

ALLIANCE AIR AVIATION LIMITED

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BOARD OF DIRECTORS (AS ON 29.12.2020)

Shri Rajiv Bansal
Shri Vinod Hejmadi
Shri Pranjol Chandra
Smt Kusum Lata Sharma
Ms Meenakshi Mallik
Shri Prem Singh Negi

Chairman

Chief Executive Officer

Smt Harpreet A De Singh

Chief Financial Officer

Shri Ambar Kumar Mondal

Company Secretary

Smt Manjiree M Vaze

Statutory Auditors

M/s S K Kapoor & Co.
Chartered Accountant,
16/275, Jeevan Vikas Bhawan
Civil Lines
Kanpur – 208 001

Registered Office

Alliance Bhawan
Domestic Terminal-1
I.G.I. Airport
New Delhi - 110 0372



CHAIRMAN'S MESSAGE

Dear Shareholders

It gives me great pleasure to present to you the Thirty Seventh Annual Report of the Company for the financial year 2019-20. Alliance Air Aviation Limited (formerly known as Airline Allied Services Limited) is one of the leading international regional airlines in the country providing connectivity to Tier II & Tier III cities in India in complete synergy with the network of Air India. It is in the process of expanding its operations on Pan India basis by inducting more aircraft in its fleet. These aircraft will serve shorter routes within the country and also fly overseas.

OVERVIEW- CIVIL AVIATION INDUSTRY

India's civil aviation industry seems to have become a more mature market than any time in the past. The big change in the current year is the emergence of numerous regional airports that will increase connectivity tremendously across the country. In addition, policy changes like allowing foreign direct investment in domestic airlines have changed the market landscape. Passenger traffic is also rising consistently as consumers are shifting from rail to air, more so in Tier II and Tier III cities.

AIR TRAVEL GROWTH

The latest data released by aviation regulator Director General of Civil Aviation (DGCA) reveals that domestic passenger air traffic grew by 3.74 percent to reach 144 Million passengers in the Year 2019 as against 139 Million passengers in the Year 2018.

The other clear trend that has emerged in recent years is the firm preference for low budget airlines by air travelers. Low cost carriers dominated the skies with more than 85 percent market in August 2020.

INDIA TO BE THIRD LARGEST AVIATION MARKET

The Country is poised to become the third largest aviation market by 2025, overtaking the UK, according to the International Air Transport Association (IATA). The inflow of foreign investment has led to an acceleration in the industry's growth over the last seven years. According to data released by the Department of Industrial Policy and Promotion (DIPP), FDI inflows in air transport (including air freight) between April 2000 and September 2017 stood at USD 1.59 Billion. According to Morgan Stanley, the Country will witness an investment of USD 25 Billion in the next decade in the airports sector and traffic growth of 13 %. It has projected that the share of air travel in air and rail travel combined in the country will grow to 15.2 % by year 2027.

Given the huge investments being planned for the civil aviation sector, it is clear that the Country is poised for a big leap in the arena of air travel. It has enormous potential for expansion since air transport remains beyond the reach of most of the country's travelling public. Rail travel has increasingly become more expensive. In contrast, air travel provides comfort with speed. There is thus no doubt that civil aviation needs to keep a focus on quality, cost and passenger interest, which will enable it to become the third-largest aviation market by year 2025.

FUEL PRICES

Fuel prices account for about 30% to 40% of airline's operational cost. In 2019, fuel prices had been on the rise in the beginning of the year, but later decreased to provide relief to the airlines. Indian consumers tend to be extremely price conscious and airlines find that a hike in price leads to an immediate dip in demand. The airline needs to ensure better efficiency in operations, to cut costs and improve passenger service to lure customers.



To sum it up, the Indian aviation industry is on the verge of a major leap forward. It can only be hoped that the policy environment continues to be conducive to its growth so that the industry can realize its full potential in the coming years.

NEW CIVIL AVIATION POLICY – REGIONAL CONNECTIVITY SCHEME

The Regional Connectivity Scheme “Ude Deshka Aam Nagrik” (UDAN) introduced by the Government, which will run for 10 years, will work to revive existing airstrips and airports. Under this scheme in 1st round of bidding, Government had awarded approximately 128 regional routes.

In the 2nd, 3rd and 3.1 round of Regional Connectivity Scheme (RCS), 325 routes, 235 routes and 44 routes respectively, have been awarded to airlines and helicopter operators with the aim of enhancing flight services to hilly and remote areas. Under the scheme airline operators have to offer half of their seats at discounted rates with the Government providing Viability Gap Funding (VGF) or subsidy to airlines.

With the introduction of RCS, a number of new routes to unserved and underserved airports have opened up for Alliance Air and it has been awarded 17 routes, 26 routes, 40 routes and 12 routes in the 1st, 2nd, 3rd and 3.1 round respectively of the bidding process. Alliance Air had actively participated in the 4th round of Regional Connectivity Scheme (RCS) bidding and awaiting its route allotment.

The Hon’ble Prime Minister flagged off the first UDAN flight on the Shimla-Delhi sector on 27 April 2017 and Alliance Air had the privilege of being the launch carrier. Alliance Air had launched 61 routes as on 31 March 2020 and also holds the credit for the first airline to complete commencement of operations on all the awarded routes in the first round of bidding. Under Wings India 2018, organized by FICCI in association with Government of India, Alliance Air has been declared as the winner of ‘Best Airlines and Helicopter under RCS’.

As operation to unserved and underserved airports has been incentivized by the Government it will stimulate traffic on regional routes connecting Tier-2/3 cities. Alliance Air, with its young fleet of ATR aircraft can take a position of dominance in the regional market. It, therefore, plans to participate aggressively in the subsequent rounds of RCS bidding as well.

PERFORMANCE OF THE COMPANY DURING THE YEAR

The Company incurred its first Operational profit of Rs.6,508.94 lakhs in FY 2019-20, since inception. However, due to adoption of IND AS 116 in FY 2019-20 the Company has taken an additional burden of expenditure of Rs.23,810 lakhs and finance charges of Rs.18,282 lakhs, leading to a net loss of Rs. 20,100.06 lakhs (FY 2018-19 Rs. 29,232.34 lakhs). The total revenue has increased by Rs. 34,487.56 lakhs (41.23% YoY) and expenditure has increased by Rs. 25,310.66 lakhs, thereby reducing the loss (PAT) by Rs. 9,132.29 lakhs.

The salient features are:

- Revenue from operations has increased from Rs.82,161 lakhs in FY 2018-19 to Rs.99,303 Lakhs in FY 2019-20, an increase of 21% over the previous year.
- Passenger revenue has increased by Rs.1,318.82 lakhs due to net impact of increase in passenger carriage by 0.0424 Million, a 2.65% increase over previous year.
- No show & cancellation charges and EBT revenue were to the tune of Rs. 1,734.67 lakhs and Rs. 766.17 lakhs respectively during 2019-20.
- RCS, VGF & Charter revenue increased by Rs. 11,737.10 lakhs (Rs. 24,197.22 lakhs to Rs. 12,460.11 lakhs) due to increase in RCS routes in current year.



- Lease charges increased from Rs. 21,224.95 lakhs to Rs. 27,141.02 lakhs due to impact of IND AS 116.
- Handling charges increased by Rs.220.78 lakhs due to 5.33% increase in departures.
- Pay and allowances increased by approx. 12.53% mainly due to increase in number of expatriate pilots, additional manpower recruitment in all departments to cater to the expansion plans.
- ATF cost decreased by Rs. 1,018.82 lakhs (5%) due to decrease in average rate by 8.3%, though there was an increase in operation by 3.32%.
- The maintenance charges decreased by Rs. 5,628.54 lakhs (Rs. 15,564.05 lakhs from Rs. 21,192.59 lakhs), due to strict management control.
- The general decrease in cost is mainly due to reduction in provisions for redelivery charges and various cost saving measures and effective management of resources.

FUTURE PLANS

The passenger aviation market in India has been growing steadily due to induction of capacity by all airlines and also fares becoming more affordable. The growth in Tier II and III cities is still largely untapped, although larger airlines have started deploying capacities in smaller airports. Alliance Air has the advantage of operating ATR type of aircraft since January 2003. It intends to build on this experience of over a decade of serving to Tier II and III cities. The Company has a fleet of 18 ATR 72-600 aircraft. The existing fleet is deployed to operate about 105 flights every day over a network of 61 stations. In the FY 2019-2020, Company expanded its network and reach to neighboring countries. It further plans to increase the fleet and its network in the coming years.

The Company has reversed the trend of adverse financial parameters in the FY 2019-20 by achieving an operational profit of Rs.6,508.94 lakhs. Due to the impact of COVID-19 pandemic in the aviation industry, the year 2020-2021 is expected to be adverse for all airlines and your airline will not be an exception. However, necessary steps have been taken by the management to cut the costs and re-negotiate various agreements and we are confident that slowly and surely the airline is gaining traction and expected to resume full operations by April 2021.

ACKNOWLEDGEMENT

I take this opportunity to thank Air India Limited and Ministry of Civil Aviation for their unstinted support. I also acknowledge the support extended by all other authorities including banks and regulatory agencies and assure that we will continue our growth trajectory, taking the Company to greater heights. I would like to thank my colleagues on the Board for their valuable guidance.

I would like to thank all employees of the Company for their contribution and support to transform Alliance Air as the First choice of the travelling public.

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

Sd/-
(Rajiv Bansal)
Chairman



VISION:

To be a leading International Regional Airline, connecting Tier II and Tier III cities of India, in complete synergy with the network of Air India and linking South Asian cities with Alliance Air network.

MISSION & OBJECTIVES :

Prominent International Regional Airline

Customer

- Provide safe, reliable and on-time services
- Take effective steps to provide high level of customer satisfaction
- Explore new passenger base for airline market
- Provide one-stop connectivity to metros and beyond for seamless travel to main domestic and international destinations.

Processes

- Continuously improve standards of safety and efficiency
- Operate and maintain a young and modern fleet
- Provide the best and most efficient network in conjunction with main network of Air India
- Create economic value
- Enhance its competitive market standing and image as a Regional short haul airline.

Route – Network

- Compete with high density train traffic
- Meet regional aspirations of swift connection to metros and beyond
- Provide connectivity to cities so far not air connected.

People

- Build a highly motivated and professional team
- Maintain highest degree of transparency and ethics
- Be a responsible corporate citizen



DIRECTORS REPORT

To,
The Members,
Alliance Air Aviation Limited

The Directors of your Company have pleasure in presenting the Thirty Seventh Annual Report together with audited Statement of Accounts of Alliance Air Aviation Limited for the year ended 31 March 2020.

FINANCIAL AND PHYSICAL PERFORMANCE

The Financial and Physical performance for the year under review vis-a-vis the previous year was as under:

Financial Performance

	(Rs. In Lakh)	
	2019-20	2018-19
Operating Revenue		
(i) Schedule Revenue	71,360.39	69,193.41
(ii) Non Schedule Revenue	24,197.22	12,460.11
(iii) Other Operating Revenue	3,745.26	507.67
Other Income	18,812.52	1,466.64
Total Revenue	1,18,115.39	83,627.83
Total Expenses	1,38,178.04	1,12,867.37
Other Comprehensive Income	(37.41)	7.20
Net Profit/(Loss) for the year Before Tax	(20,100.06)	(29,232.34)
Net Profit/(Loss) for the year After Tax	(20,100.06)	(29,232.34)
Share Capital	40,225.00	40,225.00

SHARE CAPITAL

Authorized Share Capital

As on 31 March 2020 the Authorized Share Capital of the Company was Rs.2,000 Crore divided into Twenty Crore Equity Shares of Rs.100 each.

Issued, Subscribed and Paid up Share Capital

As on 31 March 2020, the Issued, Subscribed and Paid up Share Capital of the Company was Rs.402.25 Crore divided into Four Crore Two Lakhs Twenty Five Thousand Equity Shares of Rs.100 each.

CHANGE OF NAME OF THE COMPANY

Effective 7 March 2020, the name of the Company was changed from Airline Allied Services Limited to Alliance Air Aviation Limited.

CHANGES IN THE SHARE CAPITAL, IF ANY

During the year there was no change in the paid up share capital of the Company.



CHANGE IN NATURE OF BUSINESS

During the year there was no change in the nature of business of the Company.

DIVIDEND

In terms of Section 123 of the Companies Act, 2013 the dividend could not be considered due to accumulated losses.

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 the Companies Act, 2013 did not apply.

AMOUNTS TRANSFERRED TO RESERVES

In view of the accumulated losses, the Board of Directors have decided not to transfer any amount to reserves during the year.

HUMAN RESOURCES

The staff strength of the Company at the close of the year was 847 (668) contractual employees excluding 7(8) employees on deputation from the parent Company, Air India and 21(21) employees on deputation from AIESL. All the employees of the Company are on fixed term employment agreement basis. Out of the 847 contractual employees, 255(30.11%) were female employees. Cadre-wise, as on 31 March 2020, there were 203 Pilots, 171 cabin crew and remaining 473 were other categories of employees.

As on 31 March 2020, there were total 71 expatriate pilots for ATR-42 & ATR-72 fleet. The Company's endeavor is to keep the number of expatriate pilots to bare minimum to maintain minimum mandatory strength of commander vis-à-vis aircraft fleet.

IMPLEMENTATION OF RESERVATION POLICY :

The Reservation Policy has been implemented as per the Presidential Directives issued in the year 1975, along with the revised Directives effective 1991 and 1996.

SC/ST/OBC – Number of employees as on 31 March 2020

Total No. of employees	Total No. of SC employees	% of SC employees	Total No. of ST employees	% of ST employees	Total No. of OBC employees	% of OBC employees
847	108	12.75	28	3.31	146	17.24

IMPLEMENTATION OF OFFICIAL LANGUAGE - USE OF HINDI

To fulfill the objectives of the Official Language Policy of the Government, the Company played meaningful role in promoting the usage of Hindi at all levels. Officers/ Staff were encouraged to work more and more in Hindi. Hindi Pakhwara was conducted, wherein Officers/ Staff participated with enthusiasm. Prizes and awards were distributed to winners and participants during the function.

CONTRIBUTION TO EXCHEQUER

The Company has contributed Rs. 1,710.99 lakhs (Rs. 2,094.80 lakhs) to Government exchequer by way of Sales Tax and other levies on Aviation Turbine Fuel.



COMPLIANCE WITH RTI ACT, 2005

The Company being a Public Sector Enterprise has successfully ensured compliance with the provisions of Right to Information Act for providing information to the citizens.

The Company has a CPIO (Central Public Information Officer) and Appellate Authority for timely disposal of applications and appeals.

During the year 2019-20, 69 Requests / Appeals were received and all RTI requests/appeals related to Alliance Air have been disposed off.

INFORMATION ABOUT SUBSIDIARY/JV/ASSOCIATE COMPANY

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

MATERIAL CHANGES AND COMMITMENTS

In terms of the provisions of Section 134(3)(l), no major changes have occurred which have affected the financial position of the Company between 31 March 2020 and the date of Board's Report.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A detailed Management Discussion and Analysis Report is given separately.

MEETINGS OF THE BOARD OF DIRECTORS

During the Financial Year 2019-20, the Company held five meetings (including adjourned & re-adjourned meetings) of the Board of Directors as per Section 173 of Companies Act, 2013 which is summarized below:

Sr. No.	Date of Meeting	Board Strength	No. of Directors Present
1	26.06.2019	4	4
2	24.07.2019	4	4
3	14.11.2019	5	4
4	28.11.2019	5	4
5	02.03.2020	5	4

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm:-

- (a) That 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.

AUDIT COMMITTEE

The Audit Committee comprised of 3 Directors. In the absence of Independent Directors on the Board of the Company, the Audit Committee is chaired by the Government Director. During the year 2019-20 following were the members of the Audit Committee:

Name of the Director	Position held in the Committee	Category of the Director
Shri Angshumali Rastogi (Ceased w.e.f.20.1.2020)	Chairman	Government Director
Smt Kusum Lata Sharma (Appointed w.e.f. 20.1.2020)	Chairperson	Government Director
Shri Pranjol Chandra	Member	Government Director
Shri Vinod Hejmadi	Member	Nominee Director – AI
Shri Ashwani Lohani (Ceased w.e.f.14.2.2020)	Permanent Invitee	Chairman (Nominee of AI)
Shri Rajiv Bansal (Appointed w.e.f. 14.2.2020)	Permanent Invitee	Chairman (Nominee of AI)

AUDITORS

The Comptroller & Auditor General of India (CAG), has appointed M/s S K Kapoor & Co., Chartered Accountants, Delhi as Statutory Auditors of the Company for FY 2019-20.

Qualifications or adverse remarks in the Auditors' Report which require any clarification/ explanation along with reply of management thereto are attached herewith in the Report.

The Notes on financial statements are self-explanatory and need no further explanation.

COMMENTS OF COMPTROLLER AND AUDITOR GENERAL

The Comments of the Comptroller & Auditor General of India under Section 143(6) of the Companies Act, 2013 on the accounts of the Company for the year ended 31 March 2020 are annexed to this report.

SECRETARIAL AUDIT REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Board has appointed Shri Upendra Shukla, Practising Company Secretary, Mumbai, to conduct Secretarial Audit for the financial year 2019-20.

The Secretarial Audit Report and Managements' Comments thereon for the financial year ended 31 March 2020 are annexed to this Report:

Management's Reply on the observations contained in the Secretarial Audit Report

(A) Independent Directors

- 1) Under the Companies Act, 2013 (the Act) and the rules made thereunder subject to the following observations:



- (a) *Since the Company is not required to appoint Independent Directors, being a wholly owned subsidiary of a Public Limited Company (Air India Limited), the Audit Committee is constituted without Independent Directors, thereby non-compliance of the provision of Section 177 (2) of the Act read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014, which inter-alia requires an Independent Director as a member of the Audit Committee.*
 - (b) *The Company has not constituted Nomination & Remuneration Committee as required under Section 178 of the Act read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014.*
 - (c) *The Company does not have one Woman Director as required under Section 149 of the Act from 1 April, 2019 till 19 January, 2020.*
- 2) *Under the Guidelines on corporate governance following are the observations :*
- (i) *The Board of Directors of the Company is not constituted as per Clause 3.1 of the DPE Guidelines, namely there is no optimum combination of functional, nominee and independent directors; and number of nominee directors exceeds the prescribed limit of two.*
 - (ii) *The Company had no Independent Director as required under the Clause 3.1.1.4 of the DPE Guidelines during the period 1 April, 2019 to 31 March, 2020.*
 - (iii) *Since the Company had no Independent Director, composition of the Audit Committee was not as per the Clause 4.1.1 and 4.1.2 of the DPE Guidelines during the audit period.*
 - (iv) *The Company has not constituted Remuneration Committee as required under Clause 5.1 of the DPE Guidelines.*

Management's Comments

This is a statement of fact.

Alliance Air Aviation Limited (Formerly known as Airline Allied Services Limited)(AAAL) is wholly owned subsidiary of Air India Limited and an unlisted Public Limited Company. As per the notification no. 1/22/2013-CL-V dated 5 September 2017 issued by the Ministry of Civil Aviation, an unlisted public company which is a joint venture, a wholly owned subsidiary or a dormant company will not be required to appoint Independent Director.

Further, as per the provisions of Article 117 of its Articles of Association of the Company, Air India Limited in consultation with the Government of India shall control the composition of the Board of Directors of the Company within the meaning of that expression as used in the Companies Act. However, there were no Independent Directors appointed on the Board of AAAL. On 20 January 2020, Smt Kusum Lata Sharma, Director, Ministry of Civil Aviation has been appointed on the Board of the Company and the requirement of one Woman Director as required under Section 149 of the Act is complied.

Since no Independent Director was appointed by the Government of India during 2019-20 and in view of the exemption provided to the wholly owned subsidiary, provisions of Section 177(2), Section 178 of the Companies Act, 2013 and Clause 3.1, 3.1.1.4, 4.1.1, 4.1.2 and 5.1 of the DPE Guidelines could not be complied with.

(B) Board/Committee Meetings

- (i) *As per the Clause 3.3 of the DPE Guidelines, the Board is required to meet atleast once in every three months and atleast four such meetings are required to be held in a year. Further, time gap between any two meetings should not be more than three months. It is observed that the Company has not held the Board Meeting in three months and gap exceeded a period of three months between two Board Meetings held on 24/07/2019 and 14/11/2019.*



- (ii) *Further, as per Clause 4.4. of the DPE Guidelines, the Audit Committee is required to meet four times in a year and not more than four months should elapse between the two meetings. Further, presence of minimum two independent directors is must for quorum of the meeting. It is observed that Audit Committee met only three times during the period 1 April, 2019 to 31 March, 2020. Meetings of the Audit Committee are held without the presence of Independent Directors.*

Management's Comments

This is a statement of Fact.

During FY 2019-20, 5 Board Meetings and 3 Audit Committee Meetings were held. As per Companies Act, 2013, a company is required to hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board and a company is required to hold at least 4 Audit Committee Meetings during the year. We are complying with the Companies Act, however, care is being taken to hold at least 4 Audit Committee Meetings during the year and comply with the above provisions of DPE Guidelines in future.

(C) Quarterly Financial Results

- i. *Minimum information as prescribed in Annexure IV to the DPE Guidelines are generally placed before the Board as required under clause 3.3 of the guidelines except quarterly financial results.*

Management's Comments

The Board is kept informed of the financial performance in its meetings which are held quarterly, however no separate Agenda item is placed. Management will take necessary action to comply the same in future. With regard to foreign exchange exposure, the information pertaining to the same is covered under Directors' Report of the Company which is placed before the Board.

LOANS, GUARANTEES AND INVESTMENTS

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

- (A) The particulars as required under the provisions of Section 134(3) (m) of the Companies Act, 2013 in respect of conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the Company during the year under review.

- (B) Foreign exchange earnings and Outgo

		CURRENT YEAR 19-20 Rs. In Lakhs	PREVIOUS YEAR 18-19 Rs. In Lakhs
A.	Expenditure on Imports (CIF) during the year ended 31 March 2020		
	- Aircraft Spares Parts & Tools	2,544.20	1,287.35
	- Capital Items-Ground Support Equipment Airframe Rotables and Aero Engg. Rotables	70.22	254.08



		CURRENT YEAR 19-20 Rs. In Lakhs	PREVIOUS YEAR 18-19 Rs. In Lakhs
B.	Expenditure on Consumption during the year ended 31 March 2020		
-	Imported Spares & Components	1,051.07	330.05
-	Indigenous Spares	Nil	Nil
C.	Earnings in Foreign Currency		
-	Interline Revenue	Nil	Nil
D.	Expenditure in Foreign Currency		
-	Aircraft Lease & Maintenance Charges	35,091.19	35,915.09
-	Purchase of Stores & Equipment	2,614.42	1,541.43
-	Technical Literature	190.65	137.32
-	Training & Travelling	20.80	128.97
-	Legal charges	Nil	Nil
-	Fuel & Landing/Parking	46.99	Nil

DEPOSITS

The Company has not accepted any deposits during the year.

SIGNIFICANT & MATERIAL ORDERS

During the year no significant and material orders were passed by the regulators or courts or Tribunals impacting the going concern status and Company's operations in future.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Provisions of Section 135 of Companies Act, 2013 relating to Corporate Social Responsibility is not applicable to the Company as the Company has not earned any profits during the year.

COMPLIANCE WITH THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The details of sexual harassment cases reported in the Company during the financial year 2019-2020, are as under:-

- i. Complaints of sexual harassment received during the relevant year - Nil
- ii. Number of cases pending for more than ninety days - Nil.
- iii. Number of workshops or awareness programmes carried out in connection with sexual harassment:
General awareness programmes are normally conducted periodically. Besides this, Do's and Don't's prohibit of Sexual Harassment Posters were also displayed at all work places.
- iv. Remedial measures taken by the Company:

In line with the requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, an Internal Complaints Committee (ICC) has been set up to deal with the complaints and also spread awareness in the organization.



CORPORATE GOVERNANCE

The Company has complied with the requirements of Corporate Governance with the exception of appointment of Independent Directors on the Board.

A report on Corporate Governance is annexed at **Annexure A**.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that are entered into during the financial year are on an arm's length basis and in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

RISK MANAGEMENT

Since the revenue of AAAL is tied up through its parent company Air India and the parent company is having adequate risk management policy in case of sales through Agents, credit cards, etc. by establishing a Capping monitoring policy, Bank Guarantee policy, Risk monitoring through Risk engine attached to web portal, AAAL being 100 percent subsidiary is not prone to high business risk.

Therefore, the Company does not have any Risk Management Policy yet, as the element of risk threatening the Company's existence is very minimal.

EXTRACT OF ANNUAL RETURN

Pursuant to 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 in form MGT 9 is available on the website of Air India Ltd. i.e. www.airindia.in.

DECLARATION OF INDEPENDENCE

AAAL is a wholly owned subsidiary of Air India Limited. As per the provisions of Article 117 of the Articles of Association of the Company as per the Companies Act, 2013, the number of Directors of the Company shall not be less than three and not more than twelve all of whom shall be appointed by Air India Limited, who in turn can do so subject to the directions of the Government of India.

DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

The following changes have occurred in the constitution of Directors and KMP of the Company during the FY 2019-20.

Sr.No	Name	Designation	Date of appointment	Date of cessation	Mode of Cessation
1	Shri Pankaj Kumar	Regional Director-Northern Region, AIL	30 August 2018	30 April 2019	Ceased to be Director
2	Shri Prem Singh Negi	Regional Director-Northern Region, AIL	7 October 2019	-	-
3	Shri Kamal Roul	Chief Financial Officer (CFO), AAAL	1 November 2016	26 July 2019	Ceased to be CFO
4	Shri Ambar Kumar Mondal	Chief Financial Officer (CFO), AAAL	26 July 2019	-	-



Sr.No	Name	Designation	Date of appointment	Date of cessation	Mode of Cessation
5	Shri Angshumali Rastogi	Director (Finance), MOCA	12 May 2017	20 January 2020	Ceased to be Director
6	Smt Kusum Lata Sharma	Director (Finance), MOCA	20 January 2020	-	-
7	Shri Ashwani Lohani	CMD, AIL	14 February 2019	14 February 2020	Ceased to be Chairman
8	Shri Rajiv Bansal	CMD, AIL	14 February 2020	-	-

In view of the exemptions granted vide Notification dated 5 June 2015 of the Ministry of Corporate Affairs, information on the following points has not been given:

- i. Performance Evaluation of Board, its Committees and individuals.
- ii. Policy for selection and appointment of Directors and their remuneration.
- iii. Remuneration Policy - Remuneration to Executive Directors and Non Executive Directors.

ACKNOWLEDGEMENTS

The Board sincerely appreciates the Company's valued customers in India and abroad for using the services of Company and looks forward to their continued support and confidence.

The Board also gratefully acknowledges the support and guidance received from Air India Ltd., Ministry of Civil Aviation and various Ministries of the Government of India, to the Company's operations and development plans. The Board expresses their grateful thanks also to the DGCA, Comptroller and Auditor General of India, the Ministry of Corporate Affairs, the Statutory Auditors, Secretarial Auditor, Internal Auditors, Airports Authority of India, other Government Departments, airlines, agents.

For and on behalf of the Board

**Sd/-
(Rajiv Bansal)
Chairman**

Place : New Delhi
Date : 24 December 2020



MANAGEMENT DISCUSSION & ANALYSIS REPORT

ANALYSIS OF FINANCIAL PERFORMANCE

Revenue

- Total revenue earned during the year was Rs. 1,18,115.39 lakhs as against Rs. 83,627.83 lakhs during 2018-19.

Expenditure

- The total expenditure incurred during the year was Rs.1,38,178.04 lakhs as compared to the previous year's figure of Rs. 1,12,867.37 lakhs.

HUMAN RESOURCES

Staff Strength

As on 31 March 2020, AAAL had 847 employees on Fixed Term Employment Agreement basis. In addition, there were 7 employees on deputation from Air India Limited and 21 employees on deputation from AIESL.

