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BOARD OF DIRECTORS (AS ON 12.11.2021)

Shri Rajiv Bansal	Chairman
Shri Vinod Hejmadi	
Shri Pranjol Chandra	
Shri Deepak Sajwan	
Ms Meenakshi Mallik	

Chief Executive Officer

Shri Vineet Sood

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 – 208001

Registered Office

Alliance Bhawan
Domestic Terminal-1
I.G.I. Airport
New Delhi - 110037

CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me great pleasure to present to you the Thirty Eighth Annual Report of the Company for the financial year 2020-21. 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. As per Indian Brand Equity Foundation (IBEF), the Indian aviation market is expected to become the world's third largest market in terms of passengers by 2024. The industry's growth is being propelled by development of airports across multiple city tiers; a liberalised FDI policy; increasing adoption of information technology and a strong focus on regional connectivity.

AIR TRAVEL GROWTH

As with the world aviation industry, the Covid-19 pandemic has had a massive impact on the Indian aviation industry. The latest data released by aviation regulator Director General of Civil Aviation (DGCA) reveals that domestic passenger air traffic declined by 56.29 percent to reach 63 million passengers in the Year 2020 as against 144 million passengers in the Year 2019. The decrease in air traffic is due to the global COVID 19 pandemic outbreak.

With the gradual abatement of the first Covid-19 wave, India was witnessing a sharp 'v' shaped recovery in domestic traffic in the period through February 2021. Further, based on these demand trends the Government also gradually increased the limit of capacity deployment in the domestic markets to 80%.

INDIA TO BE THIRD LARGEST AVIATION MARKET

The civil aviation industry in India has emerged as one of India's fastest growing sectors over the past few years. India has now become the third largest domestic aviation market in the world. Growth in air-passenger traffic in India has been particularly strong since the new millennium, especially with rising incomes, added connectivity and affordable fares. However, given the severe disruption caused by the pandemic, the airline sector may witness a prolonged road to recovery, given the increased risk aversion among air travelers, the likelihood of extended travel restrictions across countries and corporate travel cuts.

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 % per cent by 2027.

FUEL PRICES

Fuel prices account for about 30% - 40% of airline's operational cost. In the beginning of the FY 2020-21, due to COVID pandemic and economic slowdown, fuel prices had been decreased to provide relief to the airlines but in the later part it was consistently increasing thereby adding burden to the operational cost of 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 in the coming years., the economy gets a dip due to COVID 19 impact which also impacted the aviation industry to great extent, since March 2020 onwards. 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 Desh ka Aam Nagrik” (UDAN) introduced by the Government, which will run for 10 years from 2017, 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, 3.1 and 4th round of Regional Connectivity Scheme (RCS), 325 routes, 235 routes, 44 routes and 90 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 undeserved airports have opened up for Alliance Air and it has been awarded 17 routes, 26 routes, 40 routes, 12 routes and 14 routes in the 1st, 2nd, 3rd, 3.1 and 4th round respectively of the bidding process. Alliance Air had actively participated in the 4.1 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 73 routes as on 31 March 2021 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 Net Loss after Tax of the Company is Rs. 3599.3 million for the FY 2020-2021 as compared to the Net Loss after Tax of Rs. 2355.7 million for the FY 2019-20. The increase in loss by Rs.1243.5 million is due to decrease in operational revenue due to advent of COVID-19 and no operation since 26 March 2020 to 25 May 2020 and thereafter, also truncated operations during the year. Salient features of the Annual Accounts of the Company for FY 2020-21 are as follows:

- Due to advent of COVID-19, the total revenue has been reduced to Rs.4592.3 million in 2020-21 from Rs.11811.5 million in 2019-20, i.e. reduction of 61.12%. Further the operating revenue has also been reduced to Rs. 4535.4 million in 2020-21 from Rs. 9930.3 million in 2019-20, i.e. reduction of 54.33%.

- The total expenditure has been reduced to Rs. 8193.2 million in 2020-21 from Rs.14163.6 million in 2019-20, i.e. reduction of 42.15%. Further, the operating expenditure has been reduced to

Rs.6784.7 million in 2020-21 from Rs.9279.4 million in 2019-20, i.e. reduction of 26.88%.

- Due to restricted flight operations during Covid-19, actual block hours flown in 2020-21 are 29248 as against 52,335 Block hours flown in 2019-20. The yield per passenger is Rs. 3,193 in 2020-21 as against Rs. 4,132 in 2019-20.

- ASKMs are 551.546 million in 2020-21 as against 1027.46 million in 2019-20. RPKMs are 282.639 million in 2020-21 as against 672.05 million in 2019-20. Yield per RPKM is 7.1 in 2020-21 as against 10.0 in 2019-20. Passenger Load Factor is 57% in 2020-21 as against 73% in 2019-20.

- ATF cost has been decreased by Rs. 1175.2 million (i.e.59.86 %) in 2020-21 mainly due to decrease in operations by 44% along with reduction in Fuel rates by 36%. Handling charges have been decreased by Rs.162.5 million due to decrease in departures by 42%. The aircraft maintenance charges have also been decreased by Rs.434.9 million i.e. by 24.84% due to decreased operations. Passenger services related expenditure have also been decreased in proportion to decrease in passenger load.

IMPACT OF THE SECOND WAVE

We started this fiscal year, with the first Covid-19 wave, which had commenced in March 2020, experienced some improvement in both covid cases and traffic during the year, but ended in March 2021 with an even more severe second Covid-19 wave. All in all, it was an extraordinarily challenging year for our customers, our employees, our shareholders, and the communities we serve.

Since March 2021, the second wave of Covid-19 coupled with statewide lockdowns and added travel restrictions has pushed forward the demand recovery. As a result, the average domestic passengers per day reduced from around 280,000 in February 2021 to around 191,000 in April 2021 and further came down in May 2021. As per CAPA, most of the Indian airlines were already facing liquidity issues prior to the Covid-19. Covid-19 has resulted into massive losses and an increasing debt burden on carriers.

FUTURE PLANS

The global outbreak of COVID-19 led to the freezing of flight operations which had a major impact in the aviation industry. Government of India has laid down restrictions for passenger movement to prevent further spread of the virus, which is still in force as the domestic carriage capacity is restricted to 50% from the pre COVID level (as on June 2021). The revival of overseas travel is expected to be slower and more challenging than domestic, therefore the movement of overseas traffic to tourist destinations in the Tier II, Tier III cities where Alliance Air operates is expected to pick up gradually. Despite all odds in the aviation industry, the passenger traffic in India is expected to resume in a phased manner. With all the combined effort, the Company is also witnessing gradual growth in passenger traffic and revenue. Before COVID-19, 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 was largely untapped, although larger airlines have started deploying capacities in smaller airports. Once the air traffic starts resuming from the pandemic situation, Alliance Air is expected to explore the Tier II, Tier III market in the country. 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. Presently, the Company has a fleet of 18 ATR 72-600 aircraft deployed to operate about 85 flights every day over a network of 49 stations (as on 15 September 2021).In the FY 2019-2020, the Company expanded its network and reach to neighboring countries, but due to COVID restrictions for international air travel, the operations were put on hold. Once the Government ban on flight restrictions and COVID situation improves, the Company plans to expand its network (including international) by increasing the fleet in the coming years.

Due to the impact of COVID-19 pandemic in the aviation industry, necessary steps have been taken by the management to cut the costs and re-negotiate various agreements with the lessors & vendors and we are confident that slowly and surely the airline is gaining traction and expected to resume full operations mid of the FY 2021-22. The Company is also expected to reverse its financial parameters and back to operational profit in the coming years.

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 Eighth Annual Report together with Audited Statement of Accounts of Alliance Air Aviation Limited (AAAL) for the year ended 31 March 2021.

FINANCIAL PERFORMANCE OF THE COMPANY

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

(Rs. In Million)

Particulars	2020-21	2019-20
Operating Revenue		
Schedule Revenue	**2535.79**	7136.04
Non-Schedule Revenue	**1988.29**	2419.72
Other Operating Revenue	**11.31**	374.53
Other Income	**56.88**	1881.25
Total Revenue	**4592.27**	11811.54
Total Expenses	**8193.21**	14163.55
Other Comprehensive Income	**1.62**	(3.74)
Net Profit/(Loss) for the year Before Tax	**(3600.94)**	(2352.01)
Net Profit/(Loss) for the year After Tax & Comprehensive Income	**(3599.32)**	(2355.75)
Share Capital	**4022.50**	4022.50

INFORMATION ON STATE OF AFFAIRS OF THE COMPANY

The Company is a wholly owned subsidiary of Air India Limited. The Company is in the business of air transportation which includes mainly passenger and cargo services and other related services in India. As at year end, the Company has a fleet of Eighteen ATR-72-600 Aircrafts.

For more detailed information on State of Affairs of the Company, please refer Management Discussion and Analysis Report forming part of the Report.

SHARE CAPITAL

Authorized Share Capital

As on 31 March 2021 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 2021, 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 EDUCTION 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 843 (847) contractual employees excluding 8(7) employees on deputation from the parent Company, Air India and 16 (21) employees on deputation from AIESL. All the employees of the Company are on fixed term employment agreement basis. Out of the 843 contractual employees, 257(30.49%) were female employees. Cadre-wise, as on 31 March 2021, there were 202 Pilots, 167 cabin crew and remaining 474 were other categories of employees.

Region wise, as on 31 March 2021, there were 507 employees from Northern Region, 72 employees from Western Region, 92 employees from Eastern region and 172 employees from Southern Region.

As on 31 March 2021, there were total 52 expatriate pilots for ATR-42 & ATR-72 fleet. At present Alliance Air has 34 expatriate pilots as against 52 expatriate pilots in March 2021. Due to cost cutting measures and initiative to avoid dependency on expatriate pilots and efforts to increase Indian commander strength the expat pilot number has been reduced to 34 at present.

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 2021

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
843	110	13.05	31	3.68	151	17.91

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. 69.00 million (Rs. 171.10 million) 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 2020-21, 47 Requests and 6 Appeals were received and all RTI requests/appeals related to Alliance Air have been disposed off during 2020-21.

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), following changes have occurred which have affected the financial position of the Company between 31 March 2021 and the date of Board’s Report.

