AS 12)

Ind AS 12 Appendix – C, Uncertainty over Income tax treatments: On March 30, 2019 the ministry of corporate affairs has notified Ind AS 12 Appendix – C, Uncertainty over Income tax treatments, which is to be applied while performing the determination of taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments that company have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining tax profits (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

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 2019-20.

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 Ashwani Lohani	CMD, Air India Limited	Chairman (up to 14th Feb. 2020)
2	Shri Rajiv Bansal	CMD, Air India Limited	Chairman (w.e.f. 14th Feb. 2020)
3	Shri Arun Kumar	AS&FA, MOCA	Government Nominee Director (up to 10th Jul. 2019)
4	Shri Satyendra Kumar Mishra	Jt. Secretary, MOCA	Government Nominee Director
5	Shri Vimalendra Anand Patwardhan	JS & FA, MOCA	Government Nominee Director w.e.f. 20th Mar. 2020

Sr. No.	Name of Director	Designation	Remark
6	Praveen Garg	AS & FA, MOCA	Government Nominee Director w.e.f. 21st Aug 2019 Up to 28th Jan. 2020
7	Shri Vinod Hejmadi	Director – Finance, Air India Limited	Air India Nominee Director (up to 11th Sep. 2020)
8	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 w.e.f. 1st Nov. 2020
3.	Shri Kapil Aseri	Chief Financial Officer
4.	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. During the year 2019-20 an amount of Rs. 3.03 Million (PY Rs. 3.03 Million) has been paid as remuneration to Chief Executive Officer.

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	2019-20 (Amount in Million)	2018-19 (Amount in Million)
1.	**Air India Ltd (AIL)**		
	Revenue from operation	**10495.65**	**9,448.62**
	Expenditure		
	Interest on dues to AI	1,351.78	1,358.65
	Rent Premises	1146.97	1,154.05
	Electricity & Heating Charges	341.81	351.02
	Cost of goods Sold	17.45	170.09
	Salaries - Staff / Hire of Man power	(-)473.92	113.76

	Staff Medical Expenses	104.95	113.06
	Maintenance of IT Equipments	42.18	60.65
	Salaries - Casual Labour	38.44	52.10
	Other Expenses	181.80	249.09
	Total Expenditure	2751.46	3,622.47
	Closing Balance (Payable)	**14,209.85**	**17,181.66**
	Alliance Air Aviation Limited (AAAL)		
	Income		
	Revenue from operation	553.16	417.16
	Other Income (Interest)	89.02	44.58
	Expenditure		
	Total Expenditure	23.31	43.47
	Closing Balance (Receivable)	**1,310.24**	**757.11**
	Air India Airport Services Limited (AIASL)		
	Revenue from Operation	23.67	77.48
	Expenditure		
	Handling Charges	76.79	9.82
	Manpower Cost	9.52	23.31
	Interest on dues AIATSL	90.79	86.27
	Closing Balance (Payable)	**1,014.70**	**1003.55**
	Air India Express Limited (AIXL)		
	Income		
	Revenue from operation	1124.14	912.20
	Other Income (Interest)	107.11	96.03
	Expenditure		
	Total Expenditure	12.97	43.47
	Closing Balance (Receivable)	**1,342.51**	**1,144.89**
	Air India SATS Airport Services Private Limited (AISATS)		
	Revenue from operation	**0.27**	**0.39**
	Expenditure		
	Handling Charges	142.50	239.84
	Hire of Manpower on contract	12.43	15.18
	Closing Balance (Payable)	**737.84**	**558.79**
	Centaur Hotel (HCI)		
	Expenditure		
	Hotel Expenses- Staff on Duty	17.18	36.03
	Closing Balance (Payable)	**34.99**	**51.29**

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	2019-20	2018-19
Statutory Audit Fees - For the Year	0.33	0.22
Out of Pocket Expenses	0.03	0.02
Total	0.36	0.24

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, 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	-	-	-
Current							
Trade Receivable*			26,686.43	26,686.43	-	-	-
Loans			-	-	-	-	-
Cash & Cash Equivalents*			81.24	81.24	-	-	-
Bank Balance other than above			33.75	33.75	-	-	-
TOTAL			**26,801.48**	**26,801.48**	-	-	-
Financial liabilities							
Non-Current			-	-	-	-	-
Current							
Trade Payables*			4,516.50	4,516.50	-	-	-
Other Financial Liabilities			30,664.36	30,664.36	-	-	-
TOTAL			**35,180.86**	**35,180.86**	-	-	-