FLEET POSITION

As on 31 March 2020, aircraft available in AAAL fleet are as under:

Aircraft	MSN	TYPE
VT-ABA*	390	ATR42-320
VT-AII	1197	ATR72-212A
VT-AIT	1226	ATR72-212A
VT-AIU	1246	ATR72-212A
VT-AIV	1252	ATR72-212A
VT-AIW	1272	ATR72-212A
VT-AIX	1268	ATR72-212A
VT-AIY	1273	ATR72-212A
VT-AIZ	1279	ATR72-212A
VT-RKC	1381	ATR72-212A
VT-RKD	1383	ATR72-212A
VT-RKE	1421	ATR72-212A
VT-RKF	1423	ATR72-212A
VT-RKG	1427	ATR72-212A
VT-RKH	1434	ATR72-212A
VT-RKJ	1439	ATR72-212A
VT-RKK	1445	ATR72-212A
VT-RKL	1456	ATR72-212A
VT-RKM	1463	ATR72-212A

*VT-ABA – As per the settlement agreement with the lessor, the lease term was scheduled to be expired on 31 March 2020. Accordingly, the aircraft was permanently grounded after its last operation on 21 March 2020



(DEL/SLV/DEL and DEL/CCU).

TECHNICAL RELIABILITY

Aircraft-wise Technical Reliability during the year 2019-20 was as under:

- | | |
|----------------------|--------|
| a) ATR 72-212A (600) | 99.05% |
| b) ATR 42-320 | 98.28% |

AIRCRAFT UTILIZATION

Aircraft utilization during the year 2019-20 was as under:

- | | |
|----------------------|-------------|
| a) ATR 72-212A (600) | 52333:22 BH |
| b) ATR 42-320 | 1144:41 BH |

MARKETING INITIATIVES

- | | |
|---|---------------------|
| Total no of flights operated as on 31 March 2020 | - 738 flights/week |
| Total no of ATR 72 600 flights operated as on 31 March 2020 | - 718 flights/week. |
| Total no of ATR 42 320 flights operated as on 31 March 2020 | - 20 flights/week |
| Total number of Stations operated as on 31 March 2020 | - 61 |

New Flights / Links

- a) **New Flights introduced in FY 2019-20**
- 25th April 2019 - MAA/CJB/MAA-Daily
 - 15th May 2019 - BLR/IXG/PNQ/IXG/BLR - Days 134567 (RCS – IXG/PNQ/IXC)
 - 05th June 2019 - CCU/IXR/BBI/JRG - Daily (RCS)
 - 05th June 2019 - JRG/BBI/IXR/BBI/JRG - Daily (RCS)
 - 05th June 2019 - JRG/RPR/CCU - Daily (RCS)
 - 07th June 2019 - VTZ/VGA/BLR/MYQ & vice versa - Days 13567 (RCS-BLR/MYQ/BLR)
 - 19th July 2019 - HYD/MYQ/HYD - Daily (RCS)
 - 19th July 2019 - MYQ/COK/MYQ-Daily (RCS)
 - 19th July 2019 - MYQ/BLR/MYQ-Daily (RCS)
 - 19th July 2019 - MYQ/GOI/MYQ-Daily (RCS)
 - 27th October 2019 –ISK/ PNQ/ISK - Daily(RCS)
 - 11th November 2019 - First International flight MAA/JAF/MAA - Days 136 (VGF)
 - 16th November 2019- IXC/DHM/IXC - Days 123456 (RCS)
 - 18th November 2019- ISK/AMD/IXY/AMD/ISK - Days 123456 (RCS)
 - 26th November 2019- HYD/HBX/HYD - Daily(RCS)



- 07th December 2019- GAU/DMU/IMF/DMU/GAU - Days 357 (RCS)
- 27th December 2019- BLR/GBI/BLR - Daily(RCS)
- 27th January 2020 - CCU/JRG/CCU-Daily (RCS)
- 31st January 2020 - BBI/VNS/BBI -Daily (RCS)

b) Increase in Frequency

- 23rd April 2019- 9I 867/868 (HYD/PNQ/HYD) to operate Daily ISO 5 flts/week.
- 28th July 2019- 9I 857/858 (DEL/DED/DEL) to operate Daily
- 29th August 2019- 9I 831/832(DEL/IXC/DEL) Dep DEL at 1815 and Dep IXC at 1950
- 27th October 2019- 9I 625/626 (BOM/BHJ/BOM) - Daily ISO 4 flts/week
- 15th November 2019- 9I 623/624 (BOM/DIU/BOM) - Daily ISO 4 flts/week

North East Operations

Alliance Air has been operating flights in the North Eastern Region with ATR72 type of aircraft under a MOU with Ministry of Civil Aviation. The route schedule has been decided in consultation with North Eastern Council and the aircraft is fully deployed. The following flights are operated:

1. Kolkata / Guwahati / Tezpur / Guwahati / Kolkata – Three flights per week
2. Kolkata / Guwahati / Passighat / Guwahati / Kolkata – Four flights per week
3. Kolkata / Shillong / Kolkata – Daily (New direct flight effective 10th August 2019)

Effective 10 August 2019, Alliance Air withdrew its flight operations on Kolkata/Shillong/Kolkata sectors as these sectors were awarded to Indigo Airlines in RCS-UDAN round 3. The North East Operations were restructured subsequently from 10 August 2019 and the following flights are being operated:

Kolkata/Lilabari/Kolkata	-	Daily
Kolkata/Guwahati/Tezpur/Guwahati/Kolkata	-	Three days per week
Kolkata/Guwahati/Passighat/Guwahati/Kolkata	-	Four days per week

Effective 07 December 2019 Alliance Air commenced flights on Guwahati/Dimapur/ Imphal/ Dimapur/ Guwahati sectors which were awarded in RCS-UDAN round 3 scheme.

Regional Connectivity Scheme (RCS)

Effective 27 April 2017 Alliance Air was the first airline to commence flights on Shimla/Delhi sector under this scheme which was flagged off by Hon'ble Prime Minister of India.

In the first round of Regional Connectivity Scheme (RCS) – UDAN of the Government of India, Alliance Air was awarded 17 routes and Alliance Air has commenced all flights awarded to them.

In the Regional Connectivity Scheme (RCS) UDAN round 2, Alliance Air was awarded 26 routes out of which 8 routes are operational. However, under RCS round 2 some routes have not commenced as airports at Solapur, Dumka and Bokaro are not operational.

In the Regional Connectivity Scheme (RCS) UDAN round 3, Alliance Air has been awarded 40 routes. However, some routes under RCS round 3 have not commenced as airports at Kalaikunda, Kota, Amravati, Keshod and Rourkela are not yet operational.



In the Regional Connectivity Scheme (RCS) UDAN round 3.1, Alliance Air has been awarded 12 routes. However, some routes under RCS round 3.1 have not commenced as airports at Sindhudurg, Ratnagiri and Hazaribagh are not yet operational. Flights on Lucknow/Gorakhpur/Lucknow sectors are proposed to commence from 01 November 2020.

Alliance Air has commenced 61 routes out of the 95 routes awarded to it in RCS-UDAN three rounds. All efforts are being made to commence flights on the remaining routes subject to airports being made operational for ATR72 type of aircraft.

Achievements & Highlights

- Formed new section “Central Monitoring Unit” for monitoring call center activities independently.
- Introduced tele check-in.
- Formed new section “Pricing” for handling all pricing related work independently like introducing new fare, revision of fare, RCS quarterly revision of fares, distributing pricing circulars, sending fare sheets to AI E-commerce and DGCA monthly & coordinating with Accelya for pricing issues.
- Formed new section “Corporate Communication” to manage various communication needs and strategies both internal and external, branding, media relations, public relations, advertisements, events, publicity material, Company’s website and social media presence, corporate social responsibility, crisis communication and internal communication within the organization.
- Formed a new section “Customer Care” to handle all Alliance Air complaints, under which we handle web-based complaints, RTI, Air Sewa complaints, Personal Grievances, Legal Notices and Legal Cases.
- Revenue Management (RM) team achieved successful revenue maximization by dynamic inventory management resulting in higher pax (3%) and higher revenue (1%) than last year despite cancellations due to bad weather, crew shortage, technical disruptions, etc.
- Whenever needed due to seasonality/events/festivals, special mark ups or blackouts were done in inventory by RM team.
- Introduced “Buy on Board” meals facility.
- Launched our maiden International flight on MAA-JAF-MAA route.
- COVID-19 (Cargo relief flights under Lifeline UDAN).
- Sales meetings, coverage, brand visibility, station visits and regular engagement with the trade.
- Additional meetings conducted through video conferences.

Awards & Travel Trade Show Participation

- Participation/Media Interaction in Wings India Awards & BM Munjal Awards. coordinated with National and International organizations for participation in conferences, seminars, workshops and meetings pertaining to public relations.
- Alliance Air won Wings India 2020 Award for active participation under RCS- UDAN Scheme of Government of India.



- Participation/Media Interaction/Promotional activities/Distribution of publicity material in International Travel Trade shows like SATTE/Travel Technology Summit /OTM/ITM/Wings India events has obtained favorable publicity, good corporate image, goodwill and brand promotion.

CSR Activities

- Seed Ball Workshop: Alliance Air employees got the demonstration during the workshop from an NGO on how to make the seed balls and contributed their efforts to be a part of 1 lakh seed ball making initiative by making seed balls to be planted in NCR.
- Green Week: Alliance Air celebrated Green Week from 3 June 2019 to 7 June 2019. Bilingual Banner with environment theme, planting of Trees, 'Green Drive' in the side yard of Alliance Bhawan, 'Create an Eco-Friendly Carry Bag Competition'.
- Alliance Air's 'Dream Flight': Alliance Air took children with special needs on a 40-minute-long 'Dream Flight' within Bhubaneswar on 22 January 2020.
- No Plastic Campaign: Press Releases/Flyers/Social Media campaigns on banning single use plastic.

Ancillary Revenue

- In order to enhance revenue, the ancillary revenue options which are viable and profitable and go with our brand image are being explored by the Ancillary Revenue committee at Alliance Air. The committee discusses feasible options of generating ancillary revenue through maximum utilization of our available resources in line with the operational structure of the airline. The committee is responsible for preparation and releasing the tender documents. As each option of ancillary revenue requires separate tendering with essential detailing, specifications & mandatory approvals which need to be check listed & fast tracked by various Departments, the Ancillary Revenue committee comprises representations from following departments: Finance, CAM, MMD, Marketing, Corporate Communication, Catering, IFS & Operations. In accordance with Ancillary Revenue options selected by CEO, AAAL for Tendering for generating revenue are:
 - a. Self-Adhesive Stickers with Third Party Advertisements on Overhead Panels
 - b. Self-Adhesive Stickers with Third Party Advertisements on Cabin Bulkheads
 - c. Self-Adhesive Stickers with Third Party Advertisements on Tray Tables
 - d. In Flight Announcement of Third-Party Advertisement

The tenders for above options have been prepared and were to be published in March 2020, which will be taken care in the coming year with more options.

- Cute Charge
- Introduced GDS Fee as a part of wire
- Aggressive on Excess Baggage Charge
- Introduced Buy on Board meals facility
- Introducing Ancillary Revenue through seat charges / convenience fee/ ticket receipt print, once we move to new PSS



Future Plans

- Introduction of web check-in.
- Introduction to through fares for connecting domestic to international sectors.
- Introduction of all-inclusive fare sheets.
- Pricing tool software to analyze competition fare (based on which we can tweak our fares and inventory).
- With the introduction of new PSS, hiring of the services from the new call center vendor, which will be monitored by the CMU section.
- Existing Call center services are being provided through AI call center, AAAL has finalized a new vendor to provide call center services. The charges per FTE would be much lower in comparison to the charges applicable as on date.
- Introduction of new PSS that would not only help save distribution cost but also give more access to the market.
- Introduction of our own payment gateway.
- Introduction of our own website, will surely help us engage with our customers better.
- Payments shall be accepted through mobile Wallets at our call center.
- Participation in International UDAN.
- Focus on Charter Business.

Media Management (Digital & Traditional)

- **Facebook, Instagram, LinkedIn, Twitter** were launched with aggressive content marketing with images, flyers, banners, videos, animations, creatives, testimonials, influencer posts, articles, curate content. From a negligible social media presence in 2018, Alliance Air now has a huge fan & follower base on social media handles.
- **Organic search results** on search engines show direct links for Alliance Air's viral content without any allocated expenditure and the content strategy in targeting different audience segments has been vastly successful. The engagement from audience in the form of likes, comments and shares is testimony to that.
- **Influencer/celebrity/ministry re-tweets/re-shares/social sharing of Alliance Air's content.** Hon'ble Ministers like Shri Hardeep Singh Puri, Shri Prahlad Joshi, Shri N.Biren Singh, Ministry of Civil Aviation, AAI, prominent journalist like Shri Rifat Jawaid, actress Smt Tarika Mehta and many more have actively engaged and shared Alliance Air social media content leading to a lot of brand recognition and credibility.
- **Press Releases/Monitoring/Quotes** in International/National/local media like CAPA, The week, Outlook, Times group, Hindu, etc.
- **New stations launch events/Inaugurals** with focus on regional theme/regional media releases/regional affiliation publicity material.



- **Advertisements** in global/national/local media for recruitment ads, Notice inviting tenders, leasing, road shows/promotions with appropriate media outlets like Flight International magazine, Financial Times etc.
- **Proactive Publicity** Pre-empting crisis and planning media communications accordingly has resulted in 'Nil' negative coverage in media about the airline so far.
- **Cover Page Press interviews** for Alliance Air's CEO in International travel magazines like Aviation Times, Travel Trade Insider, Business Standard.
- **Journalist Testimonials & Coverage** Top 5 media journalists (Hindu, Times network, New Indian Express, Daily Thanti, PTI) in Chennai travelled on the first International flight of Alliance Air and gave unprecedented coverage about Alliance Air's maiden international foray.
- **Kerala floods media coverage**
- **Coverage of landing first during cyclone Fani**
- **Coverage of transporting chemical stabilizers and NDRF team during Vizag gas leak incident**
- **Media visibility of road shows**
- **Shubh Yatra:** Articles and features in the in-flight magazine of Air India, **Shubh Yatra** highlighting achievements of Alliance Air, new routes, CSR activities
- **Aavahan:** Articles and features in Quarterly magazine **Aavahan** focusing on internal employee communication/events/alignment leading to positive & informed work culture development and motivation amongst employees.
- **Website Updates:** Colorful base specific regional route map and schedule updated on Air India website.
- **Website Content:** Hero banners and ticker banners were created for **Alliance Air website**, content check for web pages.
- **Content & Publicity:** pamphlets/flyers/e-cards with regional route maps and destination lists.
- **Technology in Governance: Alliance Air joined Samanvyay**, comprehensive platform in the form of a portal for CPSE's to share their best practices, case studies, tacit knowledge, breakthrough innovations.
- **Content Analysis:** Customer feedback content analysis & structuring.
- **Coffee Table Book:** The first international flight of Alliance Air Chennai-Jaffna was converted into an exquisite coffee table book capturing the cherished moments of the maiden international foray of the airline.
- **Internal Communication & Events: Alliance Air Recognition Awards**, Haldiwali Holi, Bharat ke Rang , Alliance Air ke sang!, 'Be the woman of your dreams', Swachhta Pakhwada, Ranganwali Diwali! International Day of Yoga, Meditation session.
- **COVID 19 Communication:** Videos, flyers, banners, images about Alliance Air combating corona challenges with cargo only flights Pan India under Lifeline UDAN were launched on social media handles, press & media platforms. Cabin Crew Covid ABC, Cabin Crew instruction, Wings of Passion, Social Distancing, Sanitization videos, Cargo operations creatives, Corona Do's and Don'ts videos, awareness, precaution and prevention messages .The first ever Rap anthem of any airline was curated to applaud



the cargo operations under Lifeline UDAN and was reshared by Hon'ble Minister, Shri Hardeep Singh Puri on his social media account.

- **Post Lockdown flight resumption communication:** Preparedness content with a safety first theme, stringent measures & SOP of the travel process, ensuring physical distance, tele check-in & Aarogya Setu status check to baggage limitation, sanitization, distribution of safety kits, temperature checks at the terminal, social distancing at each step, reverse zone boarding process, in-flight precautions, sequential & socially distant arrivals with safety monitored baggage collection and exit.

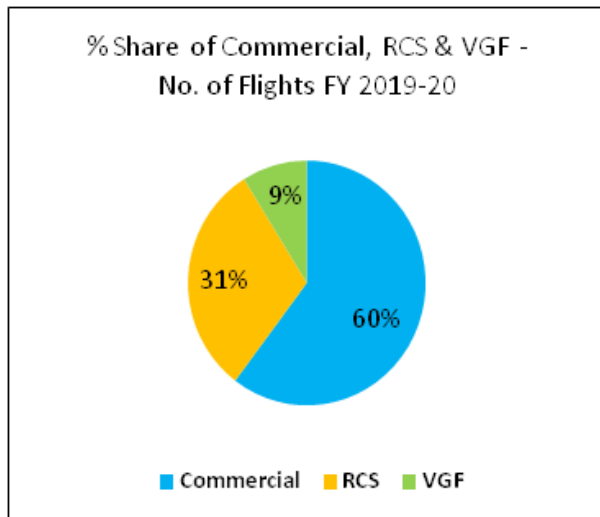
Flight Operations under RCS routes

Alliance Air's key focus being regional connectivity, hence major participation is into Hon'ble Prime Ministers' initiated Regional Connectivity Scheme Called "UDAN".

Alliance Air operates 104 flights daily out of which 47 are on RCS.

The key advantage from a commercial prospective to operate on RCS route other than providing regional connectivity is that subsidies are offered and VGF is provided by the Government on 50% of capacity. The other advantages which gives an edge on the routes is 3 years exclusivity that is for a period of 3 years no other airline can operate a commercial route on RCS sectors.

Flight Type	Total	% Share
Commercial	18,480	60%
RCS	9,451	31%
VGF	2,718	9%
Grand Total	30,649	10%



Steps taken to maintain competitive edge and increase revenue:

- Inventory management was done in a planned manner based on seasonality / events / festivals. Further special mark ups or blackouts were done whenever required.
- Focus on advance sales in order to pull back the booking curve.
- Launched our maiden International flight on MAA-JAF-MAA route.



- Sales meetings, coverage, brand visibility, station visits and regular engagement with the trade.
- Aggressive on ancillary revenue generation - CUTE Charge, Introduced GDS Fee as a part of wire, Excess Baggage Charge, Buy on Board.
- Introduction of YR & YQ, revision of YQ and other penalties to match the competition.
- Various Promotional schemes introduced to push sales – Republic Day sale / Train se nahi plane se / Independence day Sale / New sector Introductory fares.

Increase in fares during 2019-20

- Introduced YR from 01 February 2019 further revisions and introductions - 11 November 2019 and 29 April 2020.
- Introduced YQ ex DEL/ MAA/ BOM 01 June 2018.
- Revision of YQ - 19 February 2019 (only Ex-BOM).
- Revised penalties from INR 2500 to INR 3000 (Change / Cancel / No-show) 21 January 2020.
- South & West sectors (Apr-May & Oct-Jan) Increase in fares in middle RBS ranging 5 -10%.
- North & East sectors (May-June & Oct-Jan) Increase in fares in middle RBS ranging 5 -10%.
- In current scenario of COVID-19 - Maintaining fare level as directed by DGCA.
- Introduced Business Class fares (MAA-JAF).
- Introduced first International pricing (MAA-JAF).

Various Promotional Schemes for Pax / Cargo

a) Promotional schemes for Pax

- **Republic Day Sale!** Dekho Bharat @ 979 “Fly across India at fares starting 979”
- **Alliance Air – Airline that celebrities love!** Celebrity Testimonials Holiness Dalai Lama, Bollywood and cricket celebrities flying Alliance Air have been reinforced on all social media handles of the airline. Famous Journalist Shri Rifat Jawaid tweet about Alliance Air’s commendable Iftaar service was converted into a video and social media campaign for maximum reach amongst public, video interview of Famous TV Actress Ms Shraddha Musale (CID, Dr.Tarika) on social media who gave a video message about the airline.
- **World Tourism Day Campaign!** On social media handles with flyers and banners encouraging travel and tourism.
- **Train se Nahi plane se!** Alliance Air is the prominent Regional International airline which competes with high density train traffic to provide faster mode of transport at competitive fare. It meets regional aspirations of swift connection to metros and beyond. It also provides connectivity to cities so far not air connected. A campaign promoting air tickets which are cheaper than train fares so that rail/ train commuters can experience the luxury of flying.



- **Independence Day sale carnival!** Swatantra Bharat ki Udan with affordable air fares Ghumo India.
- **Jaffna Jaayenge!** Jaffna tourism campaign highlighting the hidden avenue of tourist spots and activities in Jaffna on all our social media handles. The campaign garnered many likes, comments and active engagement on social media.

The first international flight of Alliance Air Chennai Jaffna was converted into an **exquisite coffee table book** capturing the cherished moments of the maiden international foray of the airline.

b) Promotional schemes for Cargo

Alliance Air carried 433 Tons of cargo for the FY 19-20 as against 115 Tons of cargo registered during the FY 18-19. The financial year 19-20 witnessed a growth of 276% in cargo carriage.

Similarly the cargo revenue for the financial year 2019-20 had rose to approximately Rs.1.13 Crore as against Rs.27.33 Lakhs registered in the previous financial year thereby witnessing a growth in cargo revenue of 296%.

Passenger's facilitation and food services including additional services / amenities provided.

- **Go Green initiative:** With reference to the "Go Green" movement of the Government of India, **Alliance Air** has undertaken certain steps:
 - Usage of plastic has been banned on all operational flights from 1 October 2019.
 - In order to reduce pollution, Alliance Air has also initiated the use of butter paper instead of cling cello wrap for packaging all catering items.
 - 200 ml plastic water bottles were also replaced with 200 ml paper cups.
- **Buy on Board (B.O.B) initiative:** Alliance Air has tied-up with Cafe Coffee Day (CCD) catering services. In this on-board sales service will be provided on Dharamshala route (Trail Phase) from 1 February 2020 till 23 March 2020. This will help us to reduce the catering cost and will also provide varied options to the customer.

Various economy measures adopted and achievements made thereon highlighting the specific items / areas, quantifying the amount so saved

- AAAL is in process of migrating to the new PSS.
- During COVID-19 scenario discontinued meal service.
- Air India introduced its own payment gateway from September 2019, which resulted into a cost saver for us as well for Air India.

ENGINEERING INITIATIVES

Various economy measures adopted and achievements during the year 2019-20:

Due to ongoing COVID-19 crisis, AAAL proactively carried out negotiations with various lessors and service providers to obtain discounts/deferrals of payments and successfully negotiated payments to the tune of USD 9.9 Million. The benefits can only be realised, subject to meeting conditions associated (such as clearing outstanding payments & extending the term of the agreement) and on the due approval of the competent



authority.

Exchange of two old PW121 engines with one new PW 127M engine with an additional cost of 1.95 million thereby realising the highest resale value of USD 1,162,831 for two old engines.

The old parts of ATR42-320 aircraft which are compatible with ATR72-600 aircraft will be removed from the VT-ABA & VT-ABB and after due re-certification of such parts from the approved shops, will be kept in float for future utilization on AAAL fleet.

Since AAAL do not have ATR42-320 aircraft operational in the fleet, AAAL is exploring the possibility of selling the VT-ABA's & VT-ABB's ATR42-320 dedicated spares in the open market.

Disposal / Return of Aircraft and Spares and other surplus / obsolete assets, if any.

Both VT-ABA & VT-ABB (ATR42-320) aircraft have been re-delivered to the lessor. However, to meet the operational requirement AAAL requested lessor to extend the lease of VT-ABA aircraft at a nominal rate of USD 1 lease rent up to 31 March 2019. As per the settlement agreement, after the lease expiry of VT-ABA, all the four engines of VT-ABA & VT-ABB (ESN: AC0096, ESN: AC0106, ESN: AC0111 & ESN: 121355) are to be returned to the lessor in "as is where is" condition.

As a part of redelivery settlement, M/s Acia Aero the lessor of VT-ABA & VT-ABB aircraft agreed to transfer the ownership of the hull to AAAL. Hence, the hull of the aircraft can be disposed off through auction as per the procedures of MMD Kolkata.

To have an ample float of engines, Two old PW121 Engines ESN 121261 and ESN 121163 of ATR42-320 aircraft (Ex - VT-ABO) have been exchanged with One PW127M from M/s P&WC(SEA). Hence as a part of the agreement, the engines are to be sent to M/s P&WC(SEA).

Details of engineering services provided to other Airlines/Organization and Engineer's Training Programme:

As per MOU signed between AIESL and AAAL dated 29 July 2013, all AME's have been hived off from AAAL and transferred to AIESL. Subsequently, all engineering/maintenance activities of AAAL are being carried out by AIESL w.e.f 1 January 2015.

Hence no Engineering services are being provided by AAAL to other Airlines/Organisations.

CIF value of Imports (New Purchases & not repaired items) during the year 2019-20 in respect of (a) components & spares (b) inventory control (c) capital items

AAAL is handling only the exchange of Spares/Components and new purchases, if any, are currently being handled by MMD, AIL through RAMCO.

Plan for 2020-21 with special reference to aircraft utilisation, availability of Engineers, new routes/ services, utilisation of facilities etc. and also plan for fleet expansion

Tender for two new ATR72-600 was hosted and technical evaluation is under process.

FLIGHT SAFETY

The Company has Independent Flight Safety department, which functions as per the DGCA requirements in proactive manner. Under proactive function, the Flight Safety Department does FOQA (Flight Operational Quality Assurance) which requires continuous monitoring of flight data i.e. of SSFDR & CVR and internal Safety audit of the base station as well as safety inspection of line stations being operated by an airline which includes airfield inspection, spot checks, Ramp inspection and Cockpit / Cabin surveillance checks at regular interval.



Total 51 incidents were reported for the year 2019-2020, 40 cases were investigated by the Permanent Investigation Board (PIB) of the Company with DGCA representatives and 10 cases (Jan-March'2020) are pending for next PIB.

In the year 2019-2020, **NIL** Serious Incident reported. There were 19 Bird hit incidents reported in the year 2019-2020 and 02 resulted in damage to the aircraft radome at Mysore & Coimbatore. The respective aerodrome authorities as well as DGCA were informed about these occurrences for corrective measures.

To ensure safety of aircraft following measures are taken up by Flight Safety Department: -

- The new FOQA Software with 3D presentation for ATR 72-600 aircraft fleet has been procured.
- The occurrences which are classified as incidents by the regulatory norms are investigated by the investigation board of the airline in association with the O/o Director of Air Safety (NR), DGCA.
- The recommendations of Permanent Investigation Board are circulated to the respective departments to act upon.
- As per load and trim sheet of ATR 72-600 & ATR 42-320 fleet are being monitored on monthly basis.
- Ramp inspection / Spot-check of base stations / Line stations is being carried out randomly.
- Safety inspection of base stations / line stations is being carried out as per safety audit plan.
- As per FOQA program the involved crew are being cautioned, advised and counselled.
- SAG (Safety Action Group) meets are conducted on monthly basis.

TRAINING

In the year 2019-2020, AAAL has recruited 6 pilots of Indian Air Force and has upgraded them as PIC on ATR 72-600. Two senior First officers from Boeing fleet joined and have been converted as PIC on ATR 72-600. About 6 senior first officers from ATR fleet are on different stages of PIC upgrade programme. Recruitment for PIC and First Officer is ON to augment our fleet with Indian pilots.

GOING CONCERN

The financials of AAAL for the year 2019-20 show an operating profit of **Rs 6,508.94 lakhs** as against Rs. (14,734.59 lakhs) for the year 2018-19. The Revenue as posted in 2019-20 is **Rs.1,18,115.39 lakhs** as against Rs 83,627.83 lakhs in 2018-19, which shows 41.24 % increase over last year. The total passenger carried in 2019-20 is **16,39,757** as against 15,97,382 in 2018-19 resulted in 2.65 % increase over last year. The block hours of flight is **53476** in 2019-20 as compared with 51758 hours in 2018-19 resulted an increase of 3.31%.

Due to adoption of IND AS 116 the additional impact in Statement of Profit and Loss for the year 2019-20 is as follows:

Sr. No.	Impact on accounts head	(Increase) / Decrease in Loss INR in Lakhs
i.	Depreciation is higher by	(22,666.95)
ii.	Finance cost is higher by	(7,371.18)
iii.	Lease Rent is lower by	25,997.12
iv.	Exchange Gain/Loss due to re-instatement of lease liability	(19,769.85)
v.	Net Increase in Loss	(23,810.85)

Due to increase of ROE in USD currency, the expenditure to the foreign vendor has increased 9.40 % as



compared with as last year.

The profit / loss as shown (Rs. 20,100.06 lakhs) in the year 2019-20 as compared with (Rs 29,232.34 lakhs) for the year 2018-19, shows the increase in operating efficiency of the Company.