Impact of Covid-19

The outbreak of the coronavirus (COVID-19) pandemic globally and in India, has contributed to a significant decline and volatility, and a significant disturbance and slowdown of economic activity since 2019-20. The Indian government is being imposing strict lockdown at various occasions all over India to contain the spread of the virus since last year, this has led to significant disruptions and dislocations for individuals and businesses.

Currently, the Company has to operate under various regulatory restrictions like fare capping, load restriction etc., which have severely impacted our operations and may have varied financial implications. Our revenues were materially impacted by the decrease in flyers during this period. In addition, in some states it led to grounding of the passenger airline operations. However, during the same period, the Company continued to incur committed expenditure concerning our employees, aircraft related expenditures such as lease rentals and other expenditures. This has significantly impacted our profitability.

Based on the anticipated scale of operations in the immediate future and in order to optimize the resources, various cost cutting and cost control measures were also implemented. The Company has renegotiated with lessors and other foreign vendors and has successfully achieved reduction in lease rentals amounting to US$ 30.11 million in totality out of which US$ 11.11 million during 2020-21.Cost control measures have also been taken on account of curtailment of salary which reduces our salary bill by 39.15 % and reduction of other cost specially catering, hotel, OT, etc. The total saving during 2020-21 on account of Indian vendor amounting to Rs. 929.04 million.

Considering different limitations being imposed by Government of India resulting in restriction of passengers and operation, AAAL has introduced contribution concept for determination of viability of operation, which resulted in increase in revenue and reduction of loss. Being a subsidiary of Air India Ltd., we are getting full support of the Government to overcome the Covid situation.

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, up to 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.

However, the full extent of the impact of the Covid-19 pandemic on the Company's operations, and financial metrics will depend on future developments across the geographies that the Company operates in, and the governmental, regulatory and the Company's responses thereto, which are highly uncertain and incapable of estimation at this time, however, we will continue to carry out the impact assessment on our assets and closely monitor any material changes to future economic conditions.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A detailed Management Discussion and Analysis Report is given separately.

MEETINGS OF THE BOARD OF DIRECTORS

During the Financial Year 2020-21, 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	13.07.2020	5	5
2	20.10.2020	6	6
3	21.01.2021	6	4
4	29.01.2021	6	6
5	23.03.2021	6	6

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) The 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 2020-21 following were the members of the Audit Committee:

Name of the Director	Position held in the Committee	Category of the Director
Smt Kusum Lata Sharma*	Chairperson	Government Director
Shri Pranjol Chandra*	Chairman/Member	Government Director
Shri Deepak Sajwan**	Member	Government Director
Shri Vinod Hejmadi	Member	Nominee Director – AI
Shri Rajiv Bansal	Permanent Invitee	Chairman (Nominee of AI)

* Due to cessation of Smt Kusum Lata Sharma on 27.01.2021, the Audit Committee was reconstituted in 165th Board Meeting held on 29th January 2021 and Shri Pranjol Chandra was appointed as the Chairman in place of Smt Kusum Lata Sharma w.e.f. 27.01.2021.

** Shri Deepak Sajwan was appointed as a member of the Audit Committee w.e.f.27.01.2021.

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 2020-21.

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 needs 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 2021 are annexed to this report.

SECRETARIAL AUDIT REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Board has appointed M/s Dholakia & Associates LLP, Practising Company Secretaries, Mumbai, to conduct Secretarial Audit for the financial year 2020-21.

The Secretarial Audit Report and Managements' Comments thereon for the financial year ended 31 March

2021 are annexed to this Report:

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

(A) Compliance Report as envisaged u/s 205 of the Companies Act, 2013

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

During the period under review the Company has complied with the provisions of the Act, Rules, Guidelines, Standards etc. mentioned above except to the extent of not placing the Compliance Certificate as envisaged u/s 205 of the Act.

Management's Comments

In line with the compliance reports placed in the Air India Board, our holding Company, we have placed the compliance reports for the quarter January-March 2021 and April-June 2021 before the Board. The quarterly compliance reports will be submitted to the Board in future in order to comply with the provisions of Section 205 of the Companies Act, 2013.

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

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 are given below:

(A) Conservation of energy-

The management is highly conscious of the criticality of the conservation of energy at all operational levels particularly of aviation turbine fuel which is leading source of energy for aviation activity. Adequate measures are taken to reduce energy consumption whenever possible by using energy efficient equipment and technology infusion. These measures among other includes maintenance of engine and airframe, flight planning, training to operational staff, regular analysis etc.

(B) Technology absorption-

Alliance Air is working towards creating a separate IT landscape for various Hosted Solutions (Passenger Services (PSS), Operations (ARMS- Laminaar), e-mail bifurcation, Revenue accounting, ERP, Data/Voice network, Cyber Security Set up and Video Conference etc). No direct import of any technology has taken place. Some of the vendors are multinationals but the pricing model is INR-based and services are provided by their Indian Companies.

(**C) Foreign exchange earnings and Outgo**

		CURRENT YEAR 2020-21	PREVIOUS YEAR 2019-20
		(Rs. In Million)	(Rs. In Million)
A.	**Expenditure on Imports (CIF) during the year ended 31 March 2021**		

	- Aircraft Spares Parts & Tools	**272.51**	254.42
	- Capital Items-Ground Support Equipment Airframe Rotables and Aero Engg. Rotables	**159.21**	7.02
B.	**Expenditure on Consumption during the year ended 31 March 2021**		
	- Imported Spares & Components	**152.45**	105.11
	- Indigenous Spares	**Nil**	Nil
C.	**Earnings in Foreign Currency**		
	- Interline Revenue	**Nil**	Nil
D.	**Expenditure in Foreign Currency**		
	- Aircraft Lease & Maintenance Charges	**2922.62**	3509.12
	- Purchase of Stores & Equipment	**431.72**	261.44
	- Technical Literature	**46.54**	19.07
	- Training &travelling	**0.22**	2.08
	- Legal charges	**Nil**	Nil
	- Fuel & Landing/Parking	**Nil**	4.70

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)

The 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 WOMENAT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The details of sexual harassment cases reported in the Company during the financial year 2020-2021, are as under: -

i. Complaints of sexual harassment received during the relevant year -03

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'ts'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.

The report on Corporate Governance in compliance of the provisions of Companies Act, 2013 and DPE guidelines on Corporate Governance issued by the department of Public Enterprises, Government of India is annexed at **Annexure A.**

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 enclosed as **Annexure B** and is also available on the website of Air India Ltd. i.e.www.airindia.in.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the financial year were on an arm's length basis and were 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.

All Related Party Transactions are placed before the Audit Committee and also the Board for approval.

Particulars of contracts or arrangements or transactions in Form AOC-2 are attached as **Annexure C.**

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.

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 2020-21.

Sr. No	Name	Designation	Date of appointment	Date of cessation	Mode of Cessation
1	Ms Meenakshi Mallik	Director (Commercial), AIL	14 July, 2020	-	-
2	Smt Kusum Lata Sharma	Director (Finance), MOCA	20 January, 2020	27 January, 2021	Ceased to Director

3	Shri Deepak Sajwan	Director, Deputy Secretary, MOCA	27 January, 2021	-	-
4	Shri C.S. Subbiah	Chief Executive Officer, AAAL	25 May, 2016	31 October, 2020	Ceased to Chief Executive Officer
5	Smt Harpreet A. De Singh	Chief Executive Officer, AAAL	3 November, 2020	31 July, 2021	Ceased to Chief Executive Officer
6	Shri Prem Singh Negi	Regional Director, Northern Region, Air India Ltd.	7 October, 2019	01 May 2021	Ceased to Director
7	Shri Vineet Sood	Chief Executive Officer, AAAL	31 July, 2021	-	-

PERFORMANCE EVALUATION OF BOARD, ITS COMMITTEES AND INDIVIDUALS

As per the Notification dated 5 June 2015 of the Ministry of Corporate Affairs, provisions of Section 134(3)(p) of the Companies Act, 2013 shall not apply in case the Directors are evaluated by the Ministry, which is administratively in charge of the Company as per its own evaluation methodology. Alliance Air Aviation Limited, being a Government Company, the performance evaluation is carried by the MOCA, Government of India, as per the applicable Government guidelines.

POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION.

Alliance Air Aviation limited, being a Government Company, is exempted to furnish information under Section 134 (3) (e) of the Companies Act, 2013 as per the Notification dated 5 June 2015 of the Ministry of Corporate Affairs.

PARTICULARS OF EMPLOYEES

Alliance Air Aviation Limited, being a Government Company, its directors are appointed / nominated by the Government of India as per the Government / DPE Guidelines which also include fixation of pay criteria, determining qualifications and other matters.

As per the Ministry of Corporate Affairs exemption Notification dated 5 June 2015 the provisions of Section 134(3)(e) are not applicable to a Government Company. Consequently, details on Company's policy on Directors' appointment as specified in Section 178 (3) are not provided.

Similarly, disclosure of the ratio of the remuneration of each Director to the median employee's remuneration and other such details including the statement showing the names and other particulars of every employee of the Company, who, was in receipt of remuneration in excess of the limits set out in the Rules, are not provided.

REPORTING OF FRAUDS BY AUDITORS

There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and / or Board under Section 143(12) of Act and Rules framed thereunder.

INTERNAL CONTROL SYSTEMS

The Company internal control systems are designed to ensure operational efficiency, accuracy and promptness in financial reporting and compliance with laws and regulations. The internal control system is supported by an internal audit process for reviewing the adequacy and efficiency of the internal controls, including its systems and processes and compliance with regulations and procedures. Internal Audit Reports are discussed with the management and are reviewed by the Audit Committee of the Board, which also reviews the adequacy and effectiveness of the internal controls.

MAINTENANCE OF COST RECORDS

During the period under review, the provision of section 148 of the Companies Act, 2013 relating to maintenance of cost records does not applicable to the Company.

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 Govt. Departments, airlines, agents.

For and on behalf of the Board

Sd/-
(Rajiv Bansal)
Chairman

Place: New Delhi
Date: 22 October 2021

MANAGEMENT DISCUSSION & ANALYSIS REPORT

ANALYSIS OF FINANCIAL PERFORMANCE

Revenue

- Total revenue earned during the year was Rs. 4,592.2 million as against Rs. 11,811.5 million during 2019-20.

Expenditure

- The total expenditure incurred during the year was Rs. 8193.2 million as compared to the previous year's figure of Rs. 14163.5 million.