As on 31 March 2019 **(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			0.26	0.26	-	-	-
Current							
Trade Receivable*			14085.35	14085.35	1,902.00	-	-
Loans			3.08	3.08	-	-	-
Cash & Cash Equivalents*			53.67	53.67	53.67	-	-
Bank Balance other than above			25.11	25.11	25.11	-	-
TOTAL			**14,167.47**	**14,167.47**	**1,980.78**	-	-
Financial liabilities							
Non-Current			-	-	-	-	-
Current							
Trade Payables*			659.55	659.55	-	-	-
Other Financial Liabilities			27,485.23	27,485.23	18,744.00	-	-
TOTAL			**28,144.78**	**28,144.78**	**18,744.00**	-	-

(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

b. 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. 26,652.46 Million as on 31st March 2020 (Previous Year as on 31st March 2019 Rs. 14,085.35 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. 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, 2020	As at March 31, 2019
Government Company past due more than three years	100.00 %	0.00 %
Group Company	0.00 %	0.00 %
Other Parties past due greater than one year and up to three years	2.11%	0.00 %
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 2020		As at 31st March, 2019	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
Debts not due	0.00	0.00	0.00	0.00
Debts over due	14,085.35	14,085.35	7725.74	7725.74
	14,085.35	14,085.35	7725.74	7725.74

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

(Amount in Million)

Particulars	For the year ended 31st March 2020	For the year ended 31st March 2019
Balance at the beginning of the Year	284.75	Nil
Movement during the year	162.22	284.75
Balance at the end of the Year	446.97	284.75

(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.

(Amount in Million)

As at 31st March 2020	Carrying amount	Contractual Cash Flows				
		Upto 1 year	1-3 Year	3-5 Year	More than 5 years	Total
Current						
Trade Payables	4,516.50	4,516.50	-	-	-	4,516.50
Other Financial Liabilities	30,664.36	30,664.36	-	-	-	30,664.36

(Amount in Million)

As at 31st March 2019	Carrying amount	Contractual Cash Flows				
		Upto 1 year	1-3 Year	3-5 Year	More than 5 years	Total
Current						
Trade Payables	659.55	659.55	-	-	-	**659.55**
Other Financial Liabilities	27,485.23	27,485.23	-	-	-	**27,485.23**

(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.

Exposure to foreign Currency Risk

The summary of quantitative data about the Company's exposure to currency risk, as expressed in Indian Rupees, as at 31 March 2020 and 31 March 2019 are as below:

As at 31st March 2020

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

Particulars	USD	EUR	GBP	AED	NPR	OMR	SGD	THB	CHF	QAR	AUD
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 2019

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, 2020	Strengthening	Weakening
0.5% Movement	NIL	NIL
USD	NIL	NIL
Effect in INR (before tax)	**Profit or Loss**	

Effect in INR (before tax)	Profit or Loss	
For the year ended on 31st March, 2019	Strengthening	Weakening
0.5% Movement	NIL	NIL
USD	NIL	NIL

43. Intangible Assets - DGCA License

The Company has received DGCA – CAR 145 license dated 1st January, 2015. During the period up to 1st January, 2015 before the business of the Company was set up, expenses of Rs.2713.90 million, incurred prior to the date of obtaining the License, were capitalized in FY 2014-15 as Intangible Assets. The same were not amortized till 2018-2019.

The Company has sought opinion from Expert Advisory Committee (EAC) of Institute of Chartered Accountants of India (ICAI) during the year for the accounting treatment of Intangible asset. As per the opinion sought the said expenses has been adjusted with opening retained earnings. This restatement has resulted into decrease in retained earnings with corresponding decrease in Asset by Rs. 2713.19 Millions.

44. Standards issued but not effective

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019: (Ind-AS 8, Para 28)

a. Ind-AS 116, Leases

b. Amendment to Ind-AS 19, Employee Benefits

c. Amendment to Ind-AS 109, Financial Instruments

d. Appendix-C, Uncertainty Over Tax Treatments to Ind-AS 12, Income Taxes

Most of the other amendments listed above did not have any impact on the amounts recognized according to applicable standards and are not expected to have significantly effect on the current or future periods.

45. 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, 2020, is Rs. Nil (Rs. Nil as on 31st March, 2019). The Company expects to recognize the revenue for the same within next one year.

46. 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.

47. 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: 20400755AAAACA5751

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 Office

Sd/-
Gagan Batra
Company Secretary
ACS-19523

Sd/-
Kapil Aseri
Chief Financial Officer

Place : New Delhi
Date : 18th November, 2020