Air India Limited had formulated a Turn Around Plan (TAP) applicable to its group companies in order to improve their operational and financial performance. The Government of India had approved the Turn Around Plan (TAP) in February 2012 with the intention to turn around Air India Limited and its subsidiaries.

In adherence to TAP, induction continued with the addition of 04 new ATR 72-600 aircraft in 2018-19. The fleet at year end comprised 19 aircraft (01 ATR 42- 320 and 18 ATR72- 600). AAAL is contemplating a further induction of 15 aircraft, out of which 02 are for replacement of ATR 42-320. The two replacement Aircraft are of ATR 72-600 and have been approved by AAAL Board. As a corollary, necessary approvals and processes are being undertaken for induction of at least 08 Aircraft in the first phase of FY 2020-21. The induction is required to meet the increasing RCS route commitments allotted to AAAL.

AAAL carried 1.64 Million passengers during 2019-20 as against 1.60 Million passengers during 2018-19. The year 2019-20 witnessed a growth of 2.65% in passenger carriage. Similarly, network also expanded from 55 destinations to 61 destinations, 109 departures to 126 departures per day and 607 flights per week to 735 flights per week. The aircraft utilization has increased to 53477 block hours from 51758 block hours at a growth of 3.32% in 2019-20 as compared to 2018-19.

Alliance Air has projected an operating revenue of around Rs. 85,000 lakhs in 2020-21 as compared to the actual operating revenue of Rs. 99,302.87 lakhs in 2019-20. This is principally due to increase in effective utilization of ATR72-600 aircraft from the average 8.78 hours to 9.20 hours per day apart from increase in ASKM.

The Company has continued to operate to the North Eastern region like Guwahati, Lilabari, Tezpur in Assam, Shillong in Meghalaya and Agatti and Diu on request from NEC, MHA and Diu Administration under Viability Gap Funding (VGF) arrangements. These routes are operationally profitable.

The Company has emerged as a major player in the Government of India's premier scheme UDAN, which connects to various Tier II and Tier III cities with the development of unserved / underserved airports. The growth in Tier II and Tier III cities is still largely untapped and Alliance Air is likely to emerge as one of the largest players with its young ATR 72-600 fleet suitable for serving these smaller airports.

The Company has strategized itself to invest major resources in Government of India's UDAN scheme. The performance of the airline under UDAN has been excellent wherein the Company has been operationally positive. The Company was operating 29 UDAN routes as on 31 March 2019, which at present has risen to 61 routes as on 31 March 2020. Alliance Air is operating around 58% UDAN routes at a growth of 10% from the FY 2019-20. The Company has actively participated in UDAN-4 and awaiting final allotment. The total UDAN route won by the Company now stands at 95. Alliance Air by deploying more resources on UDAN sectors is moving towards profitability.

The Company is also continuously evaluating routes, which are loss making and have consciously shifted the operations from these routes to potentially higher revenue earning routes. It is pertinent to mention that Company has participated in UDAN round 3 and 3.1 and resultantly been allotted 52 more routes. The total entitlement of the Company on such routes now stands at 95.

The airline is consciously increasing the yield and as at year end the average yield stood at Rs. 4,132 per passenger. Further the Company has implemented cost saving measures for reduction of cost.

With the support of Air India Limited in providing corporate guarantee for aircraft leases, reservation systems, inventory management, SAP etc., and other various measures taken towards improving Company's



operational and financial activities, it is evident that Company has already posted operating profit in the year 2019-20 and expected that the financial position of the Company would further improve in future.

Alliance Air is in the threshold of turnaround and poised to lead the regional connectivity in India in the next decade and be a leading international regional carrier of Asia. Alliance Air is on its way to reverse the trend of adverse financial parameters in this financial year 2020-21 and thereafter further consolidate the gains.

RISK MITIGATION STRATEGIES

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

INTERNAL CONTROL SYSTEMS

The Company had appointed M/s K K Soni & Co. as Internal auditors for the year 2019-20 to carry out various internal audit assignments such as Tax compliance, Risk assessment & mitigation, Strengthening Internal control process, etc.



REPORT ON CORPORATE GOVERNANCE

1. Board of Directors

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

BOARD OF DIRECTORS AS ON 31 MARCH 2020

Shri Rajiv Bansal	CMD, Air India Ltd.- Chairman
Shri Pranjol Chandra	Director, Ministry of Civil Aviation
Smt Kusum Lata Sharma	Director (Finance), Ministry of Civil Aviation
Shri Vinod Hejmadi	Director (Finance), Air India Ltd.
Shri Prem Singh Negi	Regional Director, Northern Region, Air India Ltd.

During the year, all meetings of the Board were chaired by the Chairman. The Board met six times during the year to periodically review the performance of the Company and to discuss important issues which inter-alia included Exchange of Two (02) PW121 Engines of aircraft VT-ABO with One (01) PW127M Engine, Training Policy for Board Members, Induction of 2 new ATR42-600 aircraft as a replacement to AAAL current 2 ATR 42-320 aircraft, Induction of new ATR72 aircraft for expansion as per TAP, Change of Name of the Company, Memorandum & Articles of Association of the Company as per Companies Act, 2013, Registration with TREDs for payment to MSME suppliers, Lease amendment of aircraft MSN 1197(VT-AII) and 1226 (VT-AIT), Whistle Blower Policy, etc.

2. Board Procedure

The meetings of the Board of Directors are generally held at Air India's Headquarters in New Delhi. The meetings are scheduled well in advance. In case of exigencies or urgency, resolutions are passed by circulation. The Board meets at least once a quarter to review the operating performance of the Company. The agenda for the meetings is prepared by the officials of the concerned departments and approved by the CEO & the Chairman. The Board papers are circulated to the Directors in advance. The members of the 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. Action Taken Reports are put up to the Board periodically. To enable better and more focused attention on the affairs of the Company, the Board delegates certain matters to Committees of the Board set up for the purpose.

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

Board Meetings :

Board Meetings were held during the financial year 2019-20 on the following dates:

- 26 June 2019 (157th Meeting)
- 24 July 2019 (158th Meeting)
- 14 November 2019 (159th Meeting)
- 28 November 2019 (160th Meeting)
- 2 March 2020 (161st Meeting)

Particulars of Directors including their attendance at the Board/Shareholders' Meetings during the financial year 2019-20:



Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
<p>Shri Ashwani Lohani CMD – Air India Ltd.</p> <p>Chairman (appointed w.e.f. 14.2.2019 and Ceased w.e.f. 14.2.2020)</p>	<p>Mechanical Engineer and Fellow of Chartered Institute of Logistic and Transport</p>	<p>4</p>	<p><u>Chairman & Managing Director</u> Air India Limited <u>Part-Time Chairman</u> AI Airport Services Ltd(AIASL) AI Engineering Services Ltd (AIESL) Air India Express Ltd (AIXL) Hotel Corporation of India Ltd (HCI) Air India SATS Airport Services Pvt. Ltd. Air India Assets Holding Limited (AIAHL) <u>Director</u> Air Mauritius Limited Air Mauritius Holdings Limited</p>	<p><u>AIL</u> <u>Member</u> Nomination & Remuneration Committee <u>AIASL</u> <u>Chairman</u> Corporate Social Responsibility Committee <u>Member</u> Audit Committee <u>HCI</u> <u>Member</u> Audit Committee</p>
<p>Shri Rajiv Bansal CMD – Air India Ltd.</p> <p>Chairman (appointed w.e.f. 14.2.2020)</p>	<p>Civil Engineer, IIT, Delhi, Diploma in Finance, ICFAI, HYD, EXE Masters in Intl Business, IIFT, Delhi</p>	<p>1</p>	<p><u>Chairman & Managing Director</u> Air India Limited <u>Part-Time Chairman</u> AI Airport Services Ltd(AIASL) AI Engineering Services Ltd (AIESL) Air India Express Ltd (AIXL) Hotel Corporation of India Ltd (HCI) Air India SATS Airport Services Pvt. Ltd. Air India Assets Holding Limited (AIAHL) <u>Director</u> Air Mauritius Limited Air Mauritius Holdings Limited</p>	<p><u>AIL</u> <u>Member</u> Nomination & Remuneration Committee <u>AIASL</u> <u>Chairman</u> Corporate Social Responsibility Committee <u>Member</u> Audit Committee <u>HCI</u> <u>Member</u> Audit Committee</p>



Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
<p>Shri Vinod Hejmadi</p> <p>Director (Finance) Air India Ltd.</p>	<p>B.Com, ACA</p>	<p>5</p>	<p><u>Director</u> Air India Ltd AI Airport Services Ltd(AIASL) AI Engineering Services Ltd (AIESL) Air India Express Ltd (AIXL) Hotel Corporation of India Ltd (HCI) Air India SATS Airport Services Pvt. Ltd. Air India Assets Holding Limited (AIAHL)</p>	<p><u>AAAL</u> <u>Chairman</u> HR Committee <u>Member</u> Audit Committee Flight Safety Committee <u>AIXL</u> <u>Chairman</u> CSR Committee <u>Member</u> Audit cum Finance Committee HR cum Nomination & Remuneration Committee <u>AIL</u> <u>Member</u> HR Committee Corporate Social Responsibility & Sustainability Development Committee Share Allotment Committee Selection Committee Flight Safety Committee <u>AIASL</u> <u>Member</u> Corporate Social Responsibility Committee Audit Committee <u>HCI</u> <u>Member</u> Audit Committee <u>AIESL</u></p>



Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
				<u>Member</u> Audit Committee <u>AISATS</u> <u>Chairman</u> CSR Committee
Shri Angshumali Rastogi Director (Finance), Ministry of Civil Aviation (Ceased as Director w.e.f.20.01.2020)	Fellow, Institution of Mechanical Engineers, London Chartered Engineer (Mechanical Engineering), registered with Engineering Council, London	2	<u>Director</u> Air India Express Ltd. (AIXL) AAI Cargo Logistics & Allied Services Company Ltd	<u>AAAL</u> <u>Chairman</u> Audit Committee <u>AIXL</u> <u>Chairman</u> Audit Committee <u>Member</u> CSR Committee
Smt Kusum Lata Sharma Director (Finance), Ministry of Civil Aviation (appointed as Director w.e.f. 20.01.2020)	LLM	1	<u>Director</u> Air India Express Ltd. (AIXL)	<u>AAAL</u> <u>Chairman</u> Audit Committee <u>Member</u> HR Committee <u>AIXL</u> <u>Chairperson</u> Audit cum Finance Committee <u>Member</u> CSR Committee HR cum Nomination & Remuneration Committee
Shri Pranjol Chandra Director, Ministry of Civil Aviation	B.E. Mechanical	4	<u>Director</u> Air India Express Ltd. (AIXL)	<u>AAAL</u> <u>Chairman</u> Flight Safety Committee <u>Member</u> Audit Committee, <u>AIXL</u>



Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
				<u>Member</u> Audit cum Finance Committee CSR Committee <u>Chairman</u> HR cum Nomination & Remuneration Committee
Shri Pankaj Kumar Regional Director- Northern Region, Air India Limited (Ceased as Director w.e.f 30.4.2019)	MBA in Marketing	0	-	-
Shri Prem Singh Negi Regional Director- Northern Region, Air India Limited (appointed as Director w.e.f 7.10.2019)	B.Sc./MBA (PGDBA)	3	-	-

3. Audit Committee

As part of the Corporate Governance process and in compliance with the provisions of the Companies Act, 2013 and DPE Guidelines, the Audit Committee of the Board has been constituted.

As on 31 March 2020 the following were the members of the Audit Committee :

Shri Angshumali Rastogi	Chairman (ceased eff 20.1.2020)
Smt Kusum Lata Sharma	Chairperson (appointed eff. 20.1.2020)
Shri Pranjol Chandra	Member
Shri Vinod Hejmadi	Member
Shri Rajiv Bansal	Permanent Invitee

The Terms of Reference of the Audit Committee are:

- To recommend for appointment, remuneration and terms of appointment of auditors of the company;
- To review and monitor the auditor's independence and performance and effectiveness of audit process;



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

The Audit Committee met three times during the year to review various issues including inter- alia annual accounts of the Company for the year before submission to the Board, on the following dates:

24 July 2019 (16th Meeting)

13 November 2019 (17th Meeting)

2 March 2020 (18th Meeting)

Attendance at the Audit Committee Meetings:

Name of the Member	No. of Meetings Attended
Shri Angshumali Rastogi	1
Shri Pranjol Chandra	2
Shri Vinod Hejmadi	3
Smt Kusum Lata Sharma	1

4. Annual General Meetings during the last three years

The details of these meetings are given below :

	Date and time of the Meeting	Venue
34 th Annual General Meeting	27 September 2017 At 1100 hrs	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110 001
35 th Annual General Meeting	26 December 2018 At 1100 hrs	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110 001



36 th Annual General Meeting	26 September 2019 At 1500 hrs	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110 001
Extra Ordinary General Meeting	11 February 2020 At 12 Noon	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110 001



CODE OF CONDUCT

DECLARATION

I hereby declare that all the Board Members & Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors for the year ended 31 March 2020.

Sd/-
(C.S. Subbiah)
Chief Executive Officer
Alliance Air Aviation Limited

Place: Delhi
Date : 20 October 2020

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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 Personnel) Rules, 2014]

To,

The Members,

Alliance Air Aviation Limited

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Alliance Air Aviation Limited [CIN: U51101DL1983GOI016518] (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has during the audit period covering the financial year ended on 31st March, 2020 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board process and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records made available to me and maintained by the Alliance Air Aviation Limited for the financial year ended on 31st March, 2020 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder subject to the following observations:
 - (a) *Since the Company is not required to appoint Independent Directors, being a wholly owned subsidiary of a Public Limited Company (Air India Limited), the Audit Committee is constituted without Independent Directors. Thereby non-compliance of the provision of Section 177 (2) of the Act read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014, which inter-alia requires an Independent Director as a member of the Audit Committee.*
 - (b) *The Company has not constituted Nomination & Remuneration Committee as required under Section 178 of the Act read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014.*
 - (c) *The Company does not have one Woman Director as required under Section 149 of the Act from 1st April, 2019 till 19th January, 2020.*
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye laws framed thereunder;
- (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 borrowing (**Not Applicable** as confirmed by the Management, the Company does not have Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowing);



- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :
- a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 **(Not applicable to the Company);**
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2011 **(Not applicable to the Company);**
 - c) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with the client **(Not applicable to the Company);**
 - d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **(Not applicable to the Company);**
 - e) The Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Not applicable to the Company);**
 - f) The Securities and Exchange Board of India (Issue and Listing of Debts Securities) Regulations, 2008 **(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 (Buy-back of Securities) Regulations, 1998 **(Not applicable to the Company).**

(vi) Following are the Acts / Guidelines specifically applicable to the Company:

- Aircraft Act, 1934
- Carriage by Air Act, 1972
- Tokyo Convention Act, 1975
- Anti-Hijacking Act, 1982
- Suppression of Unlawful Acts against Safety of Civil Aviation Act, 1982
- Civil Aviation Requirements issued by Director General of Civil Aviation (DGCA)

Based on the explanation given and representation made by the management, I report that Director General of Civil Aviation (DGCA) has issued Civil Aviation Requirements under Section 4 of the Aircraft Act, 1934 read with Rule 133A of Aircraft Rules, 1937 and the Company is required to comply with 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 procedure.

As per explanation and representation made by the management, DGCA has issued a circular dated 21.12.2011 in connection with regulatory audit policy and programme, under which regulatory audits are being carried out with an aim to ascertain the internal control of the organisation in its activities and to ensure compliance of regulatory requirements. It is explained by the Company that the regulatory audit of the Company is done by the audit team of DGCA as per the audit programme and audit procedure as prescribed under regulatory audit policy of DGCA. The Joint Director General of Civil Aviation nominated by the DGCA is responsible for all regulatory audits and inspections and is normally the Convening Authority.



Regulatory Audits are conducted for the grant of approvals for Initial Certification, Additional Approval, Routine Conformance and Special Purpose Audit pursuant to the Aircraft Act, 1934. The DGCA or any other officer specially empowered in his behalf by the Central Government performs the safety oversight functions in respect of matters specified in this Act or the Rules made thereunder.

I further report that based on the information, explanation and representation made by the management, the Company is generally regular in compliance of the aforesaid laws and the compliance by the Company of such aviation laws being the subject of review by DGCA and other designated professionals/authorities, I have not reviewed the same in this audit.

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

- a) Secretarial Standards with regard to Meeting of the Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of the Company Secretaries of India.
- b) Guideline on Corporate Governance for Central Public Sector Enterprises, 2010 as issued by the Ministry of Heavy Industries and Public Enterprises, Government of India.

I report the following observations based on the aforesaid Guidelines on Corporate Governance:

- i. *The Board of Directors of the Company is not constituted as per Clause 3.1 of the DPE Guidelines, namely there is no optimum combination of functional, nominee and independent directors; and number of nominee directors exceeds the prescribed limit of two.*
- ii. *The Company had no Independent Director as required under the Clause 3.1.1.4 of the DPE Guidelines during the period 1st April, 2019 to 31st March, 2020.*
- iii. *As per the Clause 3.3 of the DPE Guidelines, the Board is required to meet atleast once in every three months and atleast four such meetings are required to be held in a year. Further, time gap between any two meetings should not be more than three months. It is observed that the Company has not held the Board Meeting in three months and gap exceeded a period of three months between two Board Meetings held on 24/07/2019 and 14/11/2019.*
- iv. *Minimum information as prescribed in Annexure IV to the DPE Guidelines are generally placed before the Board as required under clause 3.3 of the guidelines except quarterly financial results.*
- v. *Since the Company had no Independent Director, composition of the Audit Committee was not as per the Clause 4.1.1 and 4.1.2 of the DPE Guidelines during the audit period.*
- vi. *Further, as per Clause 4.4. of the DPE Guidelines, the Audit Committee is required to meet four times in a year and not more than four months should elapse between the two meetings. Further, presence of minimum two independent directors is must for quorum of the meeting. It is observed that Audit Committee met only three times during the period 1st April, 2019 to 31st March, 2020. Meetings of the Audit Committee are held without the presence of Independent Directors.*
- vii. *The Company has not constituted Remuneration Committee as required under Clause 5.1 of the DPE Guidelines.*

I report that during the year under review, as per the explanation and clarifications given to me and representation made by the management, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines and Standards mentioned above subject to the observations made thereunder.

I further report that –

- The Board of Directors of the Company is not duly constituted as stated hereinabove. The changes in the composition of the Board of Directors that took place during the year under review were



carried out in compliance with the provisions of the Act.

- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed proposal on agenda were sent in advance duly complying with the time limits specified 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.
- As per the minutes of the meeting duly recorded and signed by the Chairman and representation by the management, the decisions of the Board were unanimous.

I further report that based on the information provided by the Company, explanation given and representation made by the management, in my opinion adequate systems and processes and control mechanism exists in the Company commensurate with the size and operation of the Company to monitor and ensure compliance with applicable general laws, rules, regulations and guidelines. However, compliance management system needs further strengthening by taking the following actions:

- a) Present quarterly compliance report to the Board.
- b) Establish mechanism to detect the non-compliance.
- c) Place before the Board details of legal cases filed by and against the Company and its status.

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 has been subject to review by statutory financial audit and other designated professionals.

I further report that during the audit period, except change in the name of the Company from "Airline Allied Services Limited" to "Alliance Air Aviation Limited", there was no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, standards, guidelines, etc. referred to above,

Sd/-
(U.C. SHUKLA)
COMPANY SECRETARY
UDIN: F002727B001161368
FCS: 2727/CP: 1654

Place : Mumbai
Date : 5 November 2020

Note: 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
Alliance Air Aviation Limited
Alliance Bhawan, Domestic Terminal-1
IGI Airport,
New Delhi 110 037

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

1. Maintenance of secretarial record is the responsibility of the management of the Corporation. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed, provide reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Corporation.
4. Wherever required, I have obtained the management representation about the compliance of the laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations and standards is the responsibility of the management. My examination was limited to the verification of procedure on test basis.
6. The secretarial audit report is neither an assurance as to future viability of the Corporation nor of the efficacy or effectiveness with which the management has conducted the affairs of the Corporation.

Sd/-

(U.C. SHUKLA)
COMPANY SECRETARY
UDIN: F002727B001161368
FCS: 2727/CP: 1654

Place : Mumbai
Date : 5 November 2020

**Annexure to Directors' Report for the year 2019-20****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	U51101DL1983GOI016518
2.	Registration Date	13/09/1983
3.	Name of the Company	Alliance Air Aviation Limited (Formerly known as Airline Allied Services Limited)
4.	Category/Sub-category of the Company	Government Company
5.	Address of the Registered office & contact details	'Alliance Bhavan', Domestic Terminal 1, IGI Airport, New Delhi -110037
6.	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated) -

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ Service	% to total turnover of the company
1.	To establish, maintain and operate international and domestic air transport services, scheduled and non scheduled, in all the countries of the world for the carriage of passengers, freight, mail and for any other purposes.	511	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) :

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	during the year	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF									
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	-	40,225,000		100	40,224,993	7	40,225,000	100	0.00
e) Banks / FI									
f) Any other									
Total shareholding of Promoter (A)	-	40,225,000		100	40,224,993	7	40,225,000	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) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Foreign Banks									
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-

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 Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions	Not Applicable								
a) Bodies Corp. (Market Maker + LLP)									
i) I Indian									
ii) Overseas									
b) Individuals									



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
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 - DR									
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)	-	40,225,000	40,225,000	100	40,224,993	7	40,225,000	100	0.00

B) Shareholding of Promoter-

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Air India Limited along with its nominees	40,225,000	100	NIL	40,225,000	100	NIL	0.00



C) Change in Promoters' Shareholding (please specify, if there is no change) - 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
1.	At the beginning of the year Air India Limited	40,225,000	100	40,225,000	100
	At the end of the year Air India Limited	40,225,000	100	40,225,000	100

D) Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs):

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

E) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Shri Rajiv Bansal	1	0	1	0
2	Shri Vinod Hejmadi	1	0	1	0



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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
	Amount in INR	Amount in INR	Amount in INR	Amount in INR
Indebtedness at the beginning for the financial year				
i) Principal Amount	-	1633,35,64,375	-	1633,35,64,375
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	1633,35,64,375	-	1633,35,64,375
Change in Indebtedness during the financial year	-		-	
* Addition	-	56,97,31,523	-	56,97,31,523
* Reduction	-	-	-	-
Net Change	-	56,97,31,523	-	56,97,31,523
Indebtedness at the end of the financial year	-	-	-	-
i) Principal Amount	-	1545,70,40,556	-	1545,70,40,556
ii) Interest due but not paid	-	144,62,55,343	-	144,62,55,343
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	1690,32,95,898	-	1690,32,95,898

* Previous figure has been restated as per IND AS. Prior Period items have been given effect in the relevant previous years.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(In Rs. Crore)

Sr. No	Particulars of Remuneration	Name of MD/WTD/ Manager					Total Amount
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b)Value of perquisites u/s 17(2) Income-tax Act, 1961 (c)Profits in lieu of salary under section 17(3) Income- tax Act, 1961						



Sr. No	Particulars of Remuneration	Name of MD/WTD/ Manager					Total Amount
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						

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

B. Remuneration to other directors

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

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

(figures in Rs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO	Total
1	Gross salary	*Not Applicable	**	17,13,144.26	17,13,144.26



S r. No.	Particulars of Remuneration	Key Managerial Personnel			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	Others, specify.	-	-	-	-
5	Others: (PF, DCS, House Perks tax etc)	-	-	-	-
	Total	-	-	17,13,144.26	17,13,144.26

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

** The Company Secretary is holding the position in addition to her responsibilities as Sr. Manager, Corporate Affairs Dept., Air India.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
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 ALLIANCE AIR AVIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2020

The preparation of financial statements of **ALLIANCE AIR AVIATION LIMITED** for the year ended 31 March 2020 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors 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 20 October 2020.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **ALLIANCE AIR AVIATION 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 auditors and is limited primarily to inquiries of the statutory auditors 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 give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

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

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

Place : New Delhi
Dated : 23 December 2020



INDEPENDENT AUDITOR'S REPORT

To,

The Members of Alliance Air Aviation Limited

Report on the Audit of Ind AS Financial Statements

Qualified Opinion

We have audited the accompanying Ind AS financial statements of Alliance Air Aviation Limited ("The Company"), which comprise the Balance Sheet as at 31st March 2020, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including 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, **except for the effects of the matters described in the basis for qualified opinion section of our report**, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") 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 31 March, 2020, its loss including other comprehensive income, its cash inflows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

Attention is drawn in respect of following matters: –

- a) Note no 38 Para (3)&(4) in respect of pending Reconciliation with Airport Authority of India for the period from FY 2013-14 to FY 2017-18. The impact of the pending reconciliation on financial statements is presently not quantifiable.

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 Ind AS 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 qualified opinion.

Emphasis of Matter

Attention is drawn to following notes:

- a) Notes No. 46 which states that the financial statements of the company have been prepared on going concern basis for the reasons stated therein inspite of continuous accumulated losses, net worth of the company fully eroded and showing material uncertainty on the company's ability to continue as a going concern.
- b) We draw attention to Note No.60 in the financial statements which describes the possible effects of uncertainty relating to COVID 19 Pandemic on Companies operations and results as assessed by the



management.

Our opinion is not modified in respect of the above matters.

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

The Company's Board of Directors is responsible for the other information. The other information comprises the Director's Report, Management discussion and analysis Report, Report on Corporate Governance. The Other information is not made available to us till the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, 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.

When we read the other report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions if required.

Responsibility of Management for the Ind AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 implementation and maintenance of 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

That Board of Directors are also responsible for overseeing the Company's financial reporting process

Auditor's Responsibilities for the Audit of Ind AS 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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"**, statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- 2) We are enclosing our report in terms of Section 143(5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the **"Annexure "B"**, on the directions and sub-directions issued by the Comptroller and Auditor General of India.
- 3) 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 the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended
- e) On the basis of the written representations received from the directors as on 31 March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the Internal Financial Controls with reference to these Ind AS Financial Statements of the company and operating effectiveness of such controls refer to separate report in **Annexure “C”** to this report.
- g) The provisions of section 197 read with schedule V of companies act 2013 relating to managerial remuneration are not applicable to the company, being a Government Company in terms of MCA Notification no. G.S.R. 463(E) dated 5th June 2015.
- 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:
 1. In the case of the company the impact of pending litigations on its financial position has been disclosed under Note No- 31.
 2. The company did not have any long-term contract including derivative contracts for which there were any material forceable losses.
 3. There were no amounts which were required to be transferred to the Investors education and protection fund by the company.

For S.K. Kapoor & Co.
Chartered Accountants
FRN – 000745C

(V.B. Singh)
Partner
M. No. – 073124
UDIN – 20073124AAAADF8843

Place : New Delhi
Date : 20/10/2020



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 to the members of Alliance Air Aviation Limited on the accounts of the company for the year ended 31st March 2020

- 1) In respect of Its Fixed Assets -
 - The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.
 - As explained to us, company is conducting physical verification of the fixed assets on biennial basis. Physical verification of fixed assets for the FY 2019-20 for Delhi station was started but could not be completed due to lockdown and global pandemic of COVID-19 and for Hyderabad and Kolkata stations the physical verification has not yet been started due to reasons as stated, hence we cannot comment upon discrepancy if any.
 - According to the information and explanations given by the management and on the basis of records available to us there are no immovable properties included in property, plant and equipment of the company and accordingly, the requirements under para 3(i)(c) of the order are not applicable to the company.
- 2) In respect of Inventories –
 - a) As per the information given to us, the exercise of physical verification of inventories is done on biennial basis. The physical verification of inventories which was due to be completed in the financial year 2019-20 could not be completed due to global pandemic of COVID-19.
 - b) As per the information stated above, since the physical verification of inventories could not be completed in the financial year 2019-20, therefore we cannot comment upon discrepancy if any.
- 3) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the order are not applicable to the company and hence not commented upon.
- 4) In our opinion and according to the information and explanations given to us, the company has not given any Loan, or made Investments, or provided any Guarantees or Security as specified under Section 185 and 186 of the Companies Act, 2013 hence provisions of this clause is not applicable on the company.
- 5) The Company has not accepted any deposits within the meaning of Section 73 to 76 of the Act and the Companies (Acceptance of Deposit) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) order are not applicable to the company.
- 6) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Companies Act, 2013, for the services rendered by the company. Thus, paragraph 3(vi) of the order is not applicable to the company.
- 7) (a) According to the information and explanation given to us and on the basis of our examination of the books of accounts, and records of the company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income Tax, Goods and Services Tax, Duty of Customs, Duty of Excise, Cess and other material statutory dues have



been regularly deposited during the year by the company with appropriate authorities.