HUMAN RESOURCES

Staff Strength

As on 31 March 2021, AAAL had 843 employees on Fixed Term Employment Agreement basis. In addition, there were 8 employees on deputation from Air India Limited and 16 employees on deputation from AIESL. The Industrial Relation scene remained peaceful during the period 1 April 2020 to 31 March 2021.

FLEET POSITION

As on 31 March 2021, aircraft available in AAAL fleet are as under:

Aircraft	MSN	TYPE
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

ON TIME PERFORMANCE AND TECHNICAL DISPATCH RELIABILITY

i) Aircraft on time performance during the year 2020-21 was as under:

On Time performance (OTP)	
Period	**OTP**
FY 2020-21	84.60%

ii) Aircraft technical dispatch reliability during the year 2020-21 was as under:

Aircraft Type	Period	Technical Dispatch Reliability
ATR 72-212A (600)	FY 2020-21	98.96%

AIRCRAFT UTILIZATION

Aircraft utilization during the year 2020-21 was as under:

Aircraft	Period	Utilization
ATR 72-212A (600)	FY 2020-21	29244:46

EXPANSION OF AIRCRAFT WORKSHOP FACILITIES

As per MOU dated 29-07-2013 signed between AIESL and AAAL, all engineering/maintenance activities of AAAL are being carried out by AIESL w.e.f. 1st January 2015.

Hence no Aircraft workshop facilities are with AAAL and are being handled by AIESL.

MARKETING INITIATIVES

Performance during the year 2020-21 was as under:

No. of Stations: 47

Departures per day: 95

RCS & VGF Departures per day: 55

Commercial Departures per day: 40

Revenue Performance

Month	Rev Pax	Yield	Revenue (Crores)	RCS + Subsidy	Total Revenue (Crores)
Apr-20	-	-	-	-	-
May-20	3,767	3,749	1.4	1.9	3.3
Jun-20	36,092	2,892	10.4	20.3	30.7
Jul-20	41,967	2,512	10.5	21.1	31.6
Aug-20	45,544	2,823	12.9	19.3	32.2
Sep-20	49,702	2,950	14.7	20.4	35.1
Oct-20	63,236	3,117	19.7	21.1	40.8
Nov-20	82,656	3,481	28.8	19.9	48.6

Month	Rev Pax	Yield	Revenue (Crores)	RCS + Subsidy	Total Revenue (Crores)
Dec-20	99,226	3,492	34.7	20.0	54.6
Jan-21	92,039	3,100	28.5	19.5	48.0
Feb-21	95,469	3,326	31.8	17.8	49.6
Mar-21	95,561	3,331	31.8	21.7	53.5
FY 2020-21	7,05,259	3,193	225.2	203.0	428.1

Physical Statistics

Month	Capacity	% LF	Block Hours	OTP
Apr-20	-	-	152	-
May-20	13,895	27%	368	90%
Jun-20	1,03,037	35%	2,198	90%
Jul-20	1,15,190	37%	2,514	95%
Aug-20	99,268	46%	2,389	88%
Sep-20	1,05,978	47%	2,546	92%
Oct-20	1,20,097	53%	2,861	93%
Nov-20	1,30,471	64%	3,096	89%
Dec-20	1,44,370	70%	3,444	80%
Jan-21	1,34,526	69%	3,168	75%
Feb-21	1,31,387	74%	3,037	77%
Mar-21	1,48,936	65%	3,472	79%
FY 2020-21	12,47,155	57%	29,245	85%

New Flights introduced in FY 2020-21

Route	Frequency	Effective	Flight Type
Delhi-Chandigarh-Delhi	2 flights per week	22 Jul 2020	Commercial
Hyderabad-Jagdalpur-Raipur & v.v.	Daily	21 Sep 2020	RCS
Bengaluru-Kozhikode-Bengaluru	6 flights per week	11 Nov 2020	Commercial
Delhi-Chandigarh-Delhi	4 flights per week	14 Nov 2020	Commercial
Mumbai-Goa-Mumbai	Daily Flight	04 Dec 2020	Commercial
Mysuru-Mangalore-Mysuru	4 flights per week	11 Dec 2020	Commercial
Jabalpur-Bilaspur-Jabalpur	4 flights per week	01 Mar 2021	RCS
Prayagraj-Bilaspur-Prayagraj	4 flights per week	01 Mar 2021	RCS
Delhi-Bareilly-Delhi	4 flights per week	08 Mar 2021	RCS
Lucknow-Gorakhpur-Lucknow	Daily	28 Mar 2021	RCS

Campaigns initiated for new route launches:

a) Digital Marketing on social media with video campaigns.

b) Radio advertisements were done at all the local stations to promote all the new station launches.

c) Targeted SMS and Email Marketing campaign through Call Centre database for all new flights.

d) Banner display on OTA to promote new flights & promotions.

e) Extensive National and Regional media coverage was done for multiple new routes launched in March 2021.

North East flights operated in FY 2020-21

Route	Frequency	Flight Type
Kolkata-Guwahati-Passighat-Tezpur-Guwahati-Kolkata	3 flights per week	VGF
Kolkata-Guwahati-Kolkata	4 flights per week	VGF
Kolkata-Lilabari-Kolkata	Daily	VGF

New Routes planned in FY 2021-22

Route	Flight Type	Date of Commencement
Hyderabad-Hubli-Hyderabad	RCS (Zero Subsidy)	01 Apr 2021
Guwahati-Dimapur-Imphal & v.v.	RCS	May 2021 (4-7 flights)
Mumbai-Sindhudurg-Mumbai	RCS	May 2021
Guwahati-Shillong-Guwahati	RCS	May 2021
Shillong-Dimapur-Shillong	RCS	May 2021
Mumbai-Keshod-Mumbai	RCS	Jun 2021
Bhubaneshwar-Varanasi-Bhubaneshwar	RCS	Jul 2021
Delhi-Shimla-Delhi	RCS	Jul 2021
Imphal-Silchar-Imphal	RCS	Aug 2021
Chennai-Coimbatore-Chennai	Commercial	Oct 2021
Chennai-Trichy-Chennai	Commercial	Oct 2021
Rourkela-Bhubaneshwar-Rourkela	RCS	Nov 2021

Highlights for FY 2020-21

- During Lockdown period, Alliance Air operated Lifeline **UDAN Cargo flights** as directed by Ministry of Civil Aviation. We operated 135 flights carrying 55.7 tonnes of cargo. The total revenue earned for these flights was Rs. 5.02 crore.

- COVID 19 communication videos, flyers, banners, images about Alliance Air combating COVID challenges with cargo only flights PAN India under Lifeline UDAN were launched on social media handles, press & media platforms.

- **Web check-in** introduced from 23 September 2020 to promote contactless travel.

- Taking into consideration the COVID scenario, we launched the **Fly with Flexibility Campaign** in October 2020 valid till 31 March 2021 on rescheduling flights one time without any fee.

- Introduced **INR 100 fee on check-in** at airports to promote contactless check-in and to increase ancillary revenue. Revenue earned 8 Lacs for November 20 - March 21.

- In November 2020, **Alliance Air brand / logo display activated** at external touchpoints (Airport / FIDS / Video Display) at all operated stations.

- **Product USP Campaign** was launched in November 2020 highlighting the following:

    a) No Middle Seat

    b) Better Seat Pitch of 30” (better than most narrow body jets)

    c) Alliance Air ATR emits very less noise and are known for their smooth landing

    d) ATR’s are environment friendly with 40% less CO_2 emission per trip

    e) Young ATR fleet with average age less than 4 years

    f) Crew to passenger ratio 1:35

- **CSR Media stories** (Organ Donation)

    As a CSR initiative, Alliance Air delayed its flights to Delhi from Jaipur by 30 minutes as it waited for a team of doctors who were transporting harvested organs donated by a woman to save four lives in the national capital. The retrieved organs, along with a team of doctors and paramedics staff, were to be flown to the national capital.

- **Vaccination Drive**: Alliance Air was a part of the life-saving vaccination drive to hinterland areas of the country. Sectors operated for the vaccination drive were: Kolkata-Guwahati / Kolkata-Lilabari / Kolkata-Imphal / Kolkata-Passighat / Kolkata-Dimapur / Kochi-Agatti.

- Campaign launched in November 2020 for **brand visibility & engagement**

    a) Did you know?

    b) Reasons to fly Alliance Air

    c) Your safety is our priority

    d) Welcome 2021

- **100 percent OTP**: On 14 November 2020 all Alliance Air regions scored 100% OTP.

- Moving towards **ATMANIRBHAR BHARAT** an initiative from our Hon’ble Prime Minister Shri. Narendra Modi, Alliance Air also believes that we must have self-belief to take the nation ahead and join hands with our government to move forward. Moving towards ATMANIRBHAR BHARAT, few initiatives taken by Alliance Air:

    a) Signing of MoU for Made in India Dornier aircrafts.

    b) Proactive Vocal for local social media campaigns on Independence Day 2020.

    c) In line with Dekho Bharat Dekho promoting regional tourism in Tier 2 and Tier 3 cities of India.

    d) Promoting use of Rajbhasha Hindi in our campaigns.

- **Women’s Day (08 March 2021)**

    a) Inaugural of RCS flight to the Jhumka city “Bareilly” from Delhi, operated by all women crew.

    b) Lucky draw coupon contest across Alliance Air Network flights on Women’s Day.

    c) Alliance Air operated all women crew flights in all 4 regions of the country.

    d) Alliance Air participated in Forbes line discourse on rebuilding India’s growth story with pre-eminent women leaders on Women’s Day.

    e) Women of Alliance Air ran 5 km to salute and pay a tribute to COVID warriors on Women’s Day.

- **Summer Bonanza Sale** offer was launched @ INR 999 fares across the network

  a) Sale Period: 13-17 March 2021

  b) Travel Period: 01 April - 30 Sepember 2021

  c) One date Change Free

  d) 60,000 seats offered

  e) **Outcome:** The sale saw an increase from 5% to 12% (in a span of 5 days of the sale) for bookings in April 2021 (window of D+30).

  f) Launched on all distribution channels

  g) Promoted on Media, Social Media, OTA, Press Releases, Regional Press Releases in Hindi, English, Kannada, Telegu, Malayalam & Gujrati.