- (b) According to the information and explanation given to us, no undisputed amounts payable in respect of provident Fund, Income Tax, Goods and Service Tax, Duty of Customs, Duty of Excise, Cess and other material statutory dues were in arrears as at 31st March, 2020 for a period of more than six months from the date they became payable, except Service Tax amounting to Rs. 311.30Lakhs payables since previous years (matter is under litigation with the party M/S GATI Limited):
- (c) According to the information and records available to us, there are no dues of Provident Fund, Goods and Service Tax, Duty of Customs, Duty of Excise, Cess and other material statutory dues which have not been deposited with appropriate authorities on account of any dispute.

Name of the Statute	Nature of Dues	Amount Outstanding (Rs. In Lakhs)	Period for which amount relates	Forum where dispute is pending
Income Tax Act 1961	Income Tax and Interest	174.30	Assessment Year 2000-01	ITAT
Income Tax Act 1961	Income Tax and Interest	140.40	Assessment Year 1997-98	CIT (Appeals)

- 8) In our opinion and according to the information and explanations given by the management, the Company has not taken any loan from financial institution or bank. The Company did not have any loans or borrowing from the government and there were no debentures issued during the year or outstanding as at 31 March 2020.
- 9) The Company has not raised monies by way of initial public offer or further public offer or term loans. Accordingly, clause 3(ix) of the order is not applicable to the company.
- 10) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year
- 11) The provisions of section 197 read with schedule V of companies act 2013 relating to managerial remuneration are not applicable to the company, being a Government Company in terms of MCA Notification no. G.S.R. 463(E) dated 5th June 2015. Accordingly, clause 3(xi) of the order is not applicable to the company.
- 12) In our opinion, the Company is not a Nidhi Company. Therefore the, Provisions of clause 3(xii) of the order are not applicable to the Company.
- 13) In our opinion, all the transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Ind AS Financial Statements(Refer Note No.(40)) as required by the applicable accounting standards.
- 14) According to the information and explanations given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Accordingly, the provisions of clause 3 (xiv) of the order are not applicable to the company.
- 15) According to the information and explanations given to us, the company has not entered into any non-cash transactions with directors or persons connected with him during the year under audit. Accordingly,



the provisions of clause 3 (xv) of the order are not applicable to the company.

- 16) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of clause 3 (xvi) of the order are not applicable to the company.

For S.K. Kapoor & Co.
Chartered Accountants
FRN – 000745C

(V.B. Singh)
Partner
M. No. – 073124
UDIN – 20073124AAAADF8843

Place : New Delhi
Date : 20 October 2020

**ANNEXURE “B” TO THE INDEPENDENT AUDITORS REPORT**

Referred to in paragraph 2 under “Report on other legal and Regulatory requirement section of our report of even date to the members of Alliance Air Aviation Ltd on the financial statements for the year ended 31st March 2020

S I . No.	Direction u/s 143(5) Act 2013 of the Companies	Auditor’s Reply on Action taken on the directions	Impact on Financials
1	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 integrating of the accounts along with the financial implication if may be stated.	The company has system in place to Process all accounting transactions through IT System i.e SAP (Systems Applications and products in data processing). However, the company is availing the services of an outside agency for the processing of data relating to passengers, cargo, baggage and other revenue through AIL as the AIL’s system has been used for the booking etc, which is outside the company’s IT System. As per the records and information available as per industry practice parent company is complying all necessary norms to ascertain the integrity, authenticity and accuracy of the data processed by the outsourced agency.	NIL
2	Whether there is any restructuring of an Existing loan or case 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.	Not Applicable. The company is not availing any loan form any bank, financial institutions or any other lender except the financial support from the parent company.	NIL
3	Whether funds received / receivable for specific Schemes from Central / State Agencies were Properly accounted for / utilised as per its terms and conditions. List the cases to deviations	No fund received / receivable for specific schemes from central / state agency during the year except amount received / receivable under Regional Connectivity Schemes (RCS) and Viability Gap Funding (VGF) which has been properly accounted for in the books of accounts.	NIL

For S.K. Kapoor & Co.
Chartered Accountants
FRN – 000745C

(V.B. Singh)
Partner
M. No. – 073124
UDIN – 20073124AAAADF8843

Place : New Delhi
Date : 20 October 2020



ANNEXURE – “C” REFERRED IN PARAGRAPH 2(F) UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT ON THE IND AS FINANCIAL STATEMENTS OF ALLIANCE AIR AVIATION LIMITED

Report on 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 with reference to Ind AS financial statements of Alliance Air Aviation Limited (“the Company”) as of March 31, 2020 in conjunction with our audit of the Ind AS 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls with reference to Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Ind AS financial statements 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 qualified audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls with reference to Ind AS Financial Statements

A company’s internal financial controls with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS 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 Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls with reference to Ind AS Financial Statements

Because of the inherent limitations of internal financial controls with reference to Ind AS financial statements, 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 controls with reference to Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Qualified Opinion

In Our opinion, according to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31st 2020:

- Interface between functional software relating to Inventory Management with the accounting software is yet to be implemented, resulting in accounting entries made manually. System of verification of data processed by outsourced agency needs to be strengthened as there is significant reliance on the data provided by them.
- Internal control system for deduction, deposits and reconciliation of statutory dues needs to be strengthened.
- The company do not have an Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.
- The company does not have maker checker concept/not adhering maker checker concept in SAP accounting, however same is followed through vouchers authentication according to the power delegated.

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 misstatements of the company's Ind AS Financial Statements will not be prevented or detected on timely basis.

Qualified Opinion

In our opinion, except for the effects of the material weaknesses described in "Basis of Qualified Opinion" paragraph above, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal controls over financial reporting criteria established by the company considering the components of internal controls stated in the Guidance Note on Audit of Internal



Financial Controls over Financial Reporting issued by the ICAI.

We have considered the material weaknesses identified and reported above

As per our report of even date attached

For S.K. Kapoor & Co.

Chartered Accountants

FRN – 000745C

(V.B. Singh)

Partner

M. No. – 073124

UDIN – 20073124AAAADF8843

Place : New Delhi

Date : 20 October 2020



**MANAGEMENT'S REPLIES TO THE INDEPENDENT AUDITORS' REPORT ON THE
FINANCIAL STATEMENTS OF THE ALLIANCE AIR AVIATION LIMITED FOR THE
FINANCIAL YEAR 2019-20**

Audit Observation	Management Comments
<p data-bbox="120 476 805 508">Report on the Audit of Ind AS Financial Statements</p> <p data-bbox="120 590 375 623">Qualified Opinion</p> <p data-bbox="120 648 805 998">We have audited the accompanying Ind AS financial statements of Alliance Air Aviation Limited ("The Company"), which comprise the Balance Sheet as at 31st March 2020, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including summary of Significant Accounting Policies and other explanatory information.</p> <p data-bbox="120 1024 805 1440">In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the basis for qualified opinion section of our report, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") 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 31 March, 2020, its loss including other comprehensive income, its cash inflows and the changes in equity for the year ended on that date.</p>	
<p data-bbox="120 1450 509 1483"><u>Basis for Qualified Opinion</u></p> <p data-bbox="120 1515 805 1690">a) Note no 38 para (3)& (4) in respect of pending Reconciliation with Airport Authority of India for the period from FY 2013-14 to 2017-18. The impact of the pending reconciliation on financial statements is presently not quantifiable.</p>	<p data-bbox="813 1515 1500 1580">Suitable disclosure has been made in Notes to Accounts in Note no. 38 Para (3) & (4).</p> <p data-bbox="813 1606 1500 1813">Under the aegis of Ministry of Civil Aviation, a memorandum of understanding (MOU) with Airport Authority of India (AAI) was signed by headquarter on 26.08.2013 whereby the dues of AAI vis a vis Air India as on 31.03.2012 were adjudicated by the ministry.</p> <p data-bbox="813 1839 1500 1972">In the year 2019-20, reconciliation for the year 2018-19 & 2019-20 is finalized and reconciliation process for the preceding years will be completed in coming year.</p>



Audit Observation	Management Comments
<p>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 Ind AS 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 qualified opinion.</p>	
<p>Emphasis of Matter</p> <p>a) Notes no 46 which states that the financial statements of the company have been prepared on going concern basis for the reasons stated therein in spite of continuous accumulated losses, net worth of the company fully eroded and showing material uncertainty on the company's ability to continue as a going concern.</p>	<p>Suitable disclosure has been made in Notes to Accounts in Note no. 46.</p> <p>The revenue as posted in 2019-20 is Rs. 118115.39 Lakhs which shows 41.24% increase over last year.</p> <p>The financials of AAAL for 2019-20 shows an operating profit of Rs. 6508.94 Lakh.</p> <p>The profit & loss as shown (Rs. 20100.06) Lakh in 2019-20 is mainly due to the effect of Ind AS 116 which is Rs. 23810.05 Lakh.</p> <p>The above factual position established further positive results in the coming years.</p>
<p>b) We draw attention to note no 60 in the financial statements which describes the possible effects of uncertainty relating to COVID 19 Pandemic on Companies operations and results as assessed by the management.</p> <p>Our opinion is not modified in respect of the above matters.</p>	<p>This is only statement of fact.</p>
<p>The Company's Board of Directors is responsible for the other information. The other information comprises the Director's Report, Management discussion and analysis Report, Report on Corporate Governance. The Other information is not made available to us till the date of this auditor's report.</p>	



Audit Observation	Management Comments
<p>Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, 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.</p> <p>When we read the other report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions if required.</p>	
<p>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 Ind AS financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 implementation and maintenance of 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.</p>	



Audit Observation	Management Comments
<p>In preparing the Ind AS financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.</p> <p>That Board of Directors are also responsible for overseeing the Company's financial reporting process.</p>	
<p>Auditor's Responsibilities for the Audit of Ind AS Financial Statements</p> <p>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.</p> <p>As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:</p> <ul style="list-style-type: none">▪ 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.	



Audit Observation	Management Comments
<ul style="list-style-type: none">■ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Companies Act, 2013, 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. <p>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.</p>	



Audit Observation	Management Comments
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.	
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", statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.	
2) We are enclosing our report in terms of Section 143(5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the "Annexure B" on the directions and sub-directions issued by the Comptroller and Auditor General of India.	



Audit Observation	Management Comments
<p>3) As required by Section 143(3) of the Act, we report that:</p> <ul style="list-style-type: none">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 the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amendede) On the basis of the written representations received from the directors as on 31 March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.f) With respect to the adequacy of the Internal Financial Controls with reference to these Ind AS Financial Statements of the company and operating effectiveness of such controls refer to separate report in Annexure "B" to this report.g) The provisions of section 197 read with schedule V of companies act 2013 relating to managerial remuneration are not applicable to the company, being a Government Company in terms of MCA Notification no. G.S.R. 463(E) dated 5th June 2015.	



Audit Observation	Management Comments
<p>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:</p> <ol style="list-style-type: none">1. In the case of the company the impact of pending litigations on its financial position has been disclosed under Note No- 31.2. The company did not have any long-term contract including derivative contracts for which there were any material foreseeable losses.3. There were no amounts which were required to be transferred to the Investors education and protection fund by the company.	

**MANAGEMENT'S REPLIES TO "ANNEXURE A" TO THE AUDITORS' REPORT**

<u>Audit Observation</u>	<u>Management Comments</u>
<p>Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' of our report of even date to the members of Alliance Air Aviation Limited on the accounts of the company for the year ended 31st March 2020</p> <p>1) In respect of Its Fixed Assets -</p> <ul style="list-style-type: none">▪ The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.	<p>This is a statement of fact.</p>
<ul style="list-style-type: none">▪ As explained to us, company is conducting physical verification of the fixed assets on biennial basis. Physical verification of fixed assets for the FY 2019-20 for Delhi station was started but could not be completed due to lockdown and global pandemic of COVID-19 and for Hyderabad and Kolkata stations, the physical verifications have not yet been started due to the reasons as stated hence we cannot comment upon discrepancy if any.▪ According to the information and explanations given by the management and on the basis of records available to us there are no immovable properties included in property, plant and equipment of the company and accordingly, the requirements under Para 3(i)(c) of the order are not applicable to the company.	<p>This is a statement of fact.</p> <p>This is a statement of fact.</p>
<p>2) In respect of Inventories -</p> <p>a) As per the information given to us, the exercise of physical verification of inventories is done on biennial basis. The physical verification of inventories which was due to be completed in the financial year 2019-20 could not be completed due to global pandemic of COVID-19.</p> <p>b) As per the information stated above, since the physical verification of inventories could not be completed in FY 2019-20, therefore we cannot comment on the discrepancy if any.</p>	<p>This is a statement of fact.</p> <p>Suitable disclosure has been made in Notes in note no. 35(a) & 35(b).</p>



<u>Audit Observation</u>	<u>Management Comments</u>
3) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the order are not applicable to the company and hence not commented upon.	This is a statement of fact.
4) In our opinion and according to the information and explanations given to us, the company has not given any Loan, or made Investments, or provided any Guarantees or Security as specified under Section 185 and 186 of the Companies Act, 2013 hence provisions of this clause is not applicable on the company.	This is a statement of fact.
5) The Company has not accepted any deposits within the meaning of Section 73 to 76 of the Act and the Companies (Acceptance of Deposit) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) order are not applicable to the company.	This is a statement of fact.
6) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Companies Act, 2013, for the services rendered by the company. Thus, paragraph 3(vi) of the order is not applicable to the company.	This is a statement of fact.
7)(a) According to the information and explanation given to us and on the basis of our examination of the books of accounts , and records of the company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income Tax, Goods and Services Tax, Duty of Customs, Duty of Excise, Cess and other material statutory dues have been regularly deposited during the year by the company with appropriate authorities.	This is a statement of fact.
(b) According to the information and explanation given to us, no undisputed amounts payable in respect of provident Fund, Income Tax, , Goods and Service Tax, Duty of Customs, Duty of Excise, , Cess and other material statutory dues were in arrears as at 31st March, 2020 for a period of more than six months from the	<p>This is a statement of fact. The Service Tax amount has not been deposited as the matter is under litigation with M/s Gati limited.</p> <p>The action if any will be taken, based upon final verdict.</p>



Audit Observation					Management Comments
date they became payable, except Service Tax amounting to Rs. 31.13 Million payables since previous years (matter is under litigation with the party M/S GATI Limited):					
(c) According to the information and records available to us, there are no dues of Provident Fund, Goods and Service Tax, Duty of Customs, Duty of Excise, Cess and other material statutory dues which have not been deposited with appropriate authorities on account of any dispute.					This is a statement of fact.
Name of the statute	Nature of dues	Amount Outstanding (Rs in Lakhs)	Period for which amount relates	Forum where dispute is pending	
Income tax Act 1961	Income Tax and Interest	174.30	Assessment Year 2000-01	ITAT	
Income tax Act 1961	Income Tax and Interest	140.40	Assessment Year 1997-98	CIT (Appeals)	
8) In our opinion and according to the information and explanations given by the management, the Company has not taken any loan from financial institution or bank . The Company did not have any loans or borrowing from the government and there were no debentures issued during the year or outstanding as at 31 March 2020.					This is a statement of fact.
9) The Company has not raised monies by way of initial public offer or further public offer or term loans. Accordingly, clause 3(ix) of the order is not applicable to the company.					This is a statement of fact.
10) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year					This is a statement of fact.
11) The provisions of section 197 read with schedule V of companies act 2013 relating to managerial remuneration are not applicable to the company, being a Government Company in terms of MCA Notification no. G.S.R. 463(E) dated 5th June 2015. Accordingly, clause 3(xi) of the order is not applicable to the company.					This is a statement of fact.



<u>Audit Observation</u>	<u>Management Comments</u>
12) In our opinion, the Company is not a Nidhi Company. Therefore the, Provisions of clause 3(xii) of the order are not applicable to the Company.	This is a statement of fact.
13) In our opinion, all the transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Ind AS Financial Statements (Refer Note No.(40) as required by the applicable accounting standards.	This is a statement of fact.
14) According to the information and explanations given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Accordingly, the provisions of clause 3 (xiv) of the order are not applicable to the company.	This is a statement of fact.
15) According to the information and explanations given to us, the company has not entered into any non-cash transactions with directors or persons connected with him during the year under audit. Accordingly, the provisions of clause 3 (xv) of the order are not applicable to the company.	This is a statement of fact.
16) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act,1934. Accordingly, the provisions of clause 3 (xvi) of the order are not applicable to the company.	This is a statement of fact.

**MANAGEMENT'S REPLIES TO "ANNEXURE B" TO THE AUDITORS' REPORT**

S No.	Direction u/s 143(5) of the Companies Act 2013	Auditor's Reply on Action taken on The directions	Management Reply	Impact on Financials
1	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 integrating of the accounts along with the financial implication if may be stated.	The company has system in place to Process all accounting transactions through IT System i.e SAP (Systems Applications and products in data processing) . However the company is availing the services of an outside agency for the processing of data relating to passengers, cargo , baggage and other revenue through AIL as the AIL's system has been used for the booking etc , which is outside the company's IT System. As per the records and information available as per industry practice parent company is complying all necessary norms to ascertain the integrity, authenticity and accuracy of the data processed by the outsourced agency.	This is a statement of fact. All the accounting entries are done through the financial Accounting module SAP. The inventory & revenue accounting has an interface with SAP financial module.	NIL
2	Whether there is any restructuring of an Existing loan or case 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.	Not Applicable. The company is not availing any loan from any bank, financial institutions or any other lender except the financial support from the parent company.	This is a Statement of fact.	NIL



3	Whether funds received / receivable for specific Schemes from Central / State Agencies were Properly accounted for / utilised as per its terms and conditions. List the cases to deviations	No fund received / receivable for specific schemes from central / state agency during the year except amount received / receivable under Regional Connectivity Schemes (CS) and Viability Gap Funding (VGF) which has been properly accounted for in the books of accounts.	This is a statement of fact.	NIL
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**MANAGEMENT’S REPLIES TO “ANNEXURE C” TO THE AUDITORS’ REPORT**

<u>Audit Observation</u>	<u>Management Comments</u>
<p>Annexure – “C” Referred in paragraph 2(f) under the heading “Report on other Legal and Regulatory Requirements” of our report on the Ind AS Financial Statements of Alliance Air Aviation Limited</p> <p>Report on Internal Financial Controls under Clause (i) of sub-section 3 of section 143 of The Companies Act, 2013 (“The Act”)</p> <p>We have audited the internal financial controls with reference to Ind AS financial statements of Alliance Air Aviation Limited (“the Company”) as of March 31, 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.</p>	
<p>Management’s Responsibility for Internal Financial Controls</p> <p>The Company’s management is responsible for establishing and maintaining internal financial controls. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.</p>	This is a statement of fact.
<p>Auditor’s Responsibility</p> <p>Our responsibility is to express an opinion on the Company’s internal financial controls with reference to Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements</p>	



<p>and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.</p> <p>Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company's internal financial controls system over financial reporting.</p>	
<p>Meaning of Internal Financial Controls with reference to Ind AS Financial Statements</p> <p>A company's internal financial controls with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS 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 :</p> <p>(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;</p> <p>(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and</p>	<p>This is a statement of fact.</p> <p>This is a statement of fact.</p>



<p>(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.</p>	<p>This is a statement of fact.</p>
<p>Inherent Limitations of Internal Financial Controls with reference to Ind AS Financial Statements</p> <p>Because of the inherent limitations of internal financial controls with reference to Ind AS financial statements, 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 controls with reference to Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.</p>	
<p>Basis for Qualified Opinion</p> <p>In Our opinion, according to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 30th 2020:</p> <ul style="list-style-type: none"> ▪ Interface between various functional software relating to Inventory Management with the accounting software is yet to be implemented, resulting in accounting entries made manually. System of verification of data processed by outsourced agency needs to be strengthen as there is significant reliance on the data provided by them. 	<p>RAMCO system has now been interfaced with SAP Finance module for accounting & ensuring minimum manual intervention.</p>
<ul style="list-style-type: none"> ▪ Internal control system for deduction, deposits and reconciliation of statutory dues needs to be strengthened. 	<p>The monthly closure of SAP will strengthen the deduction, deposit and reconciliation of statutory dues.</p>
<ul style="list-style-type: none"> ▪ The company do not have an Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System. 	<p>AASL has a functional IT department, which in coordination with IBM (SAP module agency) ensures controls and accuracy and reliability of reports regenerated from IT systems.</p>



<ul style="list-style-type: none">▪ The company does not have maker checker concept / not adhering maker checker concept in SAP accounting, however same is followed through vouchers authentication according to the power delegated.	The delegation of Financial Powers based on the revised mapping of designations in the organization for all departments has been approved by the Board. The company is in the process of implementation of maker-checker concept in SAP. Supplementary control has been exercised to ensure control in processing and accounting of entries.
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 misstatements of the company's Ind AS Financial Statements will not be prevented or detected on timely basis.	
<p>Qualified Opinion</p> <p>In our opinion, except for the effects of the material weaknesses described in "Basis of Qualified Opinion" paragraph above, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal controls over financial reporting criteria established by the company considering the components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.</p> <p>We have considered the material weaknesses identified and reported above</p>	



BALANCE SHEET AS AT 31ST MARCH 2020

(Amount in Rs.)

Particulars	Note No.	As at March'2020	As at March'2019
ASSETS :			
1 Non-current Assets			
(i) Property, Plant & Equipment	2(a)	9,12,34,059	9,74,38,513
(ii) Right-of-use assets	2(b)	19,05,33,32,825	-
(iii) Financial Assets:			
a) Trade Receivables		-	-
b) Other Financial Assets	3	81,53,20,710	1,09,37,74,522
(iv) Income Tax Assets (net)	4	39,72,76,396	18,90,51,455
(v) Deferred Tax Assets (net)		-	-
(vi) Other Non-Current Assets	5	2,47,06,03,621	1,81,42,72,477
2 Current Assets			
(i) Inventories	6	29,69,66,384	21,51,81,210
(ii) Financial Assets:			
a) Trade Receivables	7	78,75,54,895	98,68,53,534
b) Cash and Cash equivalents	8	30,77,48,574	3,84,84,203
c) Bank balances other than (b) above	9	1,43,55,707	21,98,24,920
d) Loans	10	44,39,58,607	17,53,79,282
e) Others Financial assets	11	18,92,14,517	13,82,57,454
(iii) Other Current Assets	12	80,44,16,426	39,78,26,848
Total Assets		25,67,19,81,721	5,36,63,44,418
EQUITY AND LIABILITIES :			
1 Equity			
a) Equity Share Capital	13	4,02,25,00,000	4,02,25,00,000
b) Other Equity	14	(26,58,90,35,050)	(23,98,52,86,557)
2 Liabilities :			
(i) Non-current Liabilities			
a) Financial Liabilities			
i) Borrowings		-	-
ii) Lease Liabilities	15	21,65,11,77,572	-
iii) Other Financial Liabilities		-	-
b) Provisions	16	58,74,87,267	22,80,75,580
c) Other non Current Liabilities		-	-
(ii) Current Liabilities			
a) Financial Liabilities			
i) Borrowings	17	16,90,22,63,593	16,33,35,64,375
ii) Lease Liabilities	15	3,45,12,311	-
iii) Trade Payables	18	8,09,37,23,252	5,71,55,76,464
iv) Other Financial Liabilities	19	50,39,15,304	2,65,51,27,726
b) Provisions	20	21,16,769	21,81,115
c) Other Current Liabilities	21	46,33,20,703	39,46,05,715
Total Equity & Liabilities		25,67,19,81,721	5,36,63,44,418
Significant Accounting Policies Note No. 1 and Other Explanatory Notes forming part of Ind AS Financial Statements			

As per our Separate report of even date

For S.K Kapoor & Co.
Chartered Accountants
Firm Registration No. FRN NO.000745C

Sd/-
V. B. Singh
Partner
Membership No: 073124
UDIN: 20073124AAAADF8843

For and on behalf of the Board of Directors of Alliance Air Aviation Limited

Sd/-
(Rajiv Bansal)
Chairman
DIN 00245460

Sd/-
(Vinod Hejmadi)
Director
DIN : 07346490

Sd/-
(C. S. Subbiah)
CEO, AAAL

Sd/-
(Manjiree M. Vaze)
Company Secretary
ACS-16028

Sd/-
(Ambar Kumar Mondal)
Chief Financial Officer

Place : New Delhi
Date : 20/10/2020

Place : New Delhi
Date : 20/10/2020



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

(Amount in Rs.)

Particulars	Note No	Amount for the period 2019-20	Amount for the period 2018-19
I Revenue			
1 From Operations	22		
i) Scheduled Traffic Services		7,13,60,39,268	6,91,93,41,032
ii) Non Schedule Traffic Services		2,41,97,21,574	1,24,60,11,317
iii) Other Operating Revenue		37,45,26,556	5,07,66,565
2 Other Income	23	1,88,12,51,753	14,66,63,927
II Total Revenue (1+2)		11,81,15,39,151	8,36,27,82,841
III Expenses			
Aircraft Fuel & Oil		1,96,32,37,141	2,06,51,19,161
Other Operating Expense	24	3,29,11,27,333	5,63,20,02,391
Purchase of Stock-in-Trade		-	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		-	-
Employee benefit expense	25	1,65,83,58,342	1,47,37,50,351
Finance Costs	26	4,54,21,51,356	1,59,64,39,414
Depreciation and amortization expense	2a & 2b	2,28,78,93,662	1,57,03,845
Other expenses	27	7,50,35,815	50,37,22,074
IV Total Expenses		13,81,78,03,648	11,28,67,37,236
V (Loss) before exceptional items and tax (II - IV)		(2,00,62,64,497)	(2,92,39,54,394)
VI Exceptional Items	28	-	-
VII Profit before tax (VII - VIII)		(2,00,62,64,497)	(2,92,39,54,394)
VIII Tax expense:			
a Current Tax		-	-
b Deferred Tax		-	-
IX (Loss) for the year after tax (VII-VIII)		(2,00,62,64,497)	(2,92,39,54,394)
X Other Comprehensive Income			
Items that will not be reclassified to profit and loss			
- Remeasurements of defined Benefit Plans		(37,41,023)	7,20,115
XI Total Comprehensive Income		(2,01,00,05,520)	(2,92,32,34,279)
XII Earning per equity share:	29		
(1) Basic		(49.88)	(72.69)
(2) Diluted		(49.88)	(72.69)
Significant Accounting Policies Note No. 1 and Other Explanatory Notes forming part of Ind AS Financial Statements			

As per our Separate report of even date

For S.K Kapoor & Co.
Chartered Accountants
Firm Registration No. FRN NO.000745C

Sd/-
V. B. Singh
Partner
Membership No: 073124
UDIN: 20073124AAAADF8843

Place : New Delhi
Date : 20/10/2020

For and on behalf of the Board of Directors of Alliance Air Aviation Limited

Sd/-
(Rajiv Bansal)
Chairman
DIN 00245460

Sd/-
(Manjiree M. Vaze)
Company Secretary
ACS-16028

Place : New Delhi
Date : 20/10/2020

Sd/-
(Vinod Hejmadi)
Director
DIN : 07346490

Sd/-
(Ambar Kumar Mondal)
Chief Financial Officer

Sd/-
(C. S. Subbiah)
CEO, AAAL



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2020
(Amount in Rs.)

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	4,02,25,000	4,02,25,00,000.00	4,02,25,000	4,02,25,00,000.00
Changes in equity share capital during the year				
Add:	0	-	0	-
Less:	0	-	0	-
Balance at the end of reporting period	4,02,25,000	4,02,25,00,000.00	4,02,25,000	4,02,25,00,000.00

PARTICULARS	(Amount in Rs.)		
	Retained Earnings	Other Comprehensive Income	Total
Balances as at 1.04.2019	(24,00,36,02,723)	1,83,16,166	(23,98,52,86,557)
Impact of Ind AS 116-Leases	(59,37,42,973)	-	(59,37,42,973)
Prior Period Adjustment	-	-	-
Restated Balance as at 1.04.2019	(24,59,73,45,697)	1,83,16,166	(24,57,90,29,531)
Profit Loss for the year	(2,00,62,64,497)	-	(2,00,62,64,497)
Adjustment of the opening balance of OCI for Leave Encashment	1,10,31,486	(1,10,31,486.00)	-
Other Comprehensive Income for the year	-	(37,41,023)	(37,41,023)
Total Other Comprehensive Income for the year			(26,58,90,35,050)
Balance as at 31.03.2020	(26,59,25,78,707)	35,43,657	(26,58,90,35,050)
Balance as at 1.04.2018	(21,07,88,22,929)	1,75,96,051	(21,06,12,26,878)
Impact of IND AS -115 -Revenue from Contract with customers	-	-	-
Restated balance as at 1.4.2018	(21,07,88,22,929)	1,75,96,051	(21,06,12,26,878)
Profit Loss for the year	(2,92,39,54,394)	-	(2,92,39,54,394)
Transfer from Reserve	(8,25,400)	-	(8,25,400)
Other Comprehensive Income for the year	-	7,20,115	7,20,115
Total Other Comprehensive Income for the year			(23,98,52,86,557)
Balance as at 31.03.2019	(24,00,36,02,723)	1,83,16,166	(23,98,52,86,557)

As per our Separate report of even date

For S.K Kapoor & Co.
Chartered Accountants
Firm Registration No. FRN NO.000745C

Sd/-
V. B. Singh
Partner
Membership No: 073124
UDIN: 20073124AAAADF8843

For and on behalf of the Board of Directors of Alliance Air Aviation Limited

Sd/-
(Rajiv Bansal)
Chairman
DIN 00245460

Sd/-
(Vinod Hejmadi)
Director
DIN : 07346490

Sd/-
(C. S. Subbiah)
CEO, AAAL

Sd/-
(Manjiree M. Vaze)
Company Secretary
ACS-16028

Sd/-
(Ambar Kumar Mondal)
Chief Financial Officer

Place : New Delhi
Date : 20/10/2020

Place : New Delhi
Date : 20/10/2020



STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31.03.2020

Amount in Rs.

Particulars	2019-2020		2018-2019	
A. CASH FLOW FROM OPERATING ACTIVITIES				
a) Profit/(Loss) before tax for the year as per Profit & Loss A/C		(2,01,00,05,520)		(2,92,32,34,279)
b) Add:- Adjustment for :				
1 Depreciation and amortisation expenses	2,28,78,93,662		1,57,03,845	
2 Provisions / Un-claimed Liabilities Written Back	(1,80,09,97,551)		(5,29,63,148)	
3 Bad Debt Prov.	2,36,83,327		8,03,66,628	
4 Interest, Finance Cost and Exchange difference on Leases as per Ind-AS 116	2,71,41,02,306		-	
5 Interest and Finance Costs	1,82,80,49,050		1,60,98,12,520	
6 Transfer from Reserve			(8,25,400)	
7 Interest Earned	(8,02,54,203)		(9,37,00,779)	
8 Provision for obsolescence of spares	5,77,24,010		(1,99,43,630)	
		5,03,02,00,601		1,53,84,50,036
c) Operating Profit/(Loss) before Movements in working capital:		3,02,01,95,082		(1,38,47,84,244)
ADD: Adjustments for (increase) / decrease in operating assets:				
Other Bank Balances	20,54,69,213		(20,71,68,224)	
Other non-current assets	(1,07,52,02,934)		22,29,01,278	
Inventories	(13,95,09,184)		15,44,27,787	
Trade receivables	17,56,15,312		(15,22,28,084)	
Loans	(26,85,79,325)		(7,17,69,474)	
Others Financial Asset	(5,09,57,062)		55,17,53,725	
Other current assets	(40,65,89,578)		(37,65,04,055)	
		(1,55,97,53,559)		12,14,12,953
ADD: Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	2,37,81,46,788		2,56,93,60,907	
Other current liabilities	6,87,14,988		12,86,59,167	
Short-term borrowing	56,86,99,218		90,06,22,610	
Short-term provisions	(64,346)		(11,21,05,015)	
Other Financial Liabilities	6,86,56,917		(97,55,34,808)	
Lease Liability Payable	-		(27,52,48,611)	



Particulars	2019-2020		2018-2019	
Long-term provisions	1,69,87,471	3,10,11,41,037	18,00,21,532	2,41,57,75,782
d) Cash generated from operations		4,56,15,82,560		1,15,24,04,492
Less : Tax Paid Including TDS		(20,82,24,941)		(1,83,59,442)
Cash Flow from operating activities after tax (A)		4,35,33,57,619		1,13,40,45,050
B. CASH FLOW FROM INVESTING ACTIVITES				
a) Purchase of Fixed Assets	(1,50,40,463)		(3,57,06,682)	
b) Proceeds from FDR under Lien	27,84,53,812		18,65,19,633	
c) Interest Income	8,02,54,203	34,36,67,551	9,37,00,779	24,45,13,729
d) Sale of fixed Asset				
Cash flow from investing activities (B)		34,36,67,551		24,45,13,729
C CASH FLOW FROM FINANCING ACTIVITES				
a) Conversion of Current Liability into Equity	-		-	
b) Lease payment	(2,59,97,11,752)		-	
b) Interest Paid	(1,82,80,49,050)	(4,42,77,60,799)	(1,60,98,12,520)	(1,60,98,12,520)
Cash Used from financing activity (C)		(4,42,77,60,799)		(1,60,98,12,520)
D NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)		26,92,64,371		(23,12,53,741)
E CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,84,84,203		26,97,37,944
F CASH & CASH EQUIVALENTS AT THE END OF THE YEAR (D+E)		30,77,48,574		3,84,84,203

Note :- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the IND AS 7 on "Statement of Cash Flows" issued by ICAI.

Previous year Amount have been regrouped /rearranged where ever necessary

Particulars	Current Year	Previous Year
Cash and Cash Equivalent comprises:		
Balance with Banks		
- In Current Accounts	307,469,881	38,484,012
Cash on hand	278,693	191
Closing Balance	307,748,574	38,484,203

As per our Separate report of even date

For S.K Kapoor & Co.
Chartered Accountants
Firm Registration No. FRN NO.000745C

Sd/-
V. B. Singh
Partner
Membership No: 073124
UDIN: 20073124AAAADF8843

Place : New Delhi
Date : 20/10/2020

For and on behalf of the Board of Directors of Alliance Air Aviation Limited

Sd/-
(Rajiv Bansal)
Chairman
DIN 00245460

Sd/-
(Manjiree M. Vaze)
Company Secretary
ACS-16028

Place : New Delhi
Date : 20/10/2020

Sd/-
(Vinod Hejmadi)
Director
DIN : 07346490

Sd/-
(Ambar Kumar Mondal)
Chief Financial Officer

Sd/-
(C. S. Subbiah)
CEO, AAAL



NOTES FORMING PART OF THE IND AS FINANCIAL STATEMENTS OF ALLIANCE AIR AVIATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 2020

Note No.1: Summary of Significant Accounting Policies

This note provides a list of significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless, otherwise stated. The financial statements are for Alliance Air Aviation Limited. All figures of financials are in (Rupees.), rounded off upto 2 decimals except for Notes to Accounts which are in Rupees Lakhs, unless otherwise stated.

1. Company Information / Overview:

Background:

Alliance Air Aviation Limited (formerly known as Airline Allied Services Limited), a wholly owned subsidiary of Air India Limited a Government of India Company, incorporated in India, registered under the Companies Act, 1956 now erstwhile Companies Act 2013 ("The Act"). The company is in the business of air transportation which includes mainly passenger and cargo services and other related services in India. The Company mainly operates between Tier-2 and Tier-3 cities in India. As at year end, the Company has a fleet of Eighteen ATR – 72-600 aircrafts and one ATR – 42-320 aircrafts.

The registered office of the company is situated at Alliance Bhawan, Domestic Terminal-1, I.G.I. Airport, New Delhi – 110037.

2. Basis of preparation of Financial Statements:

(i) Statement of Compliance:

The Financial Statements of the company comply with Indian Accounting Standards (IndAS) as specified under section 133 of Companies Act 2013 (The Act), read with relevant rules issued thereunder pursuant to the notification issued by Ministry of Corporate Affairs dated 16 February 2015, in conjunction with notifying the Companies (Indian Accounting Standards) Rules, 2015 including amendments and enactments issued under the law in force from time to time, relevant provisions of the Act and other accounting principles generally accepted in India. The Financial statements are prepared on going concern basis following accrual system of accounting.

(ii) Basis of measurement:

The financial statements have been prepared under the historical cost convention on except for certain financial assets and liabilities which are measured at fair value or amortized cost at the end of each financial year.

(iii) Standards issued but not yet effective:

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 1st April, 2020.

(iv) The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1st April 2019:

- 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

The company had to change its accounting policies and make certain adjustments following the adoption of Ind-AS 116. This is disclosed in Note No. 51 of the Ind AS Financial Statements.

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

(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 and Minimum Alternative Tax credit entitlement is determined on the basis of the probability of recovery.
- g) Recognition and measurement of defined benefit obligations
- h) Judgment required to ascertain lease classification
- i) Measurement of grant date 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.
- k) Fair value measurement of financial Assets and Liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

I. Operating cycle & Classification of Current & Non-Current:

Current - Non-Current classification

Presentation of assets and liabilities in the financial statement has been made based on current / non-current classification provided under the Company Act 2013.

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



Operating cycle

The Company being in service sector, there is no specific operating cycle; however, 12 months period has been adopted as “the Operating Cycle” in-terms of the provisions of Schedule III to the Companies Act 2013.

II. Property, Plant and Equipment

A. Initial Recognition and measurement

- a.) The cost of an item of property, plant and equipment is recognized as an asset if,
 - (i) it is probable that future economic benefits associated with the item will flow to the entity; and
 - (ii) the cost of the item can be measured reliably.
- b.) An item of Property Plant and Equipment that qualifies for recognition as an asset shall be measured at its cost.

The cost of an item of property, plant and equipment comprises:

- (i) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - (ii) Incidental costs incurred pertaining to the acquisition and bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management and interest on loans borrowed where ever applicable, up to the date of putting the concerned asset to its working condition for its intended use.
- c.) If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate component of property, plant and equipment.

B. Subsequent Recognition and Measurement

Subsequent costs are included in the asset’s carrying amount or recognized as separate assets, as appropriate, only when it is probable that the future economic benefits associated with expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to Statement of Profit and Loss at the time of incurrence.

The Company has adopted Cost Model as per Ind-AS 16 “Property Plant and Equipment” and Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

C. Depreciation / Amortization

- a) Depreciation is provided on straight-line method over the useful life of the Property, Plant and Equipment as prescribed in the Schedule II of the Companies Act 2013 (except as otherwise stated), keeping a residual value of 5% of the original cost. Depreciation method, useful lives and residual value are reviewed by the management at each year end.
- b) In the case where life of the Plant, Property and Equipment has not been prescribed under Schedule II of the Companies Act, 2013 the same have been determined by technically qualified persons and approved by the Board of Directors, keeping a residual value of 5% of the original cost as stated hereunder:

1. Rotables:

Aircraft Rotables are depreciated over the residual average useful life of the related



'aircraft fleet' from the relevant year of purchase.

2. Ground Support Equipment (GSE):

Depreciation on Ground Support Equipment specific to leased CRJ & ATR aircraft is provided based on the completed aircraft lease months over the total aircraft lease months from the date of use.

- c) Major overhaul costs relating to engine and airframe are identified as separate components are depreciated over the expected lives between major overhauls.
- d) Cost incurred on major modifications/refurbishment on modernization/conversion carried to be depreciated over the useful life.
- e) Depreciation is calculated on a pro-rata basis for assets purchased/sold during the period.

Depreciation has been charged based on the following useful lives:

Particulars of Assets	Useful Lives
Plant & Equipment	5 Years
Furniture & Fixtures	10 years
Vehicle	8 Years
Data Processing Equipments	3 Years
Ground Support Equipments(ATR)	(as per above mentioned policy at II b (2.))
Medical Equipments	15 Years
Airframe Rotables	Based on Lease Period
Aero Engine Rotables	Based on Lease Period

D. Derecognition:

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of property, plant and equipment (calculated as the difference between the net disposal proceeds/ fair value and the carrying amount of property, plant and equipment) is included in the Statement of Profit and Loss when property, plant and equipment is derecognized. The carrying amount of any component accounted as a separate component is derecognized, when replaced or when the property, plant and equipment to which the component relates gets derecognized.

E. Physical Verification of Assets:

Physical Verification of Assets is done on a rotational basis so that every asset is verified in every two years and the discrepancies observed in the course of the verification adjusted in the year in which report is submitted and finalized.

III. Non- Current Assets held for Sale

Assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale in its present condition rather than through continuing use. The net book value of such assets, are transferred from the block of fixed assets to "Assets held for Sale" at lower of the carrying value or Fair Value less cost to sell. No depreciation is provided, once the asset is transferred to Assets Held for Sale.

An Impairment Loss is recognized for any initial or subsequent write-down of the asset to fair value less cost to sell. A gain is recognized for any subsequent increases in fair value less cost to



sell of an asset, but not in excess of any cumulative impairment loss previously recognized.

IV. Intangible Assets

A. Initial Recognition and measurement:

Intangible assets are acquired and recognized only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of assets can be measured reliably.

Intangible assets are recorded at cost of acquisition including incidental costs related to acquisition and installation.

Cost of an intangible assets includes its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use.

B. Subsequent recognition and measurement

Subsequent costs are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure on intangible assets is recognized in the Standalone Statement of Profit and Loss, as incurred.

C. Amortization

Intangible assets which have finite useful lives are amortized on straight line method over the estimated useful life, which is reviewed by the management every year i.e.

- a) Software of Passenger Services System, over 10 years, and
- b) Other software/website, over 5 years.

The Residual Value of Intangible Asset with Finite Useful Life is considered as zero.

D. Derecognition

An Intangible Asset shall be derecognized:

- a) On disposal; or
- b) when no future economic benefits are expected from its use or disposal.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

V. Leases

A. Transition Provision:

The Company has adopted Ind AS 116 Leases from 1st April 2019. Ind AS 116 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

On initial application, the Company elected to adopt the modified retrospective approach, by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance at April 1, 2019, without restating the comparative information.

The company applied Ind AS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under Ind AS 17 were not reassessed/considered. Therefore, the definition of a lease under Ind AS 116 has been applied only to contracts



entered into or changed on or after 1st April 2019.

B. Practical Expedients Used:

The Company has applied following other practical expedients on transition to Ind AS 116 on initial application:

- a. Use of single average discount rate to portfolio of leases of similar assets in similar economic environment with similar conditions for end date.
- b. The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the average of SWAP rates which is the incremental borrowing rate of the company.
- c. Not to recognize right of use assets and lease liabilities for leases with remaining lease term of upto 12 months from the date of initial application (i.e. 1 April 2019) by class of asset and leases of low value asset on lease by lease basis.

C. As 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:

The contract involves the use of an identified asset, and;

The Company has substantially all of the economic benefits from use of the asset through the period of the lease, and;

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

1) Right of Use Assets:

a) Initial Recognition and Measurement:

At the commencement date, the rights of use assets (ROU Assets) are measured at cost. The cost includes-

- a) An amount equal to the lease liabilities
- b) Any lease payments made before commencement date
- c) Any Indirect cost
- d) An Estimate of cost to be incurred in respect of Re-delivery obligations
- e) Less, any incentives received from the Equipment manufacturer in the terms of lease.

b) Subsequent Measurement:

After the commencement date the ROU Assets are measured in accordance with the accounting policy for Property, Plant and Equipment, i.e. ROU are measured at cost, less accumulated depreciation and accumulated impairment losses.

ROU Assets are also correspondingly adjusted to reflect any re-measurement impact in the lease liabilities on account of lease modifications.

ROU Assets will be subject to impairment as per Policy stated in clause no. VII.



2) Lease Liabilities:

a) Initial Recognition and Measurement:

At the commencement date the company measures lease liabilities at the present value of lease payments that are not paid at that date. The lease liabilities include –

- a) Lease Rentals
- b) Payment of Penalties for termination of lease if lease term reflects the company exercising the option to terminate
- c) Less, any incentives receivable

The lease payments are discounted using interest rate implicit in the lease, if that are readily determined. If that rate cannot be readily determined, the company uses incremental borrowing rate.

Incremental Borrowing Rate is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU Assets in a similar economic environment.

b) Subsequent Measurement:

After the commencement date the amount of lease liabilities is increased to reflect the accretion of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is lease modification, including lease modification in the lease term, lease payment or assessment of an option to purchase the underlying asset. The lease liabilities are re-measured by discounting the revised lease payments using revised discount rate at the effective date of modification.

3) Lease Term:

At the commencement date, the company determines the lease term which represents non-cancellable period of initial lease for which the asset is expected to be used, together with the periods covered by an option to extend and terminate the lease, if company is reasonably certain at commencement date to exercise the extension or termination option.

4) Depreciation:

Depreciation on assets held as ROU is charged to Statement of Profit and loss on straight line basis from the commencement date to the earliest of the end of useful life of the ROU Asset or end of lease term.

5) Other Leases:

Lease payments associated with any other leases which falls outside the purview of Ind AS 116, short-term leases, (leases with a term of twelve months or less) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

VI. Inventories:

A. Inventory

- 1.) Inventories primarily consist of stores and spares and loose tools (other than those which meet the criteria of property, plant and equipment) & ATF.
- 2.) Expendable / consumables are charged off in case of initial issue, except issued for capital works which are expensed off when the work order is closed on the completion of repair work.

**B. Valuation of Inventories**

- 1) Inventories are valued at lower of cost and Net Realizable Value ('NRV'). NRV for Stores and spares, loose tools and used in rendering of services are not written down below cost except in cases where the price of such materials have declined and it is estimated that the cost of rendering of services will exceed their selling price.
- 2) Cost of inventories comprise all costs of purchase after deducting non-refundable rebates and discounts and all other costs incurred in bringing the inventories to their present location and condition and is determined on weighted average basis.

C. Diminution in value of inventories

- 1.) Obsolescence provision for aircraft stores and spare parts:
 - i. Provision is made for the non-moving inventory exceeding a period of five years (net realizable value of 5%) except for (ii) & (iii) below and netted off from the value of inventory.
 - ii. Inventory of Aircraft Fleet which has been phased out, is shown at estimated realizable value unless the same can be used in other Aircraft.
 - iii. Provision in respect of inventories exclusively relating to aircraft on dry / wet lease, is made on the basis of the completed lease period compared to the total lease period as at the year-end
- 2.) Full Obsolescence Provision for non-aircraft stores and spares is made for non-moving inventory exceeding a period of five years.
- 3.) Spares retrieved from the cannibalization of the scrapped aircraft are accounted for at Rupee One.

VII. Impairment of Non-Financial Assets:

The Company assesses at each Balance Sheet date whether there is any indication that carrying amount of its non- financial asset has been impaired. If any such indication exists, the provision for impairment is made in accordance with Ind AS-36 by estimating the Recoverable Amount of the asset.

Impairment Testing:

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Recognition of Impairment Loss:

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the Statement of Profit and Loss.

Reversal of Impairment Loss:

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or



amortization, if no impairment loss had been recognized.

A reversal of an impairment loss for an asset shall be recognized immediately to statement of profit and loss.

VIII. Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants shall be recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that become receivable as compensation for expenses or losses incurred in a previous period are recognized in profit or loss of the period in which it becomes receivable.

Government grants related to assets are presented in the balance sheet as deferred income and are recognized in profit or loss on a systematic basis over the expected useful life of the related assets.

IX. Revenue Recognition

A. Revenue from Operation:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Under Ind AS 115, Revenue is recognized upon transfer of control of promised goods or services to customers. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, incentives, amounts collected on behalf of third parties, or other similar items if any as specified in the contracts with the customers.

B. Revenue from different sources is recognized as under:

a) Passenger, Cargo and Mail Revenue

Passenger, Cargo and Mail Revenue are recognized at initial stage when transportation service is provided on flown basis net of discounts given to the passengers, amount collected on behalf of third parties, applicable taxes and airport levies such as passenger service fee, user development fee, etc., if any.

b) Blocked Space arrangements/Code share

Blocked Space arrangements/Code share revenue/expenditure is recognized on an actual basis, based on uplift data received from the code share partners. Wherever details from code share partners are not available, revenue/expenditure is booked to the extent of documents/information received, and adjustments, if any, required are carried out at the time of availability of such information

c) Viability Gap Funding (VGF) and Regional Connectivity Scheme (RCS)

Viability Gap Funding (VGF) and Regional Connectivity Scheme (RCS) are accounted for on the basis of difference between revenue and cost of operations on accrual basis and the same is treated as Operating Income.

d) Other Operating Revenue

Other Operating Revenue is recognized when goods are delivered or services are rendered

e) Other Revenue:



- i.) 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.
- ii.) The claims receivable from Insurance Company are accounted for on the acceptance by the Insurance Company of such claims.
- iii.) Warranty claims/credit notes received from vendors are recognized on acceptance of claim/receipt of credit note.
- iv.) Other Items:
Scrap sales, reimbursement from employees availing medical, educational and other leave without pay, claims of interest from suppliers, other staff claims and lost baggage claims, are recognized on cash basis.

X. Manufacturer's Credit (Cash & Non-Cash Incentives):

Manufacturer's/Lessors' credit entitlements are accounted for on accrual basis and credited to 'Incidental Revenue' by contra debit to 'Advances'; when the credit entitlement are used, the 'advances' are adjusted against the liability created for either acquiring an asset or incurring an expenditure.

XI. Borrowing Cost:

- 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.
- A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use.

- Interest incurred on borrowed funds or other temporary borrowings in anticipation of the receipt of long-term borrowing 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.
- Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing cost includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

XII. Functional Currency and Presentation Currency:

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ("The Functional Currency). The financial statements are presented in Indian Rupee (INR), which is the company's functional and presentation currency.

XIII. Foreign Currency Transactions and Translations:

- a) Foreign Currency Monetary Items
 - i) Foreign currency Revenue and Expenditure transactions relating to Foreign Stations are recorded at established monthly rates (based on published IATA rates). Interline settlement with Airlines for transportation is carried out at the exchange rate published by IATA for respective month.
 - 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 realisation/settlement of foreign exchange transactions and on translation of monetary foreign currency assets and liabilities are recognized in the Statement of Profit and Loss.

- b) Exchange variation is not considered at the year-end in respect of Debts and Loans & Advances for which doubtful provision exists since they are not expected to be realized.

XIV. Employee Benefits:

A. Short-term employee benefits

Employee benefit liabilities such as salaries, wages and bonus, etc. that are expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at an undiscounted amount expected to be paid when the liabilities are settled.

B. Post-employment benefit plans

The Retirement Benefits to the employees comprise of Defined Contribution Plans and Defined Benefit Plans.

- a) **Defined Contribution Plan** is a post employee benefit plan under which an entity pays fixed contribution into separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are recognized as an Employee Benefit Expense in statement of profit and loss in the period during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.
- b) **Defined Benefit Plan is a post employee benefit plan other than defined contribution plan.**

The company's liability towards Gratuity and provident fund scheme to the extent of interest liability on provident fund contribution are in the nature of defined benefit plan.

The company pays fixed contribution to the provident fund at predetermined rate to a separate trust, which invests the fund in permitted securities. The contributions to the fund for the year are recognized as expense and are charged to statement of profit and loss. The obligation of the company is to make such fixed contribution and to ensure a minimum rate of return to the members as specified by Government of India.

The company has an obligation towards Gratuity. The plan provides for a lumpsum payment to vested employee at the time of retirement, death while in employment or on termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Gratuity plan of the company is unfunded.

- c) **Other Long-Term Employee Benefits:** Benefits in the form of Leave Encashment are accounted as other long-term employee benefits. The Company's net obligation in respect of Leave Encashment is the amount of benefit to be settled in future, that employees have earned in return for their service in the current and previous years. The benefit is discounted to determine its present value. The obligation is measured on the basis of an actuarial valuation using the projected unit credit method. Re-measurement are recognized in Statement of Profit and Loss in the period in which they arise.



XV. Income tax

Income tax expense comprises current and deferred tax. Current tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in OCI or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in OCI or equity, in which case it is recognized in OCI or equity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

XVI. 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 an outflow of resources embodying economic benefits will be required to settle the obligation. 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) 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.
- c) 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.

Contingent Assets are disclosed where an inflow of economic benefits is probable

Changes in Provision:

Provisions are reviewed at the end of each reporting period and are adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

When discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as Finance Cost.

**XVII. 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.

XVIII. Earnings 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.

XIX. Fair Value Measurement:

The Company measures financial instruments at fair value at each balance sheet date.

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 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.

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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to/ by the Company.

**XX. 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 or fair value through Statement of Profit and Loss 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 an 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 are 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 assetor in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any gain or loss on derecognition is recognized in the Statement of Profit and Loss

(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 and all lease receivables etc.

For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition, in which case those financial assets are measured at lifetime ECL. The changes (incremental or reversal) in loss allowance computed using ECL model, are recognized as an impairment gain or loss in the Statement of Profit and Loss.

(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 counter party 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.

C. 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 and net gains and losses, including any interest expense, are recognized in the Statement of Profit and Loss.

A financial liability is classified as FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition.

(iii) Subsequent measurement

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

a.) Financial liabilities at amortized cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in The Statement of Profit and Loss.

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) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the Statement of Profit and Loss.

(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 sale on a net basis, to realize the assets and sale the liabilities simultaneously

XXI. Materiality Threshold Limits:

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

Thresh hold Items	Unit	Thresh hold Value
Prior Period Expenditure/Revenue	Lakhs	10.00
Prepaid Expense	Lakhs	0.10
Foreign Stations	Lakhs	0.50
Domestic Stations	Lakhs	0.10
Contingent Liability & Capital Commitments	Lakhs	1.00
Fair Valuation of Financial Instruments	Lakhs	50.00

For S.K Kapoor & Co.

Chartered Accountants

Firm Registration No. FRN NO.000745C

Sd/-

V. B. Singh

Partner

Membership No: 073124

UDIN: 20073124AAAADF8843

For and on behalf of the Board of Directors of Alliance Air Aviation Limited

Sd/-

(Rajiv Bansal)

Chairman

DIN 00245460

Sd/-

(Vinod Hejmadi)

Director

DIN : 07346490

Sd/-

(C. S. Subbiah)

CEO, AAAL

Sd/-

(Manjiree M. Vaze)

Company Secretary

ACS-16028

Sd/-

(Ambar Kumar Mondal)

Chief Financial Officer

Place : New Delhi

Date : 20/10/2020

Place : New Delhi

Date : 20/10/2020



NOTE 2 (a) PLANT, PROPERTY & EQUIPMENT FY 2019-20

PARTICULARS OF ASSETS	Useful Life as per Schedule II	GROSS BLOCK AS ON 31.03.2019	ADDITI-ONS DURING 2019-20	SOLD/ DISCA-RDED DURING 2019-20	GROSS BLOCK AS ON 31.03.2020	Accum-ulated Dep. UP TO 01.04.2019	DEPRE-CIATION FOR THE YEAR 2019-20	ADJUST-MENT MADE DURING THE YEAR *	CUMULATIVE DEPRE-CIATION AS ON 31.03.2020	NET BLOCK AS ON 31.03.2020	NET BLOCK AS ON 31.03.2019
		1	2	3	4	5	6	7	8	9	10
PLANT & EQUIPMENT	5 Years	9,256,975	1,063,136		10,320,111	2,452,658	1,791,213	18,615	4,243,871	6,057,625	6,785,702
FURNITURE & FIXTURES	10 years	6,515,368	1,115,389		7,630,757	2,235,626	532,143	(36,709)	2,767,768	4,899,698	4,316,454
VEHICLE	8 Years	3,665,252	-	858,937	2,806,315	2,324,388	214,247		1,679,698	1,126,617	1,340,813
DATA PROCESSING EQUIPMENT	3 Years	15,079,891	5,839,921		20,919,812	6,692,519	5,259,057		11,951,576	8,968,236	8,387,420
GROUND SUPPORT EQUIPMENT (ATR)	(as per policy)	8,174,949	-		8,174,949	8,174,949	-		8,174,949	-	-
F.A Pending Disposal	-	-			-	-			-	-	-
AIRFRAME ROTABLES	Based on Lease Period	158,234,285	7,022,018		165,256,302	82,804,728	13,301,866		96,106,595	69,149,708	75,429,556
AERO ENGINE ROTABLES	Based on Lease Period	1,464,133	-		1,464,133	285,565	146,392		431,957	1,032,176	1,178,568
Total as on 31.03.2020		202,390,852	15,040,463	858,937	216,572,379	104,970,433	21,244,918	(18,094)	125,356,413	91,234,059	97,438,513
Total as on 31.03.2019		166,684,169	35,706,682	-	202,390,852	89,248,494	15,703,845	-	104,952,339	97,438,513	77,435,673

*NOTE: The adjustment made during the year is due to the difference in the system and the Financial Statements due to migration to SAP Accounting software.