- Promotion of **Azadi ka Amrit Mahotsav** Celebrating soon to be 75 years of India's Independence with content created for social media handles of Alliance Air and all display boards. The Theme was aligned with new RCS routes and Alliance Air vision of "Ude Bharat, Jude Bharat, Aatmnirbhar bane Bharat"

- The role of the **Call Centre and Central Monitoring Unit** in the last one year and how have we have bridged the gap for the passenger during the COVID crisis

  a) Call centre is the first point of contact for the passenger / travel agent. It has been providing various services to our passengers viz new booking, cancellation, date change, schemes, ticketing, frequent flyer program, check-in and many more facilities.

  b) Alliance Air did not have the self-check-in facilities till mid May 2020. However, abiding by the instructions issued by the DGCA to have a contactless travel, Alliance Air introduced Tele check-in facilities from the call centre effective 25 May 2020. This helped in enhancing contactless travel.

  c) Subsequently effective 23rd September 2020, Alliance Air activated web / mobile check-in facilities that helped in reduction of load at the call centre and passengers could then check themselves in at their convenience. Call centre & CMU officials constantly advise passengers to do self-check-in through SMS & E-mail so that a greater number of passengers are checked-in prior to their flight.

- **Complaints handled by Customer Care** Department during COVID 19:

  a) During COVID, primarily, the complaints were for refund/rebooking due to flight withdrawn and curtailed schedule on account of complete lock down.

  b) Complaints were handled by providing complete information on refund/rescheduling of travel plan in accordance to the airline guidelines updated from time to time on the website.

  c) Some complaints which were due to no information of cancellation/reschedule, were taken up with the concerned leadership in order to avoid re-occurrence and offer seamless services to our esteemed passengers.

  d) Additionally, we have been receiving complaints regarding website error/wrong baggage allowance and wrong departure time reflecting on the ticket/staff behaviour/service complaints, which are escalated to concerned department heads for corrective measures and conclusion is given to passengers in accordance.

  e) Status on Complaints received and closed for FY 2020-21

Quarter	Complaints Received	Complaints Closed	% Complaints Closed
Q1	70	69	99%

Quarter	Complaints Received	Complaints Closed	% Complaints Closed
Q2	102	101	99%
Q3	80	79	99%
Q4	151	150	99%
FY 2020-21	**403**	**399**	**99%**

- **COST SAVING MEASURES BY CATERING SERVICES**

a) Catering services on all the flights of Alliance Network were discontinued on account of the lockdown effective 24 March 2020 due to COVID 19 outbreak.

b) Services were only given to the operating crew for cargo operations during lockdown.

c) Cost cutting measures has been taken in order to cut down meal cost for the passengers.

d) Resumed catering operations on 25 May 2020 where only crew meals started onboard and passenger's meals discontinued to avoid any potential food hazard.

e) Only water bottles (200 ml) are being provided to the passengers across all the routes of the Alliance Air till date.

f) Menu designing has been done keeping in view the cost factor and good quality for the crew meals.

g) Meal deductions and penalties were made to the caterer on account of penal provision as per the contractual terms.

ENGINEERING INITIATIVES

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

Amended lease agreements have been signed with M/s DAE leasing (Ireland) and M/s ELIX Assets Limited on 28th February 2021 and 24th December 2020 respectively. AAAL has extended the Lease (with DAE and Elix) for 2 years and with lease rental discounts on behalf of Covid relief.

The discounts on lease rent (LR) as per current lease agreement with lessor DAE saves approximately USD 11.28 million and with lessor Elix the saving is approximately USD 5.6 million. Total LR saving is approximately USD 16.88 million.

Steps taken to reduce the expenditure on the aviation fuel

Fuel tester tool has been procured to diagnose Fuel imbalance snag in the ATR72 fleet and is available in tool store for AIESL maintenance team for use when required, this tool ensures faster snag diagnosis and rectification.

Details of Engineering and Maintenance Activities including Bases, new shops, major works, outstations;

No of Transit Stations - 47 Stations (station list as on 31st Mar 2021, curtailed due to Covid Pandemic).

No of Base Stations – 03 (Delhi, Hyderabad and Kolkata).

No of Night Halt Bases-05 (Mumbai, Delhi, Kolkata, Hyderabad and Bangalore).

21 rotable spares (Fire extinguishers, Oxygen bottles, Batteries, SSCVR, SSFDR, ELT etc.) of AAAL are being serviced at AIESL shops across Delhi, Hyderabad, Kolkata and Mumbai.

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

As per the signed Settlement Deed dated 20 Mar 2019 with lessor M/s Acia Aero, the four PW121 engines (ESN: AC0096, AC0111, AC0106 and 121355) of ATR42-320 aircrafts VT-ABA and VT-ABB have been returned to the designated location in Toulouse, France.

The hull of ATR42-320 aircrafts VT-ABA and VT-ABB are to be disposed of through auction as per the procedures of MMD Kolkata.

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

All engineering/maintenance activities of AAAL are being carried out by AIESL w.e.f. 1st Jan 2015. Hence no Engineering services are being provided by AAAL to other Airlines/Organisation.

CAM/QM services can be provided to Non-Scheduled Operators (if they approach AAAL) since AAAL has 4 years of experience as an operator.

CIF value of Imports (New Purchases & not repaired items) during 01.04.2020 to 31.03.2021 in respect of (a) components & spares (b) inventory control (c) capital items

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

Plan for 2021-22 with special reference to aircraft utilisation, availability of Engineers, new routes/ services, utilisation of facilities etc. and also plan for fleet expansion.

As a part of the ongoing Dornier project with M/s Hindustan Aeronautics Limited, 3 new eastern routes connecting Dibrugarh to Pasighat, Tezu and Ziro are presently in first phase of discussion.

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 require 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 Alliance Air which includes airfield inspection, spot checks and Ramp inspection.

Total 54 incidents were reported for the FY 2020-2021, out of which 35 cases were investigated by the permanent Investigation Board (PIB) of the Company with DGCA representatives and 19 cases are pending for next PIB.

In the financial year 2020-2021, NIL Serious Incident is reported & there were 23 Bird hit/strike occurrences out of which 03 (Three) resulted in damage to the aircraft i.e. Propellor blade no #2 of Engine no #1 on VT-RKL at Pantnagar, ingestion of bird in Engine no #2 of VT-AIV at Chandigarh, & wing-fuselage fillet area of VT-RKM at Dharamshala. 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: -

- For Quality Assurance & SMS implementation throughout the organisation SQMS (Safety & Quality management system) software is under process of procurement.
- The occurrences which are classified as incidents were investigated by the investigation board of Alliance Air in association with the O/o Director of Air Safety (NR), DGCA.

- The recommendations of Permanent Investigation Board are circulated to the respective departments for necessary action.
- Load and trim sheet of ATR 72-600 fleet are being monitored on monthly basis.
- Safety audit of base stations/Line stations were carried out as per approved Safety audit plan.
- In Financial year 2020-2021 audit of 19 stations were carried out through Web-ex (online).
- As per FOQA program the involved crew are being cautioned, advised and counselled.
- SAG (Safety action group) meets are conducted every month.
- 3 SRM (SRBM) were conducted in the FY 2020-2021.

TRAINING

As per the MOU signed between AIESL and AAAL, all AME's (certifying staff) have been hived off and transferred from AAAL to AIESL. Hence all aircraft related Engineering trainings are being managed by AIESL.

AAAL CAMO and Training department conducted Training/ Familiarization/Awareness course/class for 137 employees of as part of DGCA requirements.

OPERATIONS

Implementation of Computerized Flight Planning:

Alliance Air Ops has finalized the vendor for CFP for all flights. Flight dispatchers were trained on CFP and trial flights were carried out and results were found satisfactory. After obtaining the DGCA approval, this will be implemented for all flights soon. Computerized Flight Planning will optimize the cruise flight level based on actual wind and actual take-off weight which will reduce fuel consumption.

Fuel Tankering:

From August 2020 onwards, Fuel Tankering was carried out in Alliance Air flights based on the difference in the price of fuel. In the month of March 2021, total 24 flight sectors were declared as Fuel Tankering Sectors based on the prevailing fuel price at each station. Every month based on the fuel price, Fuel Tankering Sectors are revised and revised Operation Notice is issued to all flight crew and flight dispatchers to carry out Fuel Tankering without affecting the payload. As on date, 39 sectors are declared as Fuel Tankering Sectors.

GOING CONCERN

The Company (being a wholly-owned subsidiary of Air India) has full support from the government of India to make the Company fully operational after the disinvestment of Air India and also the Company has taken various measures to improve its operational efficiencies and cost control measures. Since the Company expects improvement in Operational and Financial Performances and the Company has support from the government of India to make the company fully operational, hence the financial statements of the Company have been prepared on the "Going Concern" basis in spite of having accumulated losses and net-worth being eroded."

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 UDAAN scheme. The performance of the airline under UDAN has been excellent wherein the Company has been operationally positive. The total UDAN route won by the Company now stands at 109. Out of allotted routes, the Company operated 73 routes as on 31st March 2021, which were 61 routes till 31st March 2020. Out of the total route operated by AAAL in 2020-21, around 56% were under UDAN scheme. Alliance Air by deploying more resources on UDAN sectors is moving towards profitability, as AAAL has been achieving operating profit on operation under UDAN scheme. The Company has actively participated in UDAN - 4.1 and awaiting final allotment.

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 2021-22 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 Thakur Vaidyanath Ajyar & Co., Chartered Accountants, New Delhi as Internal auditors for the year 2020-21 to carry out various internal audit assignments such as Tax compliance, Risk assessment & mitigation, Strengthening Internal control process, etc.

Annexure A

REPORT ON CORPORATE GOVERNANCE

The Report on the Corporate Governance for the financial year 2020-21 in compliance of provisions of the Companies Act, 2013 and DPE Guidelines issued on Corporate Governance by the department of Public Enterprises, Government of India is given as below:

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 2021

Shri Rajiv Bansal	CMD, Air India Ltd.- Chairman
Shri Vinod Hejmadi	Director (Finance), Air India Ltd.
Shri Pranjol Chandra	Director, Ministry of Civil Aviation
Shri Deepak Sajwan	Director, Deputy Secretary, Ministry of Civil Aviation
Ms Meenakshi Mallik	Director(Commercial),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 five times during the year to periodically review the performance of the Company and to discuss important issues which inter-alia included Induction of 2 new ATR42-600 aircraft as a replacement to AAAL's current 2 ATR 42-320 , Induction of New ATR 72 aircraft for expansion, Operation of B747 Aircraft for SESF for Government of India, Tender for leasing of 03 PW127M Engines, Lease Agreement of aircraft MSN 1268(VT-AIX), 1273(VT-AIY) and 1279 (VT-AIZ) , COVID 19 situation, Conversion of 2 ATR 72-600 aircraft from passenger to freighter configuration, Information on Amphan aftermath, Lease Agreement of 13 aircraft leased from lessor M/s DAE, , New Tender for long term leasing of 02 PW127M Engines and 03 Engines on short term rental to meet immediate requirement, Execution of Lease Agreement of 02 Dornier-228 aircraft from HAL as per directions of MOCA.