NOTE NO : 2(b) RIGHT OF USE ASSET

Amount in Rs.

PARTICULARS OF ASSETS	Useful Life as per Schedule II	As at 01.04.2019 on account of adoption of Ind AS 116	ADDITI-ONS DURING 2019-20	SOLD/ DISCA-RDED DURING 2019-20	Adjustments during 2019-20	GROSS BLOCK AS ON 31.03.2020	Accumulated Dep. As at 01.04.2019 on account of adoption of Ind AS 116	DEPRE-CIATION FOR THE YEAR 2019-20	CUMULATIVE DEPRE-CIATION AS ON 31.03.2020	NET CARRYING VALUE AS ON 31.03.2019
ROU ASSET	Based on Lease Period	21,319,980,569	-	-	-	21,319,980,569	-	2,266,648,744	2,266,648,744	19,053,331,825

**NOTE NO.-3 : OTHER FINANCIAL ASSET**

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Unsecured Considered Good Deposits (Maturity more than 12 months) (includes FDR under lien)	81,53,20,710	1,09,37,74,522
Advance to Suppliers - Considered Doubtful	3,06,24,585	3,06,24,585
Less: Impairment Allowances to Doubtful Debts	(3,06,24,585)	(3,06,24,585)
Total	81,53,20,710	1,09,37,74,522

NOTE NO.- 4 : INCOME TAX ASSETS

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Advance Payment of Income Tax including TDS	41,37,16,731	20,54,91,790
Less: Provision for taxation	(1,64,40,335)	(1,64,40,335)
Total	39,72,76,396	18,90,51,455

NOTE NO.- 5 : OTHER NON CURRENT ASSETS

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Unsecured Considered Good Advances other than Capital Advances a) Security Deposits (Maintenance Reserve)	2,47,06,03,621	1,81,42,72,477
Total	2,47,06,03,621	1,81,42,72,477

NOTE NO.- 6 : INVENTORIES

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Stores and Spare Parts *	46,32,29,435	32,20,17,389
Loose Tools *	22,92,523	19,28,528
Goods in Transit	-	20,66,856
Less: Provision for Obsolescence & Shortages	(16,85,55,573)	(11,08,31,563)
Total	29,69,66,384	21,51,81,210

* For valuation refer Significant Accounting Policy clause 3(VI)(B)

**NOTE NO.- 7 : TRADE RECEIVABLES**

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Secured, considered good	-	-
Unsecured, considered good	78,75,54,895	98,68,53,534
Trade Receivable which have significant increase in Credit Risk	-	-
Trade Receivable- Credit Impaired	2,64,60,571	5,02,00,151
Less: Impairment Allowance for doubtful receivables	(2,64,60,571)	(5,02,00,151)
Total	78,75,54,895	98,68,53,534

NOTE NO.- 8 : CASH AND CASH EQUIVALENTS

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Balance with Banks		
- In Current Accounts	30,74,69,881	3,84,84,012
Cash in hand	2,78,693	191
Total	30,77,48,574	3,84,84,203

NOTE NO.- 9 : BANK BALANCES OTHER THAN CASH EQUIVALENTS

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Balance with Banks		
In Margin Money Deposits (3 < Maturity < 12)	1,43,55,707	21,98,24,920
Total	1,43,55,707	21,98,24,920

NOTE NO.- 10 : LOANS

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Unsecured, Considered Good		
Security Deposits	44,39,58,607	17,53,79,282
Total	44,39,58,607	17,53,79,282

**NOTE NO.- 11 : OTHER FINANCIAL ASSETS**

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Unsecured Considered Good Advances to Suppliers	18,88,76,216	13,77,27,915
Advances to Staff	3,38,301	5,29,540
Unsecured Considered Doubtful Advances to Staff	54,52,414	54,52,414
Less: Allowance for Doubtful Staff Advances	(54,52,414)	(54,52,414)
Total	18,92,14,517	13,82,57,454

NOTE NO.- 12 : OTHER CURRENT ASSETS

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Unsecured Considered Good Prepaid Expenses	10,40,31,962	1,03,77,098
Receivable from Related Parties	4,54,98,135	6,21,45,172
Receivable from Others	2,50,21,638	1,29,375
GST Input Tax Recoverable	62,97,66,679	32,51,75,203
Unsecured Considered Doubtful Deposits with High Court *	22,23,71,101	22,22,73,088
Provision for Doubtful Advance -Security Deposit	(22,22,73,088)	(22,22,73,088)
Total	80,44,16,426	39,78,26,848

*Refer Note No. 49 of the Ind AS Financial Statements

NOTE NO.- 13 : EQUITY SHARE CAPITAL

Particulars	As at March 31st, 2020	As at March 31st, 2019
<u>Authorised Share Capital</u> 2000,00,000 Equity Shares of Rs.100/- each (Previous Year 2000,00,000 Equity Shares of Rs. 100/- each)	2000,00,00,000	2000,00,00,000
	2000,00,00,000	2000,00,00,000
<u>Issued, Subscribed & fully Paid up Share Capital</u> 402,25,000 Equity Shares of Rs.100/- each, fully paid-up (Previous Year 402,25,000 Equity Shares of Rs. 100/- each)	4,02,25,00,000	4,02,25,00,000
	4,02,25,00,000	4,02,25,00,000



13 (a) Reconciliation of no. of shares	As at March 31st, 2020	As at March 31st, 2019
No. of equity shares at the beginning of year	4,02,25,000	4,02,25,000
Add No. of equity shares issued		-
Less No. of equity shares redeemed		-
No. of equity shares at the closing of the year	4,02,25,000	4,02,25,000

13 (b) Equity Shares: Terms and Conditions/Rights attached for Equity Shares

The company has only one class of equity shares having a par value of Rs. 100 per share. Each shareholder is eligible for one vote per share held. There is no restriction of payment of dividend. In the liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts proportionate of their shareholding.

13 (c) Equity Shares held by its Holding Company

402,25,000 Equity Shares (Previous Year 4,02,25,000 equity shares) are held by Air India Limited, the holding company and its nominees (on behalf of holding company)

13 (d) Details of shareholder holding more than 5% of Equity Shares:

Name of Shareholder	As at March 31st, 2020	As at March 31st, 2019
Air India Limited, Holding Company and its nominees (on behalf of holding company)	4,02,25,000	4,02,25,000
No. Of Share	4,02,25,000	4,02,25,000
Percentage of Holding	100%	100%

NOTE NO.-14 : OTHER EQUITY

Particulars	As at March 31st, 2020	As at March 31st, 2019
1. Surplus /(Deficit) in statement of profit & loss		
Opening balance	(24,00,36,02,723)	(21,07,88,22,929)
Add: Profit / (Loss) for the year	(2,00,62,64,497)	(2,92,39,54,394)
Less: Impact of Ind As 116	(59,37,42,973)	-
Add: Prior Period Adjustments	-	-
Less : Adjustment of the opening balance of OCI for Leave Encashment	1,10,31,486	-
Transfer from Reserve		(8,25,400)
Closing balance	(26,59,25,78,707)	(24,00,36,02,723)
2. Other Comprehensive Income		
Opening balance	1,83,16,166	1,75,96,051
Add: Adjustment of the opening balance of OCI for Leave Encashment	(1,10,31,486)	-
Add: For the Year	(37,41,023)	7,20,115
Closing balance	35,43,657	1,83,16,166
Total	(26,58,90,35,050)	(23,98,52,86,557)

**NOTE NO.- 15 : LEASE LIABILITIES**

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Lease Liabilities	21,68,56,89,883	-
Less: Current Portion of lease liability (Disclosed as Current Liability in Balance Sheet)	(3,45,12,311)	-
Non current lease liabilities	21,65,11,77,572	-
TOTAL	21,65,11,77,572	-

NOTE NO.- 16 : PROVISIONS

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Provisions for Employee Benefits		
Provision for Gratuity	5,67,78,149	4,25,78,367
Less : Current Portion of Gratuity (Disclosed under Note No. 20)	(13,75,036)	(13,90,076)
Provision for Leave Encashment	2,54,83,067	2,27,59,724
Less : Current Portion of Leave Encashment (Disclosed under Note No. 20)	(7,41,733)	(7,91,039)
Other Provisions		
Provision for Re-delivery of Aircraft	50,73,42,820	16,49,18,604
TOTAL	58,74,87,267	22,80,75,580

NOTE NO.-17 : CURRENT BORROWINGS

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Air India Ltd. (Holding Company) *	16,90,22,63,593	16,33,35,64,375
TOTAL	16,90,22,63,593	16,33,35,64,375

* Refer Note No. 40 of the Ind AS Financial Statements

NOTE NO.-18 : TRADE PAYABLES

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
a.) Total outstanding dues of Micro Enterprises and Small Enterprises	1,03,90,748	67,18,237
b.) Total outstanding dues of Creditor other than Micro Enterprises and Small Enterprises		



Particulars	As at March 31st, 2020	As at March 31st, 2019
- Provision for Expenses	65,18,94,093	1,23,07,43,151
- Vendors in India	3,95,25,81,665	2,54,99,10,326
- Vendors Outside India	1,08,70,74,013	86,61,49,481
- Payable to Related Parties	2,24,04,87,569	91,12,25,576
- Supplier-MRO-RAMCO	15,12,95,164	15,08,29,693
TOTAL	8,09,37,23,252	5,71,55,76,464

NOTE NO.- 19 : OTHER CURRENT FINANCIAL LIABILITIES

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Earnest Money Deposit	26,88,551	12,00,000
Security Deposits	30,98,17,524	31,01,44,724
Others	19,14,09,229	23,43,783,002
TOTAL	50,39,15,304	2,65,51,27,726

NOTE NO.- 20 : CURRENT PROVISIONS

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Provision for Gratuity Liability	13,75,036	13,90,076
Provision for Leave Enchashment	7,41,733	7,91,039
Provision for Re-delivery	-	-
TOTAL	21,16,769	21,81,115

NOTE NO.- 21 : OTHER CURRENT LIABILITIES

(Amount in Rs.)

Particulars	As at March 31st, 2020	As at March 31st, 2019
Advance from Suppliers	19,45,12,295	26,44,98,055
Statutory dues Payable		
- TDS on GST payable	58,05,859	13,70,435
- TDS payable as per Income Tax	22,08,98,251	9,51,25,514
- Provident Fund Payable	84,84,796	-
- Service Tax Payable	3,34,39,478	3,34,39,478
- Others	1,80,023	1,72,233
TOTAL	46,33,20,703	39,46,05,715



NOTE NO.- 22 : REVENUE FROM OPERATIONS

Particulars	(Amount in Rs.)	
	2019-20	2018-19
1. Operational Revenue		
i) Scheduled Traffic Services		
a) Passenger	7,04,78,70,156	6,91,59,88,203
b) Excess Baggage	7,66,17,338	4,88,432
c) Mail	21,02,992	42,552
d) Cargo	94,48,781	28,21,845
	7,13,60,39,268	6,91,93,41,032
ii) Non-Schedule Traffic Services		
a) Charter	3,07,99,500	2,05,83,626
b) Subsidy for Operation from Government	2,38,89,22,074	1,22,54,27,691
	2,41,97,21,574	1,24,60,11,317
iii) Other Operating Revenue		
a) Handling and Servicing	5,625	-
b) Manufacturers Credit	33,59,88,885	-
c) Handling Servicing and Incidental Revenue	3,85,32,047	5,07,66,565
	37,45,26,556	5,07,66,565
TOTAL	9,93,02,87,398	8,21,61,18,914

NOTE NO.- 23 : OTHER INCOME

Particulars	(Amount in Rs.)	
	2019-20	2018-19
1. Interest on Fixed Deposit-India	8,02,54,203	9,37,00,779
2. Others		
- Provisions No Longer Required Written Back*	1,80,09,97,551	5,29,63,148
TOTAL	1,88,12,51,753	14,66,63,927

* Refer Note no. 52 of the Ind AS Financial Statements (Not in original)

NOTE NO- 24 :

Other Operating Expense	(Amount in Rs.)	
	2019-20	2018-19
i) <u>Aircraft Lease, Handling & Maintenance charges</u>		
Lease of Aircraft Engine	7,56,43,834	2,12,24,95,103
Handling	42,19,85,191	39,99,07,327
Maintenance	1,55,64,05,018	2,11,92,58,685
	2,05,40,34,043	4,64,16,61,115
ii) <u>Navigation, Landing, Housing & Parking</u>		
Landing Fees - Scheduled & Other Ops	2,96,06,135	2,51,36,955
Housing & Parking Fees	1,02,21,375	1,03,27,967



Flight Comm & Navigation Charges	22,29,58,170	22,10,03,553
	26,27,85,680	25,64,68,476
iii) Other Communication Charges		
Telephone Equipment Rental	26,318	68,250
Expenses on Reservation System	47,37,36,385	35,74,04,659
Postage Telegram & Courier Charges	1,60,851	1,26,974
Telephone & Trunk Call Charges	17,09,108	14,04,036
	47,56,32,662	35,90,03,919
iv) Passenger Amenities		
Inflight & Hotel Consumables Consumption	-	-
Pax Amenities - Catering On Ground	2,91,01,541	2,21,47,665
Pax Amenities - Catering On Board	9,02,58,450	10,92,18,490
Pax Amenities - Hotel Expenses	4,48,641	17,54,776
Pax Amenities - Inflight Programme	-	-
Pax. Call center Charges	1,72,64,971	2,50,47,704
Pax Amenities - News Paper & Magazines	69,403	10,66,324
	13,71,43,006	15,92,34,959
v) Insurance		
Insurance - Aircraft	7,97,97,373	3,80,67,112
Insurance General	11,947	22,384
	7,98,09,320	3,80,89,496
vi) Inventory Consumption		
Material Consumed-Aircraft	13,65,15,799	3,27,84,952
Provision for Obsolescence (Net)	5,77,24,010	(1,99,43,630)
	19,42,39,809	1,28,41,322
vii) Booking Agency Commission (Net)		
Commision on Ticket sale	8,74,82,813	16,47,03,103
	8,74,82,813	16,47,03,103
TOTAL	3,29,11,27,333	5,63,20,02,391

NOTE NO.- 25
(Amount in Rs.)

EMPLOYEE BENEFIT EXPENSES	2019-20	2018-19
1. Salary, Wages and Bonus		
Salaries - Staff In India	86,73,06,077	7,543,37,281
Bonus Expense	61,12,331	48,84,725
	87,34,18,408	75,92,22,006
2. Crew Allowances		
Hourly Payments	-	-
Foreign Contract Pilots Fees & Claims	73,63,70,542	65,26,91,026



EMPLOYEE BENEFIT EXPENSES	2019-20	2018-19
	73,63,70,542	65,26,91,026
<u>3. Contribution to Provident and Other Funds</u>		
CC Provident Fund-Staff in India	1,21,36,656	1,04,05,656
	1,21,36,656	1,04,05,656
<u>4. Staff Welfare Expenses (Net)</u>		
Other Staff Welfare Expenses	2,02,88,346	3,40,89,683
Staff Training Expenses	6,09,311	38,60,304
	2,08,97,657	3,79,49,987
5. Gratuity	1,02,11,425	79,81,063
6. Leave Encashment	53,23,654	55,00,613
TOTAL	1,65,83,58,342	1,47,37,50,351
NOTE NO.-26		
FINANCE COST	2019-20	2018-19
(i) Interest on Loans:		
- Interest on AI Loan (Holding Company)	1,44,62,55,343	1,38,26,46,876
(ii) Interest expense on lease liabilities*	2,71,41,02,306	-
(iii) Bank Charges	2,12,78,003	2,58,10,681
(iv) Delayed Payment Charges to Fuel Companies	19,38,39,068	8,83,61,346
(v) Interest charged by related parties	16,66,76,637	9,96,20,512
TOTAL	4,54,21,51,356	1,59,64,39,414

* Includes Exchange Differences amounting Note No 26 Financial cost on hiring to Rs. 197,69,84,518/- , P/Y Rs. 00.00 on account of translation of lease liabilities.

NOTE NO.- 27 :

(Amount in Rs.)

OTHER EXPENSES	2019-20	2018-19
Travelling Expenses	8,49,82,733	8,81,92,564
Rent	2,85,05,976	3,27,43,272
Repair Charges	-	20,69,502
Hire of Transport	3,17,06,447	4,24,89,107
Electricity / Heating & Fuel Charges	66,82,254	62,25,427
Water Charges	13,540	5,460
Printing and Stationary	38,47,414	28,75,328
Publicity and Sales Promotion	7,76,105	8,05,452
Legal Charges	8,19,370	10,58,359
Audit & Other Fees		
-Audit Fees	6,50,000	6,50,000
-Reimbursement of Expenses	-	-
Provision for Redelivery & other charges	-	15,66,17,420



Provision for Obsolescence (Net)	-	-
Provision for Bad & Doubtful Advances	2,36,83,327	8,03,66,628
Exchange Variation (Net)	(18,76,98,966)	3,24,21,724
Professional / Consultation Fees & Expenses	3,83,40,988	1,95,96,958
Fees to DGCA	10,74,323	36,02,890
Office Cleaning Expenses	1,02,025	59,939
Entertainment Expenses - General	4,07,912	4,49,606
Books & Periodicals - Jeppesen / Technical	1,90,65,749	1,37,31,536
Surplus/Loss on Assets sold or scrapped	-	-
Other Misc. Expenses	1,49,33,512	63,87,795
Interest on delayed payment of TDS	69,11,717	1,04,41,134
Interest on delayed payment of Service Tax/GST	2,31,390	29,31,972
TOTAL	7,50,35,815	5,037,22,074

NOTE NO.- 28 :

(Amount in Rs.)

EXCEPTIONAL ITEM	As at March 31st, 2020	As at March 31st, 2019
Inventory Migration Surplus		
Aircraft Inventory Written Back	-	-
Inventory Migration Account - MRO	-	-
Provision for Inventory Reconciliation (Expenses)	-	-
TOTAL	-	-

NOTE NO.- 29 :

(Amount in Rs.)

DISCLOSURE OF EARNING PER SHARE	As at March 31st, 2020	As at March 31st, 2019
a) Weighted average number of shares at the beginning of year	40,225,000	40,225,000
b) Weighted average number of shares at the end of year	40,225,000	40,225,000
c) Net profit after tax available for equity shareholders (Rupees)	(2,006,264,497)	(2,923,954,394)
d) Basic and Diluted Earning Per Share (Rupees)	(49.88)	(72.69)
e) Par Value of Share (Rupees)	100	100



NOTES FORMING PART OF THE FINANCIAL STATEMENTS OF FOR THE YEAR ENDED 31 MARCH 2020

30. 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) committee to guide the process of strategic disinvestment.

The Transaction Advisor, Legal Advisor and Asset valuer have been appointed by AISAM, 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) Alliance Air Aviation Limited, (AAAL)
 - ii) AI Airport Services Ltd (AIASL)
 - iii) Air India Engineering Services Limited (AIESL),
 - 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, AAAL, 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 AAAL, AIASL, 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, AAAL 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.
- (vi) However, in the AISAM meeting held on 18th June 2018 it was decided that in view of volatile crude price and adverse fluctuation in exchange rate the present environment is not conducive to stimulate interest amongst investors for strategic disinvestment of AI in near future. It has been decided that once the global economic indicators including oil price and the forex regime stabilized, the opinion of strategic disinvestment of Air India should be brought before AISAM , for deliberating the future course of action.

As on date MOCA did not take any decision for disinvestment of Alliance air. MOCA separately decide the contours of the mode of disposal of the subsidiaries viz. Alliance Air Aviation Limited erstwhile Airline



Allied Services Ltd.

31. Contingent Liabilities & Contingent Assets:

A. **In compliance of Ind AS 37 on “Provisions, Contingent Liabilities and Contingent Assets”, the required information is as under:**

Claims against AAAL not acknowledged as debts (excluding interest (for which no claim received) and penalty wherever likely to be applicable) and being contested to the extent ascertainable and quantifiable.

Amount in Rs. lakhs

Description	Opening Balance As on 01.04.2019	Addition During the Year	Utilization during the Year	Reversals during the Year	Balance As on 31 st March 2020
* Income Tax Demand Notices Received by Company which are under Appeal	392.80	-		22.94	369.86
** Other Claims on account of Other contingent Liabilities	2157.83	5394.95	1104.30	-	6448.48
Grand Total	2550.63	5394.95	1104.30	22.94	6818.34

*The disputed demands shown above are excluding interest on demand

No provision has been considered necessary in respect of disputed demand of Income tax amounting Rs. 369.86 Lakhs (Previous year's Rs. 392.80 Lakhs) in view of company's appeals pending with appellate authorities. However, the same is shown above under contingent Liabilities.

B. **** Explanatory Statement in respect of Other Contingent Liabilities**

- a.) Standby Letter of Credits under Aircraft Lease and Maintenance Support Agreement for ATR aircraft operations **Rs. Nil Lakhs** (Rs. 1104.30 lakhs)
(Based on guarantee given by Air India Ltd. the parent company)
- b.) Interest liability on account of delay in foreign remittance raised by the vendor, amounting to Rs. 700.00 Lakhs (Previous year's Rs. 239.80 Lakhs), will not be considered as debt. Negotiation with the vendor is going on for withdrawal of interest claim.
- c.) Miscellaneous claim **Rs. 5748.48 lakhs** (Rs. 813.73 lakhs) includes:
 - Claim towards invoices against PBH orders and repairs raised by ATR and other foreign vendors but not accepted by AAAL amounting Rs. 1333.08 Lakhs.
 - AISATS Claims amounting of Rs. 608.12 Lakhs towards charges billed which are not as per MSA, thus not accounted by AAAL.
 - Unsettled legal claims of Rs. 217.06 Lakhs (Rs. 149.90 Lakhs) in respect of ongoing legal cases.
 - AAAL has issued bank guarantees to AAI at the time of award of RCS sectors amounting Rs. 1664.22 Lakhs.
 - Rs. 1926.00 lakhs towards the amounts of differences identified in the process of reconciliations with Airports Authority.

C. Provision for Re-Delivery

Amount in Rs. lakhs

PARTICULARS	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance as at beginning of the year	1649.18	3834.86
Provisions created during the year*	2441.80	756.02
Interest accretion on provisions during the year	144.29	0.00
Amounts utilized/adjusted during the year	0.00	2941.69
Impact of exchange loss on restatement of opening provision		
Impact of exchange loss on restatement of closing provision	419.07	0.00
Balance as at end of the year	4654.36	1649.19
Balance as at end of the year - Non-current	4654.36	1649.19
Balance as at end of the year - Current	0.00	0.00

*Provision for redelivery obligation: The Company has in its fleet, aircrafts on lease. As contractually agreed under the lease contracts, the aircrafts have to be redelivered to the lessors at the end of the lease term under stipulated contractual return conditions. After the adoption of Ind AS 116 "Leases", At inception of the lease, the redelivery obligations are determined by management based on historical trends and data, and are capitalized to the Right of Use Asset at the present value of expected outflow, where effect of the time value of money is material.

32. Disclosure as per Ind AS 8 "Accounting Policy, Changes in Accounting Estimates and Errors"

During the year the company has recognized prior period error amounting to Rs. 424.32 Lakhs (net) by re-stating the balances of its comparative period i.e. 2018-19 presented including comparative statement of profit and loss.

Since the errors only pertains to the comparative period presented, hence as per Ind AS 8 the re-statement has been done in the comparative period only.

a) **Nature of Prior period error –**

A prior Period error pertains to entries of certain provisions which the parent (Air India Ltd) had transferred to the company and debited as expenditure in the books of the company for 2018-19. The same expenditures were already debited by the company in the year 2018-19 based on their dealing with the parties. The excess expenditure which was transferred by Air India in the nature of provisions is treated as Prior Period Error and the adjustments have been done as per Ind AS 8.

b) **Amount of correction done –**

Amount in Rs. lakhs

Head of Income/Expense	Balance as on 31.03.2019	Re-stated Balance as on 31.03.2019	Difference (Prior Period Error)
RENT	725.68	327.43	(398.25)
MAINTANCE	21084.89	21192.59	107.69



Head of Income/Expense	Balance as on 31.03.2019	Re-stated Balance as on 31.03.2019	Difference (Prior Period Error)
FLIGHT COMMISSION AND NAVIGATION CHARGES	2242.85	2210.04	(32.82)
EXPENSE ON RESERVATION SYSTEM	4001.31	3574.05	(427.26)
SALARY	7247.35	7543.37	296.02
OTHER STAFF WELFARE	310.60	340.90	30.29

33. Commitments:**a. Capital & Other Commitments:**

Estimated amount of contracts remaining to be executed on Capital Account are given hereunder:

Amount in Rs. lakhs

Particulars	As at 31 March 2020	As at 31 March 2019
Engine Procurement commitment	2355.32	NIL

b. Other Long-Term Commitments: Nil.**34. Compensation/Credits****Grants Receivable by AAAL**

i) AAAL is operating following sectors under VGF Arrangements with respective Govt. authorities:

Sr. No	VGF Signed With	Sectors
I	North-East Council	North-East
II	UT-Lakshadweep	Agatti
III	UT-Daman & Diu	Diu

ii). MOU executed between the Company and Union Territory of Daman & Diu for providing Air Operation Service on VGF model. The MOU with Union Territory of Daman & Diu was valid up to 25.10.2017. AAAL is still providing Air operation services and claiming the VGF amount in terms of MOU valid till 25.10.2017. However, AAAL has already received payments against the services provided till March'20. AAAL request dated 16.1.2019 for the extension of MOU for the years 2017-18 & 2018-19 to Union Territory of Daman & Diu and Dadar Nagar Havelli is in the process of execution.

35. Physical Verification & Reconciliation**a) Property, Plant and Equipment (PPE)**

As per policy of the company, the biennial exercise of physical verification of Property, Plant and Equipment which was due to be completed in the financial year 2019-20 could not be completed due to Global pandemic of COVID-19.

b) Physical Verification of Aircraft Inventory

As per policy of the company, exercise of physical verification of inventory which was due to be completed in the financial year 2019-20., however due to Global pandemic of COVID-19., the



physical verification work could not be complete by outside agencies, the agency will complete the same in 2020-21.

c) **Confirmations/Reconciliations**

- 1) The company has sought confirmation of balances for major receivables, payables. Wherever the balances confirmed by the parties are not in agreement with the books, reconciliation of the differences is under process.

Details of unconfirmed balances are tabulated as under:

Amount in Rs. lakhs

Head of Account	Balance as per Books	Balance which is unconfirmed	% of amount unconfirmed
TRADE PAYABLE	80937.23	9906.72	12.24%
TRADE RECEIVABLE	7875.55	967.86	12.00%

- 2) The reconciliations of TDS & GST has been outsourced to outside professional firms and the amount shown as on 31st March 2020 are in the agreement with the returns filed.
- 3) Balance confirmation certificates as on 31st March 2020 have been sent to all vendors and customers. Confirmations have been obtained from 93% of the total amount in case of vendors and in case of the customers all the parties are Govt/Dept/Ministry and 88% of the total dues as on 31st March 2020 are confirmed and out of the total dues from the customer 95% of the amount has been received in 2020-21.
- 4) The reconciliation and matching of certain unmatched receivable and payables including suspense / Control ledger and staff related accounts are under process. Impact if any or consequential adjustments arising out of the reconciliation although immaterial if any, will be dealt with, in the year of completion of Reconciliation.

36. Internal Control

The company has already taken the steps for strengthening the internal audit process so as to ensure the coverage of all the areas as envisaged in the Minimum Audit Programme and also to ensure the effective internal control at stations and regional offices. To comply with the same, Independent firm of Chartered Accountants has been appointed for conducting the internal audit to provide suggestions for the improvement in the system required if any. The scope of the internal auditor is reviewed by management from time to time so as to ensure to implement the effective internal controls at stations, regional offices and user departments and system for uniform and timely accounting entries of transactions in SAP.

Further, company has also appointed an independent professional firm during 2019-20 to conduct and evaluate the existing Internal Financial Control (IFC) to further strengthen the internal control system of the Company. The report for the year 2019-20 has also been submitted to the company.

37. Inventories

1. The inventory is mainly comprised of aircraft spares & consumables and tools of ATR aircraft. The spares for exclusive use in ATR aircraft are being procured through AIL's (Air India Ltd) MMD department and recorded with the help of, Inventory Management System called RAMCO system, which is also used for procuring, controlling, issuing and managing the inventory of the entire Air India Group Companies maintained at AIL. For inventory including consumables, which can be commonly used for ATR, Airbus and Boeing aircraft is being procured either by



AIL or by AAAL. The consumption and closing stock is ascertained on the basis of the reports generated from RAMCO system and is based on the global reconciliation for the entire Air India Group companies. The interface between RAMCO and SAP took place in August' 2018, ensuring the correct allocation of inventory to the respective companies, thus, reducing the errors due to manual intervention between inventory systems and accounting system. Based on the advices received from AIL and reconciliation of manual and integrated entries in SAP, the reconciliation differences under various inventory groups viz-a-viz SAP is under process.

2. RAMCO is a comprehensive Maintenance, Repair and Overhaul system for all engineering items. This system was primarily meant for the MRO operations and therefore as per original design system was configured in such way that all transactions will be booked and accounted in a single Operating Unit (OU) viz Air India Engineering Services Ltd. But, after the implementation of this system, management decided to book all the inventory and related transactions in the respective Airlines. It was therefore a challenge to segregate the transactions that took place in one single OU (Operated by AIESL) in respective airlines.

As required, manual segregation of the transactions which were booked in AIESL for transfer to respective Airlines was initiated. This was the starting point of airline wise mismatch of transactions.

As transactions are carried out in one single OU and then manually separated reconciliation at global level at the end of every year to match the system balances with book balance is required to be carried out.

To avoid the above mismatch, RAMCO has come out with a robust functionality so that transactions will get booked correctly in the respective airlines. Further, for this purpose all the inventory items required for respective internal Airlines have been identified and moved to respective airlines in RAMCO system. This functionality was implemented during 2018-19 and all the required changes were done by the RAMCO to implement the same. Due to changes carried out by RAMCO during the year to reconfigure the system, there are some differences in values appearing in RAMCO system viz-a-viz SAP amounting to Rs 1226 lakhs out of which Rs. 628 lakhs has been adjusted in 2020-21. Balance of Rs. 598 lakhs are to be adjusted either against advance or in stock with no impact in profit & loss account.

During the year, long pending interface between RAMCO and SAP was also implemented so all the transactions which were taking place in RAMCO will now be flown directly to SAP. There are some discrepancies as mentioned above, in the inventory and other accounts which have arisen over the years since implementation of RAMCO due to single OU design and non-interface with SAP. Impact of such discrepancies will be located in 2020-21 and necessary regrouping will be carried out.

3. Goods in transit amounting to **Rs. NIL Lakhs** (Previous year's Rs. 20.70 lakhs) includes items at High Seas, items lying with Customs and items under inspection based on certification by Air India Ltd.
4. Custom Duties, Freight & Incidentals in RAMCO is done on block level instead of at transaction level. At the year end, Freight Duty & Insurance is expensed off on the basis of the ratio of closing inventory to Consumption of Inventory during the year. Unallocated custom duty paid on aircraft spares is shown under Inventory.

38. Status of Reconciliation with Airport Operators

1. The accounts with BIAL, DIAL, HIAL and MIAL have been reconciled up to 31.03.2020.
2. The subject fact relating to the interests claim on overdue amount has not been received from any private airport operators. During the current year the Air India management has engaged



the services of an outside professional firm for deciding the interest rate of the private operator based on the actual finance cost incurred by them on this account and necessary action will be taken only on reconciliation and confirmation from the private operator. Alliance Air will follow the decision taken by Air India in this regard. On acceptance, the claim on account of interest on overdue amount by Air India, Alliance Air will also accept the same in books in line with Air India.

3. The reconciliation of dues with Airport Authority of India (AAI) is in progress for finalization. However during the year 2019-20 the reconciliation with AAI has been completed for FY 2018-19 and FY 2019-20. Similar process of reconciliation for the previous years prior to FY 2018-19 is also in progress.
4. As per AAALbooks of Accounts, an amount of Rs.4345.50Lakhs (previous year Rs.4295.40Lakhs) was payable to AAI as on 31st March 2020. The accounting of landing, parking and other charges payable has been done to the extent of bills received and provisions made on actual basis, based on the bills received subsequently.
5. Execution of umbrella agreement effective from 1st Jan 2019 between AAI and AIL along with its subsidiary has been signed, which specify space occupied by AIL and its subsidiaries along with applicable rent rates. The credit note arising due to applicability of the revised rate as per umbrella agreement for fourstation has not been received(though amount is not material), hence has not been considered.
6. AAAL started operating on Shirdi Airport from October 2017. Shirdi Airport is a small Airport under the control of Maharashtra Airport Development Company Ltd. (Govt. of Maharashtra undertaking). The Agreement with the airport operator is under process. The bills received for space/electricity and PSF/ASF have been booked, however the payments will be initiated once the agreement is finalized.

39. Segment Reporting

- a. In terms of IND AS – 108, the Company is engaged in airline related business, which is its primary business segment and hence segment results are not disclosed separately. The details of geographical area wise gross passenger revenue earned (derived by allocating revenue to the area from where the passenger has originated) are given here under:

Amount in Rs. lakh

Particulars	FY-2019-20	FY-2018-19
India	99080.51	82161.19
Outside India	222.36	00.00
TOTAL	99302.87	82161.19

- b. The major revenue earning asset of the Company is aircraft fleet which is flexibly and optimally deployed across its route network. There is no suitable basis for allocation of assets and liabilities to geographical segment, consequently, area-wise assets and liabilities are not disclosed.

40. 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.

1. Key Management Personnel &Relatives:

Transactions with Key Managerial Personnel



- i) There are no transactions with key managerial personnel other than Remuneration to Key Managerial persons.
- ii) Key Management Personnel & Relatives:
- A. Board of Directors of Alliance Air Aviation Ltd. (AAAL) (Formerly known as Airline Allied Services Ltd.) (During FY 2019-20 and till date)

Sr. No.	Name	Designation	Date of Appointment	Date of Cessation
1	Shri Ashwani Lohani CMD, Air India Ltd.	Chairman	14/02/2019	14/02/2020
2	Shri Rajiv Bansal CMD, Air India Ltd.	Chairman	14/02/2020	Till date
3	Shri Vinod S Hejmadi Director (Finance), Air India Ltd.	Director	20/11/2015	Till Date
4	Shri Pankaj Kumar Regional Director (Northern region), Air India Ltd.	Director	30/08/2019	01/05/2019
5	Shri Prem Singh Negi Regional Director (Northern region), Air India Ltd.	Director	07/10/2019	Till Date
6	Shri Angshumali Rastogi Director (Finance), Ministry of Civil Aviation	Director	12/05/2017	20/01/2020
7	Shri Pranjal Chandra Director, Ministry of Civil Aviation	Director	31/08/2018	Till Date
8	Smt. Kusum Lata Sharma Director (Finance), Ministry of Civil Aviation	Director	20/01/2020	Till Date

B. Key Managerial Personnel & Relatives

Sr. No.	Name of Key Managerial Personnel	Designation
1.	Mr. C.S. Subbiah	Chief Executive Officer
2.	Mr. Ambar Kumar Mondal	Chief Financial Officer
3.	Mr. Kamal Roul	Chief Financial Officer
4.	Ms. Manjiree M. Vaze	Company Secretary

C. Related parties:

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

Name	Nature of Relationship	Control/Influence
Air India Limited	Holding Company	Entity having control on the company
Air India Engineering Services Ltd.	Associates of Air India	Entity having no significance influence on the company
Air India Air Transport Ltd.	Associates of Air India	Entity having no significance influence on the company



Name	Nature of Relationship	Control/Influence
Hotel Corporation of India	Associates of Air India	Entity having no significance influence on the company
Air India Express Limited	Associates of Air India	Entity having no significance influence on the company

ii) Parties (other than Government of India)

Air India SATS	Associates of Air India	Entity having no significance influence on the company
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D. Related Party Transactions

- i. During the year 2018-19, a Masters Service agreement (MSA) between Air India Ltd (Holding Company) and Alliance Air Aviation Ltd. (AAAL) (Formerly known as Airlines Allied Services Ltd.) was signed on 19.11.2018. The agreement provides for the exhaustive list for various services that will be rendered by both the parties to each other. The basis of raising invoices has also been detailed in the agreement.

As per terms of the MSA, invoices of services provided by the parent companies should be accompanied by the Supporting documents, however certain expenses as per MSA has been provided on the basis of advices received from the parent / associate Companies.

This being second year for the implementation of Master Service Agreement (MSA) between AAAL and AIL / other Associate Companies, there are few areas, which need further improvement/ clarification at both end (also approval of holding company), e.g. applicability of GST/ taxes, Interest. Claim of Code Share Services provided by AAAL on behalf of AIL are accounted for on rates other than the rates stated in MSA in respect of minor and infant passengers, amount collected from AAAL's passengers above than the rates stated in MSA are treated as AIL Revenue, claim of Code Share Services accounted for without charging GST, EBT Sale, No Show and cancellation charges etc. are some of the other issues, wherein Companies are in the process to clarify / modify the MSA terms for better presentation and transparency. Impact of the same on the result of the Company is not ascertainable at this stage, therefore not provided.

The interest has been calculated @ 9% on the average of opening and closing balances of AAAL in Air India Ltd books.

In respect of Excess Baggage sale, No show charges, cancellation charges AAAL has considered revenue amounting to Rs766.17Lakhs and Rs 1734.67 lakhs based on the specific approval of the competent authority of AI and AAAL.

- ii. There are no transactions with Key Managerial Personnel except remuneration and perquisites paid Chief Executive Officer amounting Rs. 25.19 Lakhs and to Chief Financial Officer amounting Rs.17.13Lakhs for the Year 2019-20.
- iii. Transactions such as providing airline related services in the normal course of airline business are not included above.
- iv. No Loans or Credit Transactions were outstanding with Directors or Officers of the Company or their relatives at the end of the year.
- v. 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 non-Govt. related parties:

E. Transaction details - Related Parties

1. Parent Company i.e Air India Ltd.:

Sr. No.	Name of the Entities and Nature of transactions		2019-20 (Amt.in Rs. Lakhs)	2018-19 (Amt.in Rs. Lakhs)
	a.) AIR INDIA LIMITED	A	166819.67	154261.66
	Opening Balance (Cr.)			
	<u>Expenditure/Debits received</u>	B	62606.82	71018.52
	I Debits for Services Rendered			
	Funds transfer through Bank		53236.40	58671.05
	Payments made to Foreign Vendors		3709.39	8801.28
	Payments made to Indian Vendors		6325.50	4339.53
	Expenses paid by AIL for AAAL (expbooked through provision)		(300.23)	2246.58
	Inventory Expenses		(13.45)	(3162.34) (316.23)
	Prior Period		(396.97)	67.76
	Fixed Assets		0.00	3.05
	SAP Maintenance		46.18	51.61
	II Services Provided	C	1259.12	1348.59
	Handling		770.52	828.10
	SOD		248.88	299.99
	Staff Training Expenses (booked through provisions)		11.99	12.38
	Corporate Guarantee Charges		227.72	208.13
	III Interest charged by AIL	D	14462.55	13826.47
	IV Manpower Billing (Salary of AIL Personnel working for AAAL)	E	95.64	122.96
	GST and TDS	F	972.22	724.14
	GST charged by Air India		1128.36	835.63
	TDS deducted by AAAL on AIL billing		(156.14)	(111.48)
	Revenue/ Credits Received			
	I Revenue	G	77094.61	74294.42
	Traffic Revenue		71269.97	69196.18
	JN Tax/ GST		3014.50	3033.10
	Commission		(874.83)	(981.27)
	PSF/UDF (Credit)		3684.97	3046.40
	II Billing	H	88.46	188.25
	Man power billing		47.69	124.80
	Salary of AAAL Personnel working for AIL			
	SOD Billing		34.69	39.60



Sr. No.	Name of the Entities and Nature of transactions		2019-20 (Amt.in Rs. Lakhs)	2018-19 (Amt.in Rs. Lakhs)
	GST charged by AAAL		10.32	24.47
	TDS deducted by AirIndia on AAAL billing		(4.23)	(0.62)
	Net H = (B+C+D+E+F-G-H)	I	2213.29	12558.01
	Closing Balance(Cr.) J = (A + I)	J	169032.96	166819.67
Note:	Corporate Guarantee given by AIL on behalf of AAAL.	45544.28	41625.78	

	b.) Air India Engineering Services Ltd (AIESL)	2019-20 Amount (in Rs. Lakhs)	2018-19 Amount (in Rs. Lakhs)
	Opening Balance(Cr.)	2023.12	(4832.81)
	Expenditure	9848.46	6422.81
	Repair Other		
	GST	996.71	1156.23
	TDS	(937.84)	(658.35)
	Sod billing (<i>revenue</i>)	(197.91)	(65.26)
	Closing Balance (Cr.)	11732.55	2023.12
	Bills booked through provisions	1369.82	5359.82
	Receivables	(0.00)	(94.22)

	c.) Air India Air Transport Services Ltd (AIATSL)	2019-20 Amount in Rs. Lakhs	2018-19 Amount in Rs. Lakhs
	Opening balance	5228.74	2302.36
	Expenditure	2036.06	2640.12
	Handling Charges		
	GST	427.94	449.65
	TDS	(47.55)	(64.17)
	Payment made	-	-
	Credit Received		
	Amount claimed for damage	-	(89.35)
	SOD Billing	(11.25)	(9.87)
	Closing Balance	7633.94	5228.74
	Booked through Provision (Billing & Interest)	876.94	502.42
	Booked through Receivables	-	(518.05)



d.) Air India Express Limited	2019-20 Amount in Rs Lakhs	2018-19 Amount in Rs. Lakhs
Opening Balance	(1.44)	1.06
Transfer of Inventory	4.19	2.57
SOD Billing	3.14	(5.07)
Closing Balance (Cr.)	5.89	(1.44)

e.) Air India SATS AirportServices Pvt. Ltd.	2019-20 Amount in Rs. Lakhs)	2018-19 Amount in Rs Lakhs)
Opening Balance(Cr.)	1858.95	771.19
Expenditure	987.84	937.72
Handling Charges		
GST	174.23	168.79
TDS	(19.36)	(18.75)
Payment made	-	-
Closing Balance(Cr.)*	3001.66	1858.95
Bills booked through provision	-	20.24

*(Unreconciled amount of Rs.608.12 Lakhs has been provided in contingent liability)

f.)Hotel Corporation of India	2019-20 (Amount in Rs. Lakhs)	2018-19 (Amount in Rs. Lakhs)
Opening Balance(Cr.)	16.26	0.31
Expenditure	46.87	32.89
GST	6.21	-
TDS	(4.68)	-
Payments	(22.07)	(16.93)
Closing Balance(Cr.)	Rs. 42.59	Rs. 16.26

2. Transactions with Provident Fund Trusts

Amount in Rs. lakhs

Particulars	2019-20	2018-19		
	PF Contribution during the Year	Payable as on 31.3.2020	PF Contribution during the Year	Payable as on 31.3.19
AASL PF Trust	121.37	84.85	104.00	Nil

3. Major Transactions with Government Related Entities

The details of the major transactions of revenue and expenditure of the Company with Govt Related Entities are given hereunder:



Amount in Rs. lakhs

Sr. No	Name of Entity	2019-20	2018-19
	Expenditure		
i)	Airport Authority of India(including space)	2557.88	2516.70
ii)	Oil Companies		
	Indian Oil Co Ltd	11862.00	13682.40
	Hindustan Petroleum Co Ltd	4113.52	4062.70
	Bharat Petroleum Co Ltd	3159.45	2575.10
	Revenue		
i)	Subsidiary for Operation from Govt.		
	Govt of India	23889.22	12254.28
ii)	Charter Revenue - Others		
	Govt of India	219.59	174.20

Note: The above transactions with the Govt/Govt Related entities cover transactions that are significant individually and collectively. The company also entered into other transactions with various other Govt. related entities; however, these transactions are insignificant either individually or collectively and hence not disclosed.

41. Employee Benefits

The Company 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 Ind AS19 issued by the Institute of Chartered Accountants of India.

- a. Privilege Leave Encashment is payable to all eligible employees at the time of retirement up to a maximum of 300 days. Leave Encashment liability for the current financial year is **Rs. 53.24 Lakhs**(Previous Year Rs.55.00 Lakhs).

- b. Defined Benefit Plan –

1) Provident Fund (Funded)

The company pays fixed contribution to provident fund at predetermined rates to a separate trust, which invests the funds in permitted securities. The company has an obligation to ensure a minimum rate of return to the members as specified by GOI.

The company has not obtained the actuary reports for the valuation of Provident Fund in such case till 31.03.2020 and expects that such valuation will be done from the next year i.e. 2020-21. Currently the contributions to such trust are charged to the Statement of Profit & Loss Account which is as follows:

Provident Fund **Rs.121.37 Lakhs** (Previous Year Rs. 104.00 Lakhs)

2) 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

a) Reconciliation of balances of Defined Benefit Obligation

2.1 (a): Table Showing Changes in Present Value of Obligations:

Amount In Rs

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Present value of the obligation at the beginning of the period	4,25,78,367	3,79,90,231
Interest cost	29,80,486	29,44,243
Current service cost	72,30,939	50,36,820
Past Service Cost	0	0
Benefits paid (if any)	(21,57,946)	(15,26,495)
Actuarial (gain)/loss	61,46,303	(18,66,432)
Present value of the obligation at the end of the period	5,67,78,149	4,25,78,367

2.1 (b): Bifurcation of total Actuarial (gain) / loss on liabilities

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Actuarial gain / losses from changes in Demographics assumptions (mortality)	Not Applicable	Not Applicable
Actuarial (gain)/ losses from changes in financial assumptions	45,79,712	0
Experience Adjustment (gain)/ loss for Plan liabilities	15,66,591	(18,66,432)
Total amount recognized in other comprehensive Income	61,46,303	(18,66,432)

2.2: Key results (The amount to be recognized in the Balance Sheet):

Period	As on: 31-03-2020	As on: 31-03-2019
Present value of the obligation at the end of the period	5,67,78,149	4,25,78,367
Fair value of plan assets at end of period	0	0
Net liability/(asset) recognized in Balance Sheet and related analysis	5,67,78,149	4,25,78,367
Funded Status - Surplus/ (Deficit)	(5,67,78,149)	(4,25,78,367)

2.3 (a): Expense recognized in the statement of Profit and Loss:

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Interest cost	29,80,486	29,44,243
Current service cost	72,30,939	50,36,820
Past Service Cost	0	0
Expected return on plan asset	(0)	(0)
Expenses to be recognized in P&L	1,02,11,425	79,81,063



2.3 (b): Other comprehensive (income) / expenses (Remeasurement)

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Cumulative unrecognized actuarial (gain)/loss opening. B/F	(1,94,62,483)	(1,75,96,051)
Actuarial (gain)/loss – obligation	61,46,303	(18,66,432)
Actuarial (gain)/loss - plan assets	0	0
Total Actuarial (gain)/loss	61,46,303	(18,66,432)
Cumulative total actuarial (gain)/loss. C/F	(1,33,16,180)	(1,94,62,483)

2.3 (c): Net Interest Cost

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Interest cost on defined benefit obligation	29,80,486	29,44,243
Interest income on plan assets	0	0
Net interest cost (Income)	29,80,486	29,44,243

2.4: Experience adjustment:

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Experience Adjustment (Gain) / loss for Plan liabilities	15,66,591	(18,66,432)
Experience Adjustment Gain / (loss) for Plan assets	0	0

3.1: Summary of membership data at the date of valuation and statistics based thereon:

Period	As on: 31-03-2020	As on: 31-03-2019
Number of employees	738	556
Total monthly salary	1,24,79,119	93,84,094
Average Past Service(Years)	6.4	7.5
Average Future Service (yr)	24.9	24.1
Average Age(Years)	35.1	35.9
Weighted average duration (based on discounted cash flows) in years	17	17
Average monthly salary	16,909	16,878

3.2: Actuarial assumptions provided by the company and employed for the calculations are tabulated:

Discount rate	7.00 % per annum	7.75 % per annum
Salary Growth Rate	8.00 % per annum	8.00 % per annum
Mortality	IALM 2012-14	IALM 2006-08 Ultimate
Withdrawal rate (Per Annum)	5.00% p.a.(18 to 30 Years)	5.00% p.a.(18 to 30 Years)



Discount rate	7.00 % per annum	7.75 % per annum
Withdrawal rate (Per Annum)	3.00% p.a. (30 to 44 Years)	3.00% p.a. (30 to 44 Years)
Withdrawal rate (Per Annum)	2.00% p.a. (44 to 60 Years)	2.00% p.a. (44 to 60 Years)

3.3: Benefits valued:

Normal Retirement Age	60 Years	60 Years
Salary	Last drawn qualifying salary	Last drawn qualifying salary
Vesting Period	5 Years of service	5 Years of service
Benefits on Normal Retirement	15/26 * Salary * Past Service (yr)	15/26 * Salary * Past Service (yr)
Benefit on early exit due to death and disability	As above except that no vesting conditions apply	As above except that no vesting conditions apply
Limit	2000000.00	2000000.00

3.4: Current Liability (*Expected payout in next year as per schedule III of the Companies Act, 2013):

Period	As on: 31-03-2020	As on: 31-03-2019
Current Liability (Short Term)*	13,75,036	13,90,076
Non-Current Liability (Long Term)	5,54,03,113	4,11,88,291
Total Liability	5,67,78,149	4,25,78,367

3.5: Effect of plan on entity's future cash flows

3.5 (a): Funding arrangements and funding policy

Not Applicable

3.5 (b): Expected contribution during the next annual reporting period

The Company's best estimate of Contribution during the next year	81,05,463	55,82,910
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3.5 (c): Maturity profile of defined benefit obligation: Weighted Average

Weighted average duration (based on discounted cash flows) in years	17	17
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3.5 (d): Maturity Profile of Defined Benefit Obligation: Maturity analysis of benefit obligations.

01 Apr 2020 to 31 Mar 2021	13,75,036
01 Apr 2021 to 31 Mar 2022	6,88,393
01 Apr 2022 to 31 Mar 2023	4,78,883
01 Apr 2023 to 31 Mar 2024	6,82,624
01 Apr 2024 to 31 Mar 2025	11,75,851
01 Apr 2025 Onwards	5,23,77,362

**3.6: Projection for next period:**

Best estimate for contribution during next Period	81,05,463	
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3.7: Sensitivity Analysis: Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase rate. Effect of change in mortality rate is negligible. Please note that the sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one another as some of the assumptions may be correlated. The results of sensitivity analysis are given below:

Period	As on: 31-03-2020
Defined Benefit Obligation (Base)	5,67,78,149 @ Salary Increase Rate : 8%, and discount rate :7%
Liability with x% increase in Discount Rate	5,02,04,835; x=1.00% [Change (12)%]
Liability with x% decrease in Discount Rate	6,45,99,528; x=1.00% [Change 14%]
Liability with x% increase in Salary Growth Rate	6,44,43,649; x=1.00% [Change 14%]
Liability with x% decrease in Salary Growth Rate	5,02,04,835; x=1.00% [Change (12)%]
Liability with x% increase in Withdrawal Rate	5,60,02,066; x=1.00% [Change (1)%]
Liability with x% decrease in Withdrawal Rate	5,76,43,475; x=1.00% [Change 2%]

3.8: Reconciliation of liability in balance sheet

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Opening gross defined benefit liability/ (asset)	4,25,78,367	3,79,90,231
Expenses to be recognized in P&L	1,02,11,425	79,81,063
OCI- Actuarial (gain)/ loss-Total current period	61,46,303	(18,66,432)
Benefits paid (if any)	(21,57,946)	(15,26,495)
Closing gross defined benefit liability/ (asset)	5,67,78,149	4,25,78,367

3) Leave Encashment (Unfunded) –

The Company has defined benefit leave encashment plan in India (Unfunded) which is treated as Other Long-Term Employee Benefits. The Company's net obligation in respect of Leave Encashment is the amount of benefit to be settled in future, that employees have earned in return for their service in the current and previous years. The benefit is discounted to determine its present value. The obligation is measured on the basis of an actuarial valuation using the projected unit credit method.

2.1 (a): Table Showing Changes in Present Value of Obligations:

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Present value of the obligation at the beginning of the period	2,27,59,724	1,61,12,794
Interest cost	15,93,181	12,48,741
Current service cost	37,30,473	42,51,872



Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Benefits paid (if any)	(1,95,031)	0
Actuarial (gain)/loss	(24,05,280)	11,46,317
Present value of the obligation at the end of the period	2,54,83,067	2,27,59,724

2.1 (b): Bifurcation of total Actuarial (gain) / loss on liabilities

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Actuarial gain / losses from changes in Demographics assumptions (mortality)	Not Applicable	Not Applicable
Actuarial (gain)/ losses from changes in financial assumptions	21,35,626	0
Experience Adjustment (gain)/ loss for Plan liabilities	(45,40,906)	11,46,317
Total amount recognized in other comprehensive Income	(24,05,280)	11,46,317

2.2: Key results (The amount to be recognized in the Balance Sheet):

Period	As on: 31-03-2020	As on: 31-03-2019
Present value of the obligation at the end of the period	2,54,83,067	2,27,59,724
Fair value of plan assets at end of period	0	0
Net liability/(asset) recognized in Balance Sheet and related analysis	2,54,83,067	2,27,59,724
Funded Status - Surplus/ (Deficit)	(2,54,83,067)	(2,27,59,724)

2.3 (a): Expense recognized in the statement of Profit and Loss:

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Interest cost	15,93,181	12,48,741
Current service cost	37,30,473	42,51,872
Expected return on plan asset	(0)	(0)
Expenses to be recognized in P&L	53,23,654	55,00,613

2.3 (b): Other comprehensive (income) / expenses (Remeasurement)

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Cumulative unrecognized actuarial (gain)/loss opening. B/F	1,21,77,803	1,10,31,486
Actuarial (gain)/loss - obligation	(24,05,280)	11,46,317
Actuarial (gain)/loss - plan assets	0	0
Total Actuarial (gain)/loss	(24,05,280)	11,46,317
Cumulative total actuarial (gain)/loss. C/F	97,72,523	1,21,77,803



2.4: Experience adjustment:

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Experience Adjustment (Gain) /loss for Plan liabilities	(45,40,906)	11,46,317
Experience Adjustment Gain/ (loss) for Plan assets	0	0

3.1: Summary of membership data at the date of valuation and statistics based thereon:

Period	As on: 31-03-2020	As on: 31-03-2019
Number of employees	738	556
Total monthly salary	1,24,79,119	93,84,094
Average Past Service(Years)	6.4	7.5
Average Future Service (yr)	24.9	24.1
Average Age(Years)	35.1	35.9
Total Leave With Cap/Without Cap	33,634/33,636	32,556/32,556
Total CTC / Availment Rate	2,49,58,238 / 3%	1,87,68,188 / 3%
Weighted average duration (based on discounted cash flows) in years	18	19
Average monthly salary	16,909	16,878

3.2: Actuarial assumptions provided by the company and employed for the calculations are tabulated:

Discount rate	7.00 % per annum	7.75 % per annum
Salary Growth Rate	8.00 % per annum	8.00 % per annum
Mortality	IALM 2012-14	IALM 2006-08 Ultimate
Withdrawal rate (Per Annum)	5.00% p.a.(18 to 30 Years)	5.00% p.a.(18 to 30 Years)
Withdrawal rate (Per Annum)	3.00% p.a. (30 to 44 Years)	3.00% p.a. (30 to 44 Years)
Withdrawal rate (Per Annum)	2.00% p.a. (44 to 60 Years)	2.00% p.a. (44 to 60 Years)

3.3: Benefits valued:

Normal Retirement Age	60 Years	60 Years
Salary	As per rules of the company	As per rules of the company
Benefits on Normal Retirement	1/30 * Salary * Number of leaves.	1/30 * Salary * Number of leaves.
Benefit on early exit	As above, subject to rules of the company.	As above, subject to rules of the company.
Benefit on death	As above, subject to rules of the company.	As above, subject to rules of the company.