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:

<u>Board Meetings</u>:

Board Meetings were held during the financial year 2020-21 on the following dates:

13 July 2020 (162nd Meeting)

20 October 2020 (163rd Meeting)

21 January 2021 (164th Meeting)

29 January 2021 (165th Meeting)

23 March 2021 (166th Meeting)

Particulars of Directors including their attendance at the Board/Shareholders' Meetings during the financial year 2020-21:

Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
Shri Rajiv Bansal CMD – Air India Ltd.	Civil Engineer, IIT, Delhi, Diploma in Finance, ICFAI, HYD, EXE Masters in Intl Business, IIFT, Delhi	5	Chairman & Managing Director Air India Limited Part-Time Chairman Air India Airport Services Ltd(AIASL) Air India 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) Director Air Mauritius Limited Air Mauritius Holdings Limited Bharat Yantra Nigam Ltd	AIL Member Nomination & Remuneration Committee AIASL Chairman Corporate Social Responsibility Committee Member Audit Committee HCI Member Audit Committee

Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
Shri Vinod Hejmadi Director – Finance Air India Ltd. (*Ceased to be director and member in AIASL, AIESL & HCI w.e.f. 11.09.2020)	B. Com, ACA	5	<u>Director</u> Air India Ltd AI Airport Services Ltd (AIASL)* AI Engineering Services Ltd (AIESL)* AI Express Ltd (AIXL) Hotel Corporation of India Ltd (HCI)* AISATS Airport Services Pvt. Ltd. Air India Assets Holding Limited (AIAHL)	<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 & Finance Committee HR cum Nomination & Remuneration Committee <u>AIL</u> <u>Chairman</u> Cost Cutting Committee <u>Member</u> HR Committee Corporate Social Responsibility & Sustainability Development Committee Share Allotment Committee Flight Safety Committee

Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
				AIASL * Member Corporate Social Responsibility Committee Audit Committee HCI* Member Audit Committee AIESL* Member Audit Committee AISATS Chairman CSR Committee
Ms. Meenakshi Mallik Director (Commercial), Air India Ltd. (Appointed as director w.e.f. 14.07.2020)	Graduate in Science and Post Graduate diploma in Management (MBA)	4	Director Air India Limited(AIL) Air India SATS Airport Services Pvt. Ltd. AI Engineering Services Limited (AIESL)	-
Smt Kusum Lata Sharma Director(Finance), Ministry of Civil Aviation (Ceased as Director w.e.f. 27.01.2021)	LLM	2	Director Air India Express Ltd. (AIXL)	AAAL Chairman Audit Committee Member HR Committee AIXL Chairperson Audit & Finance Committee Member CSR Committee HR cum Nomination & Remuneration Committee

Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
Shri Pranjol Chandra Director, Ministry of Civil Aviation	B.E. Mechanical	5	Director Air India Express Ltd. (AIXL)	AAAL Chairman Flight Safety Committee Chairman/ Member Audit Committee AIXL Member Audit & Finance Committee CSR Committee Chairman HR cum Nomination & Remuneration Committee
Shri Deepak Sajwan Deputy Secretary, Ministry of Civil Aviation (Appointed as Director w.e.f.27.01.2021)	Post Graduate	2	Director Air India Express Ltd. (AIXL)	AAAL Member Audit Committee HR Committee Flight Safety Committee AIXL Member Audit & Finance Committee CSR Committee HR cum Nomination & Remuneration Committee
Shri Prem Singh Negi Regional Director-Northern Region, Air India Limited (Appointed as Director w.e.f 7.10.2019)	B.Sc./MBA (PGDBA)	4	-	-

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 2021 the following were the members of the Audit Committee:

Shri Pranjol Chandra	Chairman
Shri Vinod Hejmadi	Member
Shri Deepak Sajwan	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:

20 October 2020 (19th Meeting)

21 January 2021(20th Meeting)

23 March 2021(21st Meeting)

Attendance at the Audit Committee Meetings:

Name of the Member	No. of Meetings Attended
Shri Pranjol Chandra	3
Shri Vinod Hejmadi	3

Shri Deepak Sajwan	1
Smt Kusum Lata Sharma*	1
Shri Rajiv Bansal	3

*Ceased as Chairperson w.e.f. 27.01.2021

4. Annual General Meetings during the last three years

The details of these meetings are given below:

	Date and time of the Meeting	Venue
35th Annual General Meeting	26 December 2018 At 1100 hrs	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110001
36th Annual General Meeting	26 September 2019 At 1500 hrs	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110001
Extra Ordinary General Meeting	11 February 2020 At 12 Noon	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110001
37th Annual General Meeting	29 December, 2020 At 1130 hrs	Held Through Video Conferencing (VC)

For and on behalf of the Board

Sd/-
(Rajiv Bansal)
Chairman

Place : New Delhi
Date : 22 October 2021

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 2021.

Sd/-
(Vineet Sood)
Chief Executive officer
Alliance Air Aviation Limited

Place : New Delhi
Date : 22 October 2021

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2021

[Issued in pursuance to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 with modifications as deemed necessary, without changing the substance of format given in MR-3]

To,
The Members,
Alliance Air Aviation Limited
(Erstwhile known as Airline Allied Services Limited)
'Alliance Bhawan', Domestic Terminal-1,
I.G.I Airport, New Delhi-110037

Due to widespread outbreak of Covid-19 and consequent and subsequent imposition of lockdown, we have conducted the secretarial audit through electronic platform to verify the documents by our authorized person(s) during the lock down period, 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')** for the financial year ended 31st March, 2021. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

A. In expressing our opinion, it must be noted that-

   i. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

   ii. We have followed the audit practices and processes as were appropriate to obtain reasonable assurances about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis of our opinion.

   iii. We have not verified correctness and appropriateness of financial records and books of accounts of the Company.

   iv. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.

   v. The compliance of provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.

   vi. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

B. Based on online verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and made available to us and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs warranted due to the spread of the COVID-19 pandemic, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021 complied with the statutory provisions listed hereunder and also that the Company has proper Board-process (duly evolved) and compliance mechanism in place to the extent and as applicable to the Company in the manner and subject to the reporting made hereinafter:

C. We have conducted an online examination of the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2021 according to the provisions of:

I. The Companies Act, 2013 (the Act) and the rules made thereunder;

II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

III. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under to the extent of facilitating dematerialization of equity shares of the Company;

IV. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of External Commercial Borrowings. The Company has no Foreign Direct Investment and Overseas Direct Investment.

V. None of the Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') are applicable to the Company except The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.

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

(a) Aircraft Act, 1934 and the Rules made there under;

(b) Carriage by Air Act 1972 and the Rules made there under;

(c) The Aircraft (Carriage of Dangerous Goods) Rules,2003 and the Rules made there under;

(d) Civil Aviation Requirements issued by Directorate General of Civil Aviation.

(e) Acts prescribed under Environmental Protection.

(f) Tokyo Convention Act, 1975

(g) Anti- Hijacking Act, 1982

(h) Suppression of Unlawful Acts against Safety of Civil Aviation Act, 1982

We have also examined compliance with the applicable clauses of the Secretarial Standards in respect of Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Guidelines, Standards etc. mentioned above except to the extent of *not placing the Compliance Certificate as envisaged u/s 205 of the Act.*

We also state that the Company being a Government Company by virtue of being a wholly owned subsidiary Company of Air India Limited is exempt from appointing Independent Directors under the Companies (Appointment and Qualification of Directors) Amendment Rules, 2017 dated 5th July 2017.

D. We further report that--

I. Subject to what is stated herein above as regard the appointment of Independent Directors, the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and directions issued by the Air India Limited of which the Company is a wholly owned subsidiary

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

III. Majority decision is carried through discussion and deliberation among the Directors.

We further report that there are systems and processes in the Company which require to be strengthened to commensurate with its size and operations of the Company to monitor and ensure compliance with applicable laws, rules, and guidelines in view of the followings (i) Compliance Certificate as envisaged u/s 205 of the Act may be placed quarterly so as to enable the Directors to ensure timely compliance of applicable laws and (ii) Observations and suggestions made by the Internal Auditors in their Internal Audit Reports for all the four quarters; .

G. We further report that during the audit period none of the following events has taken place-

i. Public/Rights/Preferential Issue of Shares/Debentures/Sweat equity etc.

ii. Major decision taken by the members in pursuance to Section 180 of the Companies Act, 2013.

iii. Merger/Amalgamation/Reconstruction, etc.

iv. Foreign Technical Collaborations

For DHOLAKIA & ASSOCIATES LLP
(Company Secretaries)

Sd/-
CS Bhumitra V. Dholakia
Designated Partner
FCS-977 CP No. 507
UDIN: F000977C001300891

Place : New Delhi
Date : 27 October 2021

Annexure B to Directors' Report for the year 2020-21

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2021

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

I. REGISTRATION & OTHER DETAILS:

1.	CIN	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, 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 ofthe 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 113, Airlines House, 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 01-04-2020]				No. of Shares held at the end of the year [As on 31-03-2021]				% 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.	40,224,993	7	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)	**40,224,993**	**7**	**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) FIIs									
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 01-04-2020]				No. of Shares held at the end of the year [As on 31-03-2021]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions	**Not Applicable**								
a) Bodies Corp. (Market Maker + LLP)									

i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital uptoRs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh									
c) Others (specify)									
i) Non-Resident Indians									
ii) Non-Resident Indians - Non Repatriable									
iii)Office Bearers									
iv)Directors									
v)HUF									
vi)Overseas Corporate Bodies									
vi)Foreign Nationals									
vii)Clearing Members									
viii)Trusts									
ix)Foreign Bodies - D R									
Sub-total (B)(2):-	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B) = (B)(1)+ (B)(2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**40,224,993**	**7**	**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 Share-holding 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
	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 hareholders	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	**NOT APPLICABLE**				
2					
3					
4					
5					
6					
7					
8					
9					
10					