3.4: Current Liability (*Expected payout in next year as per schedule III of the Companies Act, 2013):

Period	As on: 31-03-2020	As on: 31-03-2019
Current Liability (Short Term)*	7,41,733	7,91,039
Non-Current Liability (Long Term)	2,47,41,334	2,19,68,685
Total Liability	2,54,83,067	2,27,59,724

3.5: Sensitivity Analysis: Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase rate. Effect of change in mortality rate is negligible. Please note that the sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one another as some of the assumptions may be correlated. The results of sensitivity analysis are given below:

Period	As on: 31-03-2020
Defined Benefit Obligation (Base)	2,54,83,067
Liability with x% increase in Discount Rate	2,23,83,225; x=1.00% [Change (12)%]
Liability with x% decrease in Discount Rate	2,92,06,655; x=1.00% [Change 15%]
Liability with x% increase in Salary Growth Rate	2,91,32,058; x=1.00% [Change 14%]
Liability with x% decrease in Salary Growth Rate	2,23,83,225; x=1.00% [Change (12)%]
Liability with x% increase in Withdrawal Rate	2,52,15,379; x=1.00% [Change (1)%]
Liability with x% decrease in Withdrawal Rate	2,57,90,710; x=1.00% [Change 1%]

3.6: Reconciliation of liability in balance sheet

Period	From: 01-04-2019 To: 31-03-2020	From: 01-04-2018 To: 31-03-2019
Opening gross defined benefit liability/ (asset)	2,27,59,724	1,61,12,794
Expenses to be recognized in P&L	53,23,654	55,00,613
OCI- Actuarial (gain)/ loss-Total current period	(24,05,280)	11,46,317
Benefits paid (if any)	(1,95,031)	0
Closing gross defined benefit liability/ (asset)	2,54,83,067	2,27,59,724

42. Deferred Tax Assets/ Liability

The company has a history of losses, hence in 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, no accounting for Deferred Tax assets / Liabilities has been made in the Financial Statements.

43. Earnings Per Share

Amount in Rs. lakhs

Details	As at March 31, 2020	As at March 31, 2019
Profit/ (Loss) after tax	(20062.64)	(29239.54)
Weighted Average no. of equity shares	40225.00	40225.00



Details	As at March 31, 2020	As at March 31, 2019
EPS Basic & Diluted (In Rs.)	(49.88)	(72.69)

44. The Micro and Small Enterprises Development Act

In terms of Section 22 of the Micro, Small and Medium Enterprises development Act 2006, the outstanding to these enterprises are required to be disclosed. The SAP system has a field, minority indicator in Vendor Master, which is updated to identify the vendor as SSI. The system is being enhanced to capture more details of SSI Vendors, such as certificate no., issuing agency, validity, etc.

Payments to most of the 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. There is no interest liability for delayed payments to MSME.

Information in respect of micro and small enterprises as at 31 March 2020 as required by Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act)

Particulars	Amount in Rs. Lakhs	
	31-Mar-20	31-Mar-19
a) Amount remaining unpaid to any supplier:		
Principal amount	103.91	67.18
Interest due thereon	NIL	NIL
b) Amount of interest paid in terms of Section 16 of the MSMED Act along-with the amount paid to the suppliers beyond the appointed day.	NIL	NIL
c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act.	NIL	NIL
d) Amount of interest accrued and remaining unpaid	NIL	NIL
e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowances as a deductible expenditure under Section 23 of MSMED Act	NIL	NIL

45. Remuneration to Auditors

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

Particulars	Amount in Rs. lakhs	
	2019-20	2018-19
Audit Fees - For the Year	6.50	6.50
Total	6.50	6.50

46. Going Concern

The financials of AAAL for the year 2019-20 shows a operating profit of Rs 6508.94 lakh as against Rs.



(14734.59 lakh) for the year 2018-19.

The Revenue as posted in 2019-20 is Rs. 118115.39 lakh as against Rs 83627.83 lakh in 2018-19, which shows and 41.24 % increase over last year.

The total passenger carried in 2019-20 is 1639757 no as against 1597382 no in 2018-19 resulted an 2.65% increase over last year.

The block hours of flight are 53476 in 2019-20 as compared with 51758 hours in 2018-19 resulted an increase of 3.31%.

Due to adoption of IND AS 116 the additional impact in Statement of Profit and Loss for the year 2019-20 is as follows.

Amount in Rs. lakhs		
S No.	Impact on accounts head	(Increase) / Decrease in Loss INR in lakh
i.	Depreciation is higher by	(22666.95)
ii.	Finance cost is higher by	(7371.18)
iii.	Lease Rent is lower by	25997.12
iv.	Exchange Gain/Loss due to re-instatement of lease liability	(19769.85)
v.	Net Increase in Loss	(23810.85)

Due to increase of ROE in USD currency, the expenditure to the foreign vendor has increased 9.40 % as compared with Last year.

The profit/ loss as shown (Rs. 20100.06) lakh in 2019-20 as compared with (Rs 29232.34) lakh for the year 2018-19, shows the increase in operating efficiency of the company.

Air India Limited had formulated a Turn Around Plan (TAP) applicable to its group companies in order to improve their operational and financial performance. The Government of India had approved the Turn Around Plan (TAP) in February 2012 with the intention to turn around Air India Limited and its subsidiaries.

In adherence to TAP, induction continued with the addition of 04 new ATR-72-600 aircraft in 2018-19. The fleet at year end comprised 19 aircrafts (01 ATR-42 320 and 18 ATR-72 600). AAAL is contemplating a further induction of 15 aircrafts, out of which 02 is for replacement of ATR-42 320. The two replacement Aircraft are of ATR-72 600 and has been approved by AAAL Board. As a corollary, necessary approvals and processes are being undertaken for induction of at least 08 Aircraft in the first phase and FY 2020-21. The induction is required to meet the increasing RCS route commitments allotted to AAAL.

AAAL carried 1.64 million passengers during 2019-20 as against 1.60 million passengers during 2018-19. The year 2019-20 witnessed a growth of 2.65% in passenger carriage. Similarly, network also expanded from 55 destinations to 61 destinations, 109 departures to 126 departures per day and 607 flights per week to 735 flights per week. The aircraft utilization has increased to 53477 block hours from 51758 block hours at a growth of 3.32% in 2019-20 as compared to 2018-19.

Alliance Air has projected operating revenue of around Rs.85000.00 lakh in 2020-21 as compared to the actual operating revenue of Rs. 99302.87 lakh in 2019-20. This is principally due to increase in effective



utilization of ATR72-600 aircraft from the average 8.78 hours to 9.20 hours per day apart from increase in ASKM.

The company has continued to operate to the North Eastern region like Guwahati, Lilabari, Tezpur in Assam, Shillong in Meghalaya and Agatti and Diu on request from NEC, MHA and Diu Administration under Viability Gap Funding (VGF) arrangements. These routes are operationally profitable.

The company has emerged as a major player in the Government of India's premier scheme UDAN, which connects to various Tier II and Tier III cities with the development of unserved / underserved airports. The growth in Tier II and Tier III cities is still largely untapped and Alliance Air is likely to emerge as one of the largest players with its young ATR 72-600 fleet suitable for serving these smaller airports.

The company has strategized itself to invest major resources in Government of India's UDAN scheme. The performance of the airline under UDAN has been excellent wherein the company has been operationally positive. The company was operating 29 UDAN routes as on 31st March 2019, which at present has risen to 61 routes as on 31st March 2020. Alliance Air is operating around 58% UDAN routes at a growth of 10% from the FY 2019-20. Alliance Air by deploying more resources on UDAN sectors. The Company has actively participated in UDAN-4 and awaiting final allotment. The total UDAN route won by the Company now stands at 95. Alliance Air by deploying more resources on UDAN sectors is moving towards profitability.

The company is also continuously evaluating routes, which are loss making and have consciously shifted the operations from these routes to potentially higher revenue earning routes. It is pertinent to mention that company has participated in UDAN round 3 and 3.1 and resultantly been allotted 52 more routes. The total entitlement of the company on such routes now stands at 95.

The airline is consciously increasing the yield and as at year end the average yield stood at Rs. 4132 per passenger. Further the company has implemented cost saving measures for reduction of cost.

With the support of Air India Limited in providing corporate guarantee for aircraft leases, reservation systems, inventory management, SAP etc. and other various measures taken towards improving company's operational and financial activities, it is evident that Company has already posted operating profit in the year 2019-20 and expected that the financial position of the company would further improve in future.

Alliance Air is in the threshold of turnaround and poised to lead the regional connectivity in India in the next decade and be a leading regional carrier of Asia. Alliance Air is on its way to reverse the trend of adverse financial parameters in this financial year 2020-21 and thereafter further consolidate the gains.

47. Revenue

- (i) Company is availing the services of an outside agency for the processing of data relating to passenger, cargo, baggage and other revenue. AIL's system has been used for the booking of Tickets etc. Revenue data relating to group is supplied by AIL to the out sourced agency and the processed data is received at their end. Revenue relating to AAAL has been segregated on the basis of code assigned to AAAL, and accounted for on the basis of reports uploaded on FTP server. Sources data for the processing and generation of reports which is basis for the recognition of AAAL revenue is maintained at AIL. As per Industry practice, parent Company is complying all necessary norms to ascertain the authenticity and accuracy of data processed by outsourced agency.
- (ii) Cargo Revenue amounting to Rs.94.48lakhs, Cargo commission amounting to Rs4.55 lakhs, Pax commission amounting to Rs870.28lakhs, MSF commission to PGP amounting to Rs195.79lakhs, Bank



Charges on Credit Card Rs835.55 lakhs has been accounted for on the basis of amount allocated by AIL on the basis of report generated by an outsourced agency. Out of above, Pax commission and cargo commission has been accounted for without recording the GST and without deduction of TDS.

48. Regional Connectivity Scheme

Till 31.3.2020 AAAL has been awarded (through bidding process) 95 routes under RCS, out of which 61 are operational. Remaining routes are proposed to be launched in the coming months, which includes 10 routes awarded in second round of allotment, 16 routes awarded in third round of allotment and 08 routes awarded in round 3.1 of allotment, remain non-operational till 31.03.2020, though as per terms of the LOI these are required to be operational during the year 2019-20. Management is of the view that delay in the route to make operational is based on various factors, delay is not on the part of AAAL, therefore AAAL has no liability for the above stated delay in the route making operational. Management is of the view that delay in the route to make operational is based on various factors, delay is not on the part of AAAL, therefore AAAL has no liability for the above stated delay in the route making operational.

49. M/S Gati

An agreement for freighter charter operations (undertaken by AAAL) between Air India Ltd and M/s GATI was terminated by GATI in March 2009, consequent to which AI invoked the Bank Guarantee of Rs. 3000 lakhs deposited by GATI. The Arbitral Tribunal has given its award against which an appeal has been filed by Air India Limited before the Hon'ble Delhi High Court which has also upheld the decision of Arbitral Tribunal. To file an appeal in Delhi High court (Double Bench) against the subject order, AIL deposited Rs. 2200 lakh with Hon'ble High Court as deposit money on 17.11.2015. Against this deposit, Provision for Doubtful Security Deposit has been made for Rs. 2200 lakh as prudence, although the matter is sub-judiced. The last effective hearing was on 18.02.2020, however the matter has been adjourned as the Hon'ble High Court of Delhi is not taking up all the matters due to the Covid-19 Pandemic. The next hearing is now put up on 02.11.2020 for arguments.

50. TDS on Provisional Expenses

Provision has been created for the bills received from the vendor during 2020-21 but the service availed in 2019-20. As per system being followed, the provisions created for 2019-20 is reversed in 2020-21 and the actual bill received in 2020-21 is booked in the vendor ledger after deducting applicable TDS in 2020-21. Due to GST scenario, the bills received in 2020-21 cannot be booked in 2019-20 for which the provision has been created and no income tax is deducted on the provisions.

51. LEASE LIABILITIES

- a.) The Company has taken 18 ATR 72-600 Aircraft on lease. Liabilities on account of future minimum lease rentals in respect of leases are as under:-

(Amount in lakhs)

Particulars	As at March 31, 2020 (Rs.)		As at March 31, 2019 (Rs.)	
	Non-Current	Current	Non-Current	Current
Lease Liabilities	216511.77	345.12	00.00	00.00

- b.) Transition to Ind AS 116 -

Leases

**Transition Provision:**

The Company has adopted Ind AS 116 Leases from 1st April 2019. Ind AS 116 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

On initial application, the Company elected to adopt the modified retrospective approach, by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance at April 1, 2019, without restating the comparative information.

The company applied Ind AS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under Ind AS 17 were not reassessed/considered. Therefore, the definition of a lease under Ind AS 116 has been applied only to contracts entered into or changed on or after 1st April 2019.

The major impact of adopting Ind AS 116 on the Standalone Statement of Profit and Loss for the year ended 31 March 2020 is as follows:

S No.	Impact on accounts head	INR in Rs. Lakhs
A.	Profit & Loss for 2019-20	
i.	Depreciation is higher by	22666.49
ii.	Finance cost is higher by	7371.18
iii.	Lease Rent is lower by	25997.12
iv.	Exchange Gain/Loss due to re-instatement of lease liability	19769.85
v.	Net Impact on P & L	23810.39
B.	Impact on Balance Sheet as on 01-04-2019	
i.	Right to use Asset is higher by	213199.81
ii.	Retained Earnings is lower by	5937.43
iii.	Lease Liability is higher by	2191.37

Calculation of Present Value of Remaining Lease Liability on Transition :

As per the agreement, Lease Rentals are to be paid in advance. However, the company makes payment of the same at the month end due to financial and liquidity problem, therefore, for the purpose of calculation of present value of lease liability, the lease rentals are considered to be paid at month end instead of at the beginning of the every month.

Practical Expedients Used:

The Company has applied following other practical expedients on transition to Ind AS 116 on initial application:

- a) Use of single average discount rate to portfolio of leases of similar assets in similar economic environment with similar conditions for end date.
- b) The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the average of SWAP rates which is the incremental borrowing rate of the company.
- c) Not to recognize right of use assets and lease liabilities for leases with remaining lease term of



upto 12 months from the date of initial application (i.e. 1 April 2019) by class of asset and leases of low value asset on lease by lease basis.

- d) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- e) Used judgment sight when determining the lease term if the contract contains option to extend or terminate the lease.

The Company's leased assets primarily consist of leases for aircraft and engines.

During the year ended 31 March 2020, the Company has recognized an expense of Rs. 756.44 Lakhs on account of short-term leases which represents leased engines having a remaining lease term of less than 12 months as on Balance Sheet date. The portfolio of other short-term leases to which the Company is committed at the end of the reporting period is not materially different from the portfolio of other short-term leases for which expense has been recognized during the year ended 31 March 2020.

Leases classified under Ind AS 116

Lease liabilities of Rs. 216695.43 Lakhs have been recognized, being the present value of the remaining lease payments, using the incremental borrowing rate applicable to the Company at the date of initial application. Right of use assets of Rs.213199.81 lakhs have been recognized and corresponding lease liabilities of Rs. 216695.43 lakhs with the cumulative effect of applying the standard by adjusting retained earnings amounting to Rs. 5937.43 lakhs.

(Amount in lakhs)

Maturity analysis of lease liabilities	
PARTICULARS	AMOUNT
Less than one year	29433.92
One to five years	117735.68
More than five years	101655.21
Total undiscounted lease liabilities at 31 March 2020	248824.80
Lease liabilities included in the statement of financial position at 31 March 2020	217275.97
Amounts recognised in profit or loss	

(Amount in lakhs)

PARTICULARS	AMOUNT
Depreciation expense on ROU Asset	22666.49
Interest on lease liabilities	7226.88
Variable lease payments not included in the measurement of lease liabilities	0
Income from sub-leasing right-of-use assets	0
Expenses relating to short-term leases*	756.44
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	0
*Engines taken on lease has been classified as short-term leases since the lease term is less than 12 months as on the balance sheet date. Due to this the reason management has availed the practical expedient.	



(Amount in lakhs)

Amounts recognised in the statement of cash flows	
PARTICULARS	AMOUNT
Total cash outflow for leases	25997.12

52. Reconciliation of Maintenance Reserve

As per the Original Lease Agreement entered with the vendors during the year 2014-15 the value of MR was based on Fixed Flying Hrs. irrespective of Actual Hrs. of Flying, Hence, accounting of MR was being made on the basis of fixed flying Hrs. on year to year basis. Due to the liquidity problem the management of the company decided to renegotiate the terms of agreement including provision of SBLC at the beginning of each year with the lessor. As per Modified Agreement entered with the vendors in 2019-20 MR is payable based on Actual Flying Hrs. and the reduction in MR have been made effective retrospectively w.e.f 2014-15, Henceforth MR amount will be paid in cash on the basis of monthly bills raised by the lessors.

MR POT BALANCES OF LESSORS AS ON 31.03.2020

LESSOR NAME	MR POT BALANCE AS ON 31.03.2020 CONFIRMED BY LESSOR (USD)	BALANCE IN BOOKS OF AAAL AS ON 31.03.2020 (USD)	CLOSING BALANCE (in INR)
ELIX ASSETS 7 LIMITED	\$ 6,684,966.09	\$ 6,684,966.09	505,817,959.20
AVAP LEASING ASIA LTD.	\$ 4,550,682.43	\$ 4,550,682.43	344,327,386.07
DAE	\$ 21,416,219.84	\$ 21,416,219.84	1,620,458,274.19
GRAND TOTAL	\$ 32,651,868.36	\$ 32,651,868.36	2,470,603,619.46

Based on the revised agreement as referred to above, excess provision made in earlier years amounting to Rs 18009.98 Lakhs has been taken in the books as Current Year's Income as "Provision no longer required" under Misc. Income based on independent opinion taken from an independent firm of chartered accountants.

53. Treatment of Product Support Credit

Product Support Credits are made available by the lessors on the basis of terms and conditions as defined in the lease agreement and subsequent modified agreements. The company has modified its lease agreements with the lessor in respect of Customer Support Credits, according to which such credits can be used against unpaid invoices of the lessee for lease rent. During the year the company has received **Rs. 3359.89** Lakhs as Product Support credits which has been accounted as Income in the current year.

54. The company has registered charges of **Rs. 28050.35 lakhs** (Previous Year Rs. 26830.30 lakhs) with the Registrar of Companies U/s 77 of Companies act 2013. The company is in the process of getting the said charges satisfied by following the procedure prescribed U/s 82 of Companies Act 2013.

55. Capital Management

The objective of the company is to maximize the shareholders' value by maintaining an optimum capital structure. Management monitors the return on capital as well as the debt equity ratio and makes necessary adjustments in the capital structure for the development of the business.



During the financial year ended 31 March 2020, no significant changes were made in the objectives, policies or processes relating to the management of the Company's capital structure.

Debt-Equity Ratio:

Amount in Rs. lakhs

Particulars	As at 31 st March 2020	As at 31 st March 2019
Borrowings	169022.64	163335.64
Total Debt (A)	169022.64	163335.64
Equity Share Capital	40225.00	40225.00
Other Equity	(265890.35)	(239852.86)
Total Equity (B)	(225665.35)	(199627.87)
Debt Equity Ratio (A/B)	(0.75)	(0.82)

Return on Equity:

Amount in Rs. lakhs

Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
Profit /(Loss) for the year	(20062.64)	(29239.54)
Equity Share Capital	40225.00	40225.00
Other Equity	(265890.35)	(239852.87)
Equity Attributable to owners of the company	(225665.35)	(199627.87)
Return on Equity Ratio (%)	(8.89%)	(14.65%)

56. Fair value measurement and financial instruments

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.

i) **As on 31 March, 2020**

(Amount in Rs Lakhs)

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others**			8153.21	8153.21	0.00	0.00	0.00
Current							
Trade Receivables*			7875.55	7875.55	0.00	0.00	0.00



Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Cash and Cash equivalents*			3077.49	3077.49	0.00	0.00	0.00
Bank balances other than (b) above*			143.56	143.56	0.00	0.00	0.00
Loans*			4439.59	4439.59	0.00	0.00	0.00
Other			1892.14	1892.14	0.00	0.00	0.00
Financial liabilities							
Non-Current							
Other							
Current							
Borrowings			169022.63	169022.63	0.00	0.00	169022.63
Trade Payables			80937.23	80937.23	0.00	0.00	0.00
Other			5039.15	5039.15	0.00	0.00	0.00

ii) As on 31 March, 2019

(Amount in RS in Lakhs)

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others			10937.74	10937.74	0.00	0.00	0.00
Current							
Trade Receivables*			9868.53	9868.53	0.00	0.00	0.00
Cash and Cash equivalents*			384.84	384.84	0.00	0.00	0.00
Bank balances other than (b) above*			2198.25	2198.25	0.00	0.00	0.00
Loans*			1753.79	1753.79	0.00	0.00	0.00
Other			1382.57	1382.57	0.00	0.00	0.00
Financial liabilities							
Non-Current							
Other							



Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Current							
Borrowings			163335.64	163335.64	0.00	0.00	163335.64
Trade Payables			57155.76	57155.76	0.00	0.00	0.00
Other			26551.28	26551.28	0.00	0.00	0.00

*The Carrying amounts of trade receivable, trade payable, cash and cash equivalent, bank balance other than cash and cash equivalent and other financial assets and liabilities, approximates the fair values, due to their short-term nature.

** Other non-current Financial Asset represent Bank deposits due for maturity after 12 months from the reporting date and interest accrued but not due on Financial instruments, the carrying value of which approximates the fair values as on reporting date.

57. Financial Risk Management Objective and Policies:

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

- i. Credit risk
- ii. Liquidity risk
- iii. Market risk –
 - a. Interest rate risk
 - b. Currency risk

The Company's principal financial liabilities comprise of loan and borrowings, trade and other payables and derivatives. The main purpose of these financial liabilities is to finance receivable, and cash and cash equivalents that derive directly from 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 Company's senior management is supported by a treasury team. The treasury team provides assurance to the Company's senior management that the company's financial risk activities are governed by appropriate policies and procedure and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objective. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivative for speculative purpose may be undertaken. 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) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.



The maximum exposure to the credit at the reporting date is primarily from trade receivables. Trade receivables are typically unsecured and 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 approvals, establishing credit limits and continuously monitoring credit worthiness of customers to which the Company brands credit terms in the normal course of the business.

The company sells majority of its passenger service against deposits made by agents (customers) and through online channels.

On adoption of IndAS 109, the company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for trade receivable. The provision matrix takes into account available internal credit risk factors such as the Company's historical experience for customers. Based on the business environment in which the company operates, management considers that the trade receivable (other than receivables from government departments) are in default (credit impaired) if the payments are more than 36 months past due.

Trade receivable as at year end primarily includes **Rs. 7875.55lakhs** (Rs9868.53 lakhs) relating to revenue generated from passenger services.

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

Amount in Rs. Lakhs

Particulars	As at 31/03/2020		As at 31/03/2019	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
Debts not due				
Debts over due	7875.55	(26.46)	9868.54	(50.20)

Movement in the allowance for impairment in respect of trade receivables

(Amount in Rs. Lakhs)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2019
Balance at the beginning of the Year	502.00	27.31
Addition during the year	236.83	474.69
Write off/Adjustments made during the year	(474.23)	0.00
Balance at the end of the Year	264.61	502.00

(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 another financial asset.

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 cash (including unencumbered bank deposit and excluding interest accrued but not due), anticipated future internally generated funds from operations, and its fully available, revolving undrawn credit facility of **Rs. Nil** (31 March



2019: Rs. Nil) will enable it to meet its future known obligation in the ordinary course of business. However, if a liquidity needs were to arise, the Company believes it has access to financing arrangement with parent company, which should enable it to meet its ongoing capital, operating, and liquidity requirement. The Company will continue to consider various borrowing or leasing options to maximize liquidity and supplement cash requirement as necessary.

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.

(Amount in Rs. Lakhs)

As at 31 st March 2020	Carrying Amount	Contractual Cash Flows			
		Upto 1 year	1-5 Year	More than 5 years	Total
Payable to Holding Company	169022.63	169022.63			169022.63
Trade payables	80937.23	80937.23			80937.23
Other Financial Liabilities	5039.15	5039.15			5039.15
Aircraft Lease	217275.97	29433.92	117735.68	101655.21	248824.81
GMSA	1237.12	3562.34	0.00	0.00	3562.34
Totals	473512.10	287995.27	117735.68	101655.21	507386.16

As at 31 st March 2019	Carrying Amount	Contractual Cash Flows			
		Upto 1 year	1-5 Year	More than 5 years	Total
Payable to Holding Company	163335.64	163335.64	0.00	0.00	163335.64
Trade payables	57155.76	57155.76	0.00	0.00	57155.76
Other Financial Liabilities	26551.28	26551.28	0.00	0.00	26551.28
GMSA	3957.58	3255.80	0.00	0.00	3255.80
Totals	251000.26	250298.48	0.00	0.00	250298.48

(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's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates.

The exposure the company's borrowings to interest rate changes as reported to the management at the end of the reporting period are as follows:

(Amount in Rs. Lakhs)

Variable-rate instruments	As at 31 st March 2020	As at 31st March 2019
Payable to Holding Company	169022.64	163335.64
Total	169022.64	163335.64

Interest rate sensitivity analysis

A reasonably possible change of 0.50 % in interest rates at the reporting date would have affected the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remains constant.

Particulars	Statement of Profit and losses.	
Increase/(decrease) in the interest on foreign currency term loans-from others and on finance lease obligation.	Increase by .50 %	Decrease by .50 %
For the year ended 31 March 2020	84.51	(84.51)
For the year ended 31 March 2019	81.67	(81.67)

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 currencies from the company's operating, investing and financing activities.

58. Disclosure as per Ind AS 115, 'Revenue from contracts with customers

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made.

The major revenue of the Company arises from rendering of services (Passenger and cargo). The following is a description of the principal activity.

Nature, timing of satisfaction of performance obligation and significant payment terms

Passenger revenue is recognized on flown basis i.e. after rendering the services, revenue recognised net of discounts given to the passengers, applicable taxes and airport levies such as passenger service fee, user development fee etc.



Cargo revenue is recognized when service is rendered i.e. goods are transported, net of airport levies and applicable taxes.

The amounts are billed as per the terms of the contracts and are payable within contractually agreed credit period as per the Master Service Agreement with Air India.

Disaggregation of revenue

Revenue is disaggregated by type and nature of services of revenue recognition.

Rendering of services

Amount in Rs. Lakhs

S.No.	Particulars	31 March 2020	31 March 2019
1	Passenger	70478.70	69159.88
2	Excess Baggage	766.17	4.88
3	Mail	21.03	0.43
4	Cargo	94.49	28.22
5	Charter	307.99	205.83
6	Subsidy for Operation form Government	23889.22	12254.28
7	Handling Servicing and Incidental Revenue	3745.27	507.67
	Total	99302.87	82161.19

The following table provides information about the opening and closing balance of trade receivables:

Amount in Rs Lakhs

Particulars	31 March 2020	31 March 2019
Trade Receivable	7875.55	9868.53

As on 31st march 2020 company is operating under Regional Connectivity Scheme (RCS) in 61 no of routes, which has been awarded to the company on two rounds for validity of 3 years through bidding process. In terms of the RCS agreement, company is required to sell specified seats at agreed subsidized fare inclusive of taxes. On compliance with the terms of the agreement, company is eligible for the VGF Claim amount.

Since the RCS routes are awarded through bidding process for a period of 3 years, the route is open to all carriers after this period subject to availability of slots & other requirements.

Practical expedients applied as per Ind AS 115:

- The company has not disclosed information about remaining performance obligations that have original expected duration of one year or less.
- The Company does not expect to have any contracts for which revenue is recognised during the year where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company has not adjusted the transaction prices for the time value of money.

59. The figures have been rounded off to the Rupees in Lakhs except under note no. 41 in which amount in absolute terms has been taken.

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

Our operations have been severely impacted due to the Covid-19 pandemic. The Government of India declared a national lockdown with effect from 24 March 2020. As a result, no scheduled passenger flights were operated between 24 March 2020 and 24 May 2020. Our revenues were materially impacted by the shutdown of air traffic during this period. During the same period, we continued to incur committed expenditure with respect to our employees, aircraft related expenditures such as lease rentals and other expenditures. This has significantly impacted our profitability.

The Company has also 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 to be recovered. The unprecedented nature of the pandemic makes the future business environment uncertain as on the reporting date, however, we will continue to carry out the impact assessment on our assets and closely monitor any material changes to future economic conditions.

61. Previous Years figures have been re-casted/re-arranged in line with IND-AS requirements.

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

For S.K Kapoor & Co.

Chartered Accountants

Firm Registration No. FRN NO.000745C

Sd/-

V. B. Singh

Partner

Membership No: 073124

UDIN: 20073124AAAADF8843

Place : New Delhi

Date : 20/10/2020

For and on behalf of the Board of Directors of Alliance Air Aviation Limited

Sd/-

(Rajiv Bansal)

Chairman

DIN 00245460

Sd/-

(Manjiree M. Vaze)

Company Secretary

ACS-16028

Place : New Delhi

Date : 20/10/2020

Sd/-

(Vinod Hejmadi)

Director

DIN : 07346490

Sd/-

(Ambar Kumar Mondal)

Chief Financial Officer

Sd/-

(C. S. Subbiah)

CEO, AAAL