E) Shareholding of Directors and Key Managerial Personnel:

S. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Shri Rajiv Bansal	1	0	1	0
2	Shri Vinod Hejmadi	1	0	1	0
3	Shri Prem Singh Negi	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	-	17118163862.57	-	17118163862.57
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**17118163862.57**	**-**	**17118163862.57**
Change in Indebtedness during the financial year	-		-	
* Addition	-	3539062955.01	-	3539062955.01
* Reduction	-	-	-	-
Net Change	**-**	**3539062955.01**	**-**	**3539062955.01**
Indebtedness at the end of the financial year	-	-	-	-
i) Principal Amount	-	19043227899.07	-	19043227899.07
ii) Interest due but not paid	-	1613998918.50	-	1613998918.50
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**20657226817.57**	**-**	**20657226817.57**

* **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 figures)

Sr No	Particulars of Remuneration	Name of MD/WTD/ Manager					Total Amount
1	Gross salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961						
	(b)Value of perquisites u/s 17(2) Income-tax Act, 1961						
	(c)Profits in lieu of salary under section 17(3) Income- tax Act, 1961						
2	Stock Option						
3	Sweat Equity						
4	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	20,17,251	**	12,88,043	33,05,294
	(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	**20,17,251**	**	**12,88,043**	**33,05,294**

**The Company Secretary is holding the position in addition to her responsibilities as AGM,Finance Department, 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	-	-	-	-	-

For and on behalf of the Board

Sd/-
(Rajiv Bansal)
Chairman

Place : New Delhi
Date : 22 October 2021

ANNEXURE C TO DIRECTORS' REPORT FOR THE YEAR 2020-21

Form No. AOC-2(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

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

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

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

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

All contracts /arrangements / transactions entered by the Company with related parties under Section 188(1) of the Act during the financial year 2020-21 were on an arm's length basis, in the ordinary course of business which were duly approved in the 169th Board meeting of the Company held on 22 October 2021. The details of contracts or arrangements or transactions at arm's length basis are as follows:.

Name of Related Party & Nature of Relationship with Alliance Air Aviation Limited (AAAL)	Nature of Transaction	Duration of Transaction	Salient terms of transaction	Amount (In Millions)
Air India Ltd (AIL) Holding Company	**Expenditure/ Services received from Air India Ltd.**	1 April 2020-31 March 2021	Expenditure/ Services received from Air India Ltd.	
	1. Handling			33.16
	2. SOD			6.21
	3. Staff Training Expenses			71.80
	4.Corporate Guarantee Charges			22.00
	5. Interest charged by AIL			1614.00
	6. Insurance			11.30
	7. Other Expenditure			0.87
	Total			1759.17
AI Engineering Services Ltd (AIESL) (Subsidiary of Air India Ltd)	**Expenditure**			
	1. Repair Other	1 April 2020-31 March 2021	Expenditure	453.44
	2. Interest			117.10
	Total			570.54

AI Airport Services Ltd. (AIASL) earlier known as Air India Air Transport Services Ltd (Subsidiary of Air India Ltd)	**Expenditure**	1 April 2020-31 March 2021	Expenditure	
	Handling Charges			124.00
	Interest			75.32
	Total			199.32
Air India Express Limited (Subsidiary of Air India Ltd)	**Expenditure** Transfer of Inventory	1 April 2020-31 March 2021	Expenditure	0.13
	Total			0.13
Air India SATS Airport Services Pvt. Ltd. (Joint Venture with Air India Ltd)	**Expenditure**	1 April 2020-31 March 2021	Expenditure	
	Handling Charges			124.63
	Total			124.63
Hotel Corporation of India (Subsidiary of Air India Ltd)	**Expenditure**	1 April 2020-31 March 2021	Expenditure	
	Hotel Accommodation			1.09
	Total			1.09

For and on behalf of the Board

Sd/-
(Rajiv Bansal)
Chairman

Place : New Delhi
Date : 22 October 2021

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT FINANCIAL STATEMENTS OF ALLIANCE AIR AVIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021

The preparation of financial statements of **ALLIANCE AIR AVIATION LIMITED** for the year ended 31 March 2021 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 14 July 2021.

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 2021 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records.

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

A. Comments on Financial Position

i) Non-Current Assets

Property, Plant & Equipment [Note 2(a)] - Rs. 22.59 crore The above includes Rs.14.68 crore (USD 1,950,000) towards procurement of Aero Engine Rotables (PW 127M) from M/s Pratt & Whitney, Canada during the year 2020-21. The total cost of the new engine (PW 127M) was Rs.23.43 crore (USD 3,112,831). However, the company purchased this new engine in exchange of the two old engines at a final negotiated price of Rs. 14.68 crore (Cost of new engine = USD 3,112,831 less Value of two old engines = USD 1,162,831). The new engine should have been booked at cost value of Rs.23.43 crore instead of the net settlement amount of Rs.14.68 crore. This has resulted in understatement of Property, Plant & Equipment by Rs.8.55 crore, understatement of other income by Rs.8.75 crore and understatement of depreciation by Rs.0.2 crore and consequently overstatement of loss by Rs.8.55 crore.

Current Assets

Financial Assets

Loans (Note 10) - Rs. 32.48 crore

The above includes Security Deposits of Rs.16.42 crore in the form of Bank Guarantee (BG) with Airports Authority of India (AAI) for Regional Connectivity Scheme (RCS) which were issued against term deposits which were under lien with bank.

i. Two original BGs for Rs.0.92 crore were returned by AAI on 31 July 2020. Therefore, the term deposit to the extent of Rs.0.92 crore are readily available as cash & cash equivalent and the same should have been depicted under “Cash & Cash Equivalent as per para 7 of Ind AS 7 on Statement on Cash Flows.

ii. Security deposits for Rs.15.50 crore should have been depicted under ‘Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments’ under head ‘Bank balances other than cash & cash equivalents’ in accordance with the Schedule III of Companies Act, 2013.

The above has resulted in overstatement of Loans by Rs.16.42 crore and understatement of Bank balances other than Cash & Cash Equivalent by Rs.15.50 crore and Cash & Cash Equivalents by Rs.0.92 crore.

Also, as the Cash and Cash Equivalents at the end of the year under Cash Flow Statement does not include Rs.0.92 crore and as the amount is included under Cash Flow from Operating Activities, thus, the Cash Flow Statement is deficient to that extent and this has also resulted in non-compliance of Ind AS 7 relating to Statement of Cash Flows.

B Comment on Auditors' Report

Annexure "A" to the Independent Auditor's Report

CIT (Appeals) in respect of income tax demand of Rs.1.40 crore for the Assessment Year 1997-98 had already been dismissed vide order dated 23 November 2004 and the Income Tax Appellate Tribunal (ITAT) had also dismissed the appeal on 28 January 2020 which was duly received by the Company on 25 February 2020. As the appeal has been dismissed by ITAT

and as the matter of tax liability is not disputed at any forum, the same should not have been disclosed under disputed statutory dues under Para 7(c) of Independent Auditor's Report. Thus, the Independent Auditor's Report is deficient to that extent.

C. Comments on Cash Flow

i. Net Cash from Operating Activities - Rs. 397.97 crore
Net Cash from / (used) in Financing Activities Rs. (423.45) crore

The above includes Rs.203.18 crore towards interest payable to Air India Limited (Rs.161.40 crore), Fuel companies (Rs. 21.35 crore) and interest payable to related parties (Rs.20.43 crore). The above interest amount has not been paid and has been included in balance payable under the head 'Short term borrowings'. Interest being a non-cash item has already been adjusted from Net Profit and Loss while calculating Cash Flow from Operating Activities. Since interest has not been paid, the same should not have been included under Cash Flow from Financial Activities and also the same should not have been adjusted in operating liabilities under short term borrowings while calculating Cash Flow from Operating Activities.

This has resulted into overstatement of Cash Flow from Operating Activities and Cash Flow from Financial Activities (Cash used in financing activities) by Rs.203.18 crore and has also resulted in non-compliance of Ind AS 7 relating to Statement of Cash Flows.

ii. Net Cash from Operating Activities - Rs. 397.97 crore
Net Cash from / (used) in Investing Activities - Rs. (0.41) crore

During the year Fixed Assets amounting to Rs.16.07 crore have been purchased, however payment of Rs.16.03 crore only has been made to the vendors and balance of Rs.0.04 crore is being shown under Trade Payable (Note No. 18). The company has taken its impact under Increase / Decrease in Trade Payables while calculating Cash Flow from Operating Activities and also the purchase of Fixed Assets under Cash flow from Investing Activities has been shown at total purchase amount of Rs.16.07 crore.

Since Rs.0.04 crore has not been paid to the vendor, the same should not have been included under purchase of Fixed Assets under Cash Flow from Investing Activities.

Non-depiction in the above manner has resulted into overstatement of Cash Flow from Operating Activities and understatement of Cash Flow from Investing Activities by Rs.0.04 crore and has also resulted in non-compliance of Ind AS 7 relating to Statement of Cash Flows.

iii) Net Cash from Operating Activities - Rs. 397.97 crore

While calculating net Cash from Operating Activities, unrealized foreign currency exchange gain of Rs.6.55 crore has not been adjusted from Net Profit or Loss before Tax as per Statement of Profit and Loss Account with corresponding impact on Adjustments for Increase / Decrease in Operating Assets / Liabilities. This has resulted in non-compliance of Ind AS 7 relating to Statement of Cash Flows.

D. Comment on Disclosure
Equity and Liabilities
Current Liabilities
Trade Payable (Note no. 18) - Rs. 890.06 crore

Trade payables of Rs.0.49 crore in respect of micro and small enterprises has not been depicted separately in the Balance Sheet and also there was wrong depiction of the amount in notes to accounts which is not in compliance with Schedule III of the Companies Act, 2013.

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

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

Place: New Delhi
Dated: 7 October 2021

MANAGEMENT REPLIES TO THE C&AG REPORT FOR THE YEAR ENDED 31 MARCH 2021

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENT OF ALLIANCE AIR AVIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 The preparation of the financial statement of **ALLIANCE AIR AVIATION LIMITED** for the year ended 31 march 2021 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 14 July 2021. 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 2021 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.	
A. Comments on Financial Position **i) Non-Current Assets** **Property, Plant & Equipment [Note 2(a)] – Rs. 22.59 crore**	

The above includes Rs. 14.68 crore (USD 1,950,000) towards procurement of Aero Engine Rotables (PW 127M) from M/s Pratt & Whitney, Canada during the year 2020-21. The total cost of the new engine (PW 127M) was Rs. 23.43 crore (USD 3,112,831). However, the company purchased this new engine in exchange of the two old engines at a final negotiated price of Rs. 14.68 crore (Cost of new engine = USD 3,112,831 less Value of two old engines = USD 1,162,831). The new engine should have been booked at cost value of Rs. 23.43 crore instead of the net settlement amount of Rs. 14.68 crore. This has resulted in understatement of Property, Plant & Equipment by Rs. 8.55 crore, understatement of other income by Rs. 8.75 crore and understatement of depreciation by Rs. 0.2 crore and consequently overstatement of loss by Rs. 8.55 crore.	As per Company policy and as per Accounting Standards, any capital item purchased to be booked in the Books of Accounts based on the invoices being raised by the vendor. We have received the invoices from M/s Pratt & Whitney, Canada for purchasing of the engine bearing number ED-1881 amounting to USD 1.95 million. It may please be appreciated that in the airline industry there is always a wide variation of the catalogue price and actual purchase price depending upon the market situation and present / future committed business awarded to the respective vendor. The purchase price was derived based on the negotiations and other future commitments duly accepted by both the parties. In the said case, the invoices raised by M/s Pratt & Whitney is US$ 1.95 million and as per rules, the Company has taken into consideration for capitalization of the engine at the invoice price raised by manufacturer. The exchange of the engine as noted in the para is a separate incident and has no bearing with this purchase. The engine in question bearing serial no. 121163 and 121261 were pertaining to ATR-42 aircraft, which was leased from M/s ABRIC. As per the lease agreement, the aircraft will be returned to the lessor after fulfilment of the specified conditions. The cost of the redelivery as projected was considered very high, hence, management started dialogue with the lessor to arrive at the compensation in lieu of the redeliver of the aircraft. The compensation amount was duly agreed by both the parties considering the fact that the aircraft has already consumed its total life cycle and could not be operated in future. The compensation amount paid to the lessor was booked as redelivery cost in the year 2015-16. The aircraft was parked at Kolkata as a scrap and subsequently it has been sold to MSTC Ltd., after fulfilling the procedure. No value has been assigned against this aircraft in the Books of Account of the Alliance Air. The returning of the engine to Pratt &

	Whitney is a deal made by Alliance Air considering the total business involvement with them and not specific to a particular incident. Government Auditor has recommended to book the engine at Cost value of Rs. 23.43 crore. The Cost value is determined based on the invoice amount raised by the vendor. In this case the invoice value is USD 1.95 million issued by P&WC (OEM of engine) and AAAL has booked the same based on the invoice value, which is as per ICAI guideline. In view of the above, the action taken by Alliance Air is considered in conformity with the accounting policy and guidelines being issued by regulatory authority.
ii) Current Assets **Financial Assets** **Loans (Note 10) – Rs. 32.48 crore**	
The above includes Security Deposits of Rs. 16.42 crore in the form of Bank Guarantee (BG) with Airports Authority of India (AAI) for Regional Connectivity Scheme (RCS) which were issued against term deposits which were under lien with bank.	Airport Authority of India is acting as an implementing agency on behalf of Ministry of Civil Aviation (MoCA) for implementation of Regional Connectivity Scheme. As per Selected Airline Operator Agreement (SAOA), the airline operator (AAAL) has to submit the performance guarantee as per clause no. 3.15 of the agreement.
i. Two original BGs for Rs. 0.92 crore were returned by AAI on 31 July 2020. Therefore, the term deposit to the extent of Rs. 0.92 crore are readily available as cash & cash equivalent and the same should have been depicted under 'Cash & Cash Equivalent' as per para 7 of Ind AS 7 on Statement on Cash Flows.	Clause no. 3.15 states that the selected airline operator will enter into a 3 years' contract with the implementing agency for operating RCS flight under this scheme. At the time of signing of the contract, the selected airline operator will be required to submit a performance guarantee to the implementing agency for an amount equivalent to 5% of the total VGF amount to be provided to

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ii. Security deposits for Rs. 15.50 crore should have been depicted under 'Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments' under head 'Bank balances other than cash & cash equivalents' in accordance with the Schedule III of the Companies Act, 2013.

The above has resulted in overstatement of Loans by Rs. 16.42 crore and understatement of Bank balances other than Cash & Cash Equivalent by Rs. 15.50 crore and Cash & Cash Equivalents by Rs. 0.92 crore.
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such selected airline operator in the first year of its operation. (As per system in vogue, the initial Bank Guarantees are being submitted for a period of one year and subsequently extended further depending on the continuation of the RCS routes).

As per clause no. 3.15.4.1, performance guarantee submitted by the selected airline shall be liable to be encashed in case the airline fails to operate at least 70% of the scheduled flights on the route proposed under the contract signed.

Performance guarantee will be returned by the implementing agency to the selected airline operator upon completion of one year from the commencement of RCS flight operation subject to conditions of 3.15.4.1.

As recommended by Government Auditor to show the above amount under bank balance other than Cash & Cash equivalents is not considered due to following reasons :

1. The Security Deposit in the form of Bank Guarantee is submitted initially for a period of one year subsequently extended for further period for a operation of 3 years.

2. The release of Bank Guarantee is subject to approval of AAI under clause no. 3.15.4.1 on confirmation of atleast 70% operation.

3. As per our records, the Bank Guarantee submitted in 2017 since hold by AAI on the above grounds. The above procedure of presentation is being followed in preceding years and no observation was received from any of the authorities.

The guarantee will be returned with a clearance from AAI only on the confirmation of 70% of scheduled flights operated during the period of respective RCS operation.

The above clearly indicates that even after expiry of Bank Guarantee, the same could not be released by the bank unless the release order is received from AAI upon attaining the operation requirement under Clause No. 3.15.4.1.
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Also, the Cash and Cash Equivalents at the end of the year under Cash Flow Statement does not include Rs. 0.92 crore and as the amount is included under Cash Flow from Operating Activities, thus, the Cash Flow Statement is deficient to that extent and this has also resulted in non-compliance of Ind AS 7 relating to Statement of Cash Flows.	Considering the nature, the same was shown under Loans / Security Deposit (Note No. - 10). (ii) The NOC received from AAI in respect of Rs. 9.22 Million term deposit lying with the bank under lien against the bank guarantee as on 31st March 2021. The amount was held by the bank against the bank guarantee, the same was reported under note no. 10 under Security deposit. The release letter issued by AAI has been deposited to the bank in the year 2021-22 and on crediting the amount to AAAL bank, the same to be shown as Cash equivalent. In the year 2020-21, the amount has not been credited to AAAL bank account hence shown as Security deposit. The above action is in conformity with Ind AS7.
B. **Comments on Auditor's Report** **Annexure "A" to the Independent Auditor's Report** CIT (Appeals) in respect of income tax demand of Rs. 1.40 crore for the Assessment Year 1997-98 had already been dismissed vide order dated 23 November 2004 and the Income Tax Appellate Tribunal (ITAT) had also dismissed the appeal on 28 January 2020 which was duly received by the Company on 25 February 2020. As the appeal has been dismissed by ITAT and as the matter of tax liability is not disputed at any forum, the same should not have been disclosed under disputed statutory dues under Para 7(c) of Independent Auditor's Report. Thus, the Independent Auditor's Report is deficient to that extent.	Although, ITAT has dismissed the appeal on 28.01.2020, till date no appeal effect order u/s 250 (Order passed by ITAT & appeal effect given by CIT(A)) has been received by AAAL based on which final demand can be ascertained. In this regard, Alliance Air again requested Income Tax Department to provide the appeal effect order. In view of the above, amount was shown as contingent liability due to non-ascertainable nature of the expense.

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C. Comments on Cash Flow

i) Net Cash from Operating Activities - Rs. 397.97 crore

Net Cash from / (used) in Financing Activities Rs. (423.45) crore

The above includes Rs. 203.18 crore towards interest payable to Air India Limited (Rs. 161.40 crore), Fuel companies (Rs. 21.35 crore) and interest payable to related parties (Rs. 20.43 crore). The above interest amount has not been paid and has been included in balance payable under the head 'Short term borrowings'. Interest being a non-cash item has already been adjusted from Net Profit and Loss while calculating Cash Flow from Operating Activities. Since interest has not been paid, the same should not have been included under Cash Flow from Financial Activities and also the same should not have been adjusted in operating liabilities under short term borrowings while calculating Cash Flow from Operating Activities.

This has resulted into overstatement of Cash Flow from Operating Activities and Cash Flow from Financial Activities (Cash used in financing activities) by Rs. 203.18 crore and has also resulted in non-compliance of Ind AS 7 relating to Statement of Cash Flows.

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The observation is noted.

It may please be appreciated that the format of Cash Flow is being followed by AAAL for couple of years and is duly authenticated by auditors and CAG also in the last several years.

The interest amount being charged by holding company and other subsidiary companies on the overdue amount as on 31.03.2021.

Alliance Air is availing the services being provided by holding company and other subsidiary company based on the Master Service Agreement (MSA) entered with the respective parties. The cost of the services billed to Alliance Air has been considered as an operating activity and interest charged on overdue amount is being considered as financial activities.

To arrive at the actual cash balance as on 31.03.2021, the interest cost being a financial activity has been adjusted with the Profit & Loss amount to arrive at Operating Profit & (Loss) before working capital changes and subsequently, added back in the Operating liability to arrive at actual cash generated from operations.

1. Non-payment of interest amount to Air India and other parties has been adjusted against Cash flow from financing activities.

2. The proposal of Government Auditor is that the interest amount as not been paid will be adjusted against Profit & Loss amount (as done by AAAL in the Cash flow statement) and further action taken by AAAL to adjust the same in current borrowing (Air India balance) and rest with trade payable (to match the

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	creditors balance as per Balance sheet) and adjusted with Cash flow under financing activities could be avoided. The point raised by the Government Auditor is noted and will be taken into consideration while finalizing the Books of Accounts for the year 2021-22 in Cash flow statement. The proposed change of presentation will not have any financial impact on the financial statement and we agree to implement the suggestion of the Government auditor to present our Books of Accounts in FY 2021-22.
ii) Net Cash from Operating Activities - Rs. 397.97 crore **Net Cash from / (used) in Investing Activities - Rs. (0.41) crore** During the year Fixed Assets amounting to Rs.16.07 crore have been purchased, however payment of Rs.16.03 crore only has been made to the vendors and balance of Rs. 0.04 crore is being shown under Trade Payable (Note No. 18). The Company has taken its impact under Increase / Decrease in Trade Payables while calculating Cash Flow from Operating Activates and also the purchase of Fixed Assets under Cash flow from Investing Activities has been shown at total purchase amount of Rs. 16.07 crore. Since Rs. 0.04 crore has not been paid to the vendor, the same should not have been included under purchase of Fixed Assets under Cash flow from Investing Activities. Non-depiction in the above manner has resulted into overstatement of Cash Flow from Operating Activities and understatement of Cash Flow from Investing Activities by Rs. 0.04 crore and has also resulted in non-compliance of Ind AS 7 relating to Statement of Cash Flows.	The observation is well noted. The amount of Rs. 4 lacs paid during 2021-22 on account of the purchase of the fixed assets has been considered in the cash flow as investing activity and the same was also shown as creditor to drive net cash flow from operations. The above will not have any financial impact on the financial statement and the revised presentation as suggested by Government Auditor to be taken into consideration in subsequent years. Moreover, the amount is not material as per the Materiality concept.
iii) Net Cash from Operating Activities - Rs. 397.97 crore While calculating net Cash from Operating Activities, unrealized foreign currency exchange gain of Rs. 6.55 crore has not been adjusted from Net Profit or Loss	The observation is well noted.

before Tax as per Statement of Profit and Loss Account with corresponding impact on Adjustment for Increase / Decrease in Operating Assets / Liabilities. This has resulted in non-compliance of Ind AS 7 relating to Statement of Cash Flows.	As per Government Audit, the undischarged foreign currency exchange gain and losses has to be shown separately to arrive at operating profit / loss before working capital changes. Instead of the above action, the amount has been adjusted against trade payable and net cash generation from operating activities will remain same as done in our cash flow statement which is being followed persistently and the Net Cash Flow from operating activities remain same as per Ind AS 7. The same has no financial impact on financial statement. The revised presentation as suggested will be taken into consideration in the next financial year 2021-22.
D. Comment on disclosure **Equity and Liabilities** **Current Liabilities** **Trade Payable (Note no. 18) – Rs. 890.06 crore** Trade payable of Rs. 0.49 crore in respect of micro and small enterprises has not been depicted separately in the Balance Sheet and also there was wrong depiction of the amount in notes to accounts which is not in compliance with Schedule III of the Companies Act, 2013.	 Refer our Note 41 forming part of Notes to Accounts, discloses the amount dues to MSME vendors as on 31.03.2021. The same erroneously not shown under Note No. 18 under MSME head but shown under vendor in INDIA also forming part of Note No. 18. The total balance shown under Trade Payable is correct and depicts in the Balance Sheet. Revised presentation as suggested by the Government Auditors to bifurcate the trade payable in two parts (i) Under MSME (ii) other than MSME will be implemented in the coming year. The same has no financial impact on the financial statement.

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INDEPENDENT AUDITOR'S REPORT

To,

The Members of Alliance Air Aviation Limited

Report on the Audit of Ind AS Financial Statements

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 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of Cash Flows 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,the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, 2021, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the 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 ouraudit opinion on the financial statements.

Emphasis of Matter

Attention is drawn to following notes:

a) Note No. 42 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 andnet worth of the company fully eroded.

b) Note No.54in the financial statements which describes the possible effects of uncertainty relating to SARS-CoV-2 ("COVID-19") Pandemic on Companies operations and results as assessed by the management.

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

Other Matter Para

Pax commission amounting to Rs 40.65 Million, MSF commission to PGP amounting to Rs 18.06 Million, Bank Charges on Credit Card Rs 16.83 Million has been accounted for on the basis of amount allocated by AIL and relied upon by us.

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

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.

Responsibilities 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 including Other Comprehensive Income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the IndianAccounting Standards specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 statements 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.

Those 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 with reference to financial statements 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 Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of accounts.

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, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2021 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 Controlswith 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- 30.
   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
ICAI Firm Registration Number – 000745C

(V.B. Singh)
Partner
Membership Number – 073124
UDIN – 21073124AAAADP9102

Place : New Delhi
Date : 14th July 2021

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' of our report of even date to the members of Alliance Air Aviation Limited on the accounts of the company for the year ended 31st March 2021

1) In respect of Its Fixed Assets -

   a) The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.

   b) As explained to us, company conducts physical verification of the fixed assets on biennial basis. Physical verification of fixed assets for Delhi station has been completed during FY 2020-21. Physical verification of fixed assets for Hyderabad and Kolkata stations could not be done due to lockdown on account of global pandemic of SARS-CoV-2 ("COVID-19"), hence we cannot comment upon discrepancy if any in above two stations.

   c) 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 2020-21 could not be completed due to global pandemic of SARS-CoV-2 ("COVID-19").

   b) As per the information stated above, since the physical verification of inventories could not be completed in the financial year 2020-21, 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 Securityas 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) In respect of Disputed and Undisputed Statutory Dues –

   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, 2021 for a period of more than six months from the date they became payable, except Service Tax amounting to Rs. 31.13 millionpayable since previous years (matter is under litigation with the party M/S GATI Limited)

c) According to the information and recordsavailable 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 except the following:

Name of the Statute	Nature of Dues	Amount Outstanding (Rs. Inmillion)	Period for which amount relates	Forum where dispute is pending
Income Tax Act 1961	Income Tax and Interest	17.43	Assessment Year 2000-01	ITAT
Income Tax Act 1961	Income Tax and Interest	14.04	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 institutions or banks. Also, the Company did not have any loans or borrowings from the government and there were no debentures issued during the year or outstanding as at 31 March 2021.

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.(37)) 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
ICAI Firm Registration Number – 000745C

(V.B. Singh)
Partner
Membership Number – 073124
UDIN – 21073124AAAADP9102

Place : New Delhi
Date : 14th July 2021

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S 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 2021

S. No.	Direction u/s 143(5) of the Companies Act 2013	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 Air India Ltd. (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. Whether such cases are properly accounted for? (In case lender is a Government Company, then this direction is also applicable for statutory auditor of lender Company)	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.	NIL

3)	Whether funds (Grants / Subsidy etc.,) received / receivable for specific Schemes from Central / State Government or its agencies were properly accounted for / utilised as per its terms and conditions. List the cases of 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
ICAI Firm Registration Number – 000745C

(V.B. Singh)
Partner
Membership Number – 073124
UDIN – 21073124AAAADP9102

Place : New Delhi
Date : 14th July 2021

COMPLIANCE CERTIFICATE

We have conducted the audit of accounts of Alliance Air Aviation Limited (Formerly Known as Airline Allied Services Limited) for the year ended 31st March ,2021 in accordance with the directions / sub-directions issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013 and certify that we have complied with all the Directions / Sub Directions issued to us.

For S.K. Kapoor & Co.
CHARTERED ACCOUNTANTS
ICAI Firm Registration Number – 000745C

(V.B. Singh)
Partner
Membership Number – 073124
UDIN – 21073124AAAADP9102

Place : New Delhi
Date : 14th July 2021

ANNEXURE – "C" REFERRED IN PARAGRAPH 3(F) UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT ON THE 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 over financial reporting of Alliance Air Aviation Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the guidance note on the audit of internal financial control over financial reporting (The Guidance Note) issued by The Institute of Chartered Accountants of India. 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 over financial reporting with reference to these 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 as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to 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 over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over financial reporting with reference to these Financial Statements

A company's internal financial controls over financial reporting with reference to these financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these Financial Statements includes those policies and procedures that:

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over financial reporting with reference to Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these 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 with reference to these financial statements to future periods are subject to the risk that the internal financial controls over financial reporting with reference to these financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, 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, 2021, 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.

For S.K. Kapoor & Co.
CHARTERED ACCOUNTANTS
ICAI Firm Registration Number – 000745C

(V.B. Singh)
Partner
Membership Number – 073124
UDIN – 21073124AAAADP9102

Place : New Delhi
Date : 14th July 2021

MANAGEMENT'S REPLIES TO THE INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE ALLIANCE AIR AVIATION LIMITED FOR THE FINANCIAL YEAR 2020-21

Audit Observation	Management Comments
Report on the Audit of Ind AS Financial Statements **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 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of Cash Flows 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, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, 2021, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.	
Basis of Opinion We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the 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 audit opinion on the financial statements.	

Emphasis of Matter a. Note No. 42 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.	Referring note no. 42, suitable disclosures have been made. Alliance Air being a wholly owned subsidiary of Air India Ltd, has a full support of Government Of India to continue its operation. Alliance Air has taken various measures like rationalisation of routes along with various cost control measures resulting operating efficiency and better financial performance. The Company has emerged as a major player to implement the Govt. Of India dream project "UDAAN "to ensure air connectivity of Tier II and Tier III cities. Alliance Air has been entrusted to connect Arunachal Pradesh from Guwahati and Dibrugarh to cities like Ziro, Tezu, Passighat for which Alliance Air planned to take two Dornier aircraft from Hindustan Aeronautics Limited (HAL) to achieve the milestone to operate Indian manufactured aircraft for commercial operations. 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. Considering the fact that Indian Govt. has not proposed disinvestment of AAAL and the company will emerge as leading regional domestic player in aviation sector providing regional connectivity. Alliance air has been entrusted by Govt. Of India to fulfil their objectives of Govt. Of India to connect each part of India by AIR for speedy and Safe movements.
b. We draw attention to Note No. 54 in the financial statements which describes the possible effects of uncertainty relating to SARS-CoV-2("COVID-19") Pandemic on Companies operations and results as assessed by the management. Our opinion is not modified in respect of the above matters.	Referring note no. 54, suitable disclosures have been made. The ongoing COVID-19 Pandemic has adversely impacted aviation sector globally. Despite low passenger carrier due to travel restrictions and lockdown imposed by Govt, restriction of operation imposed by MOCA, the management has implemented cost control measures effectively as briefed in Note referred above. Along with the facts stated, during 2021-22 the management has adopted real-time fare management and focused on RCS routes resulting in better yield and number of Pax carried.

	As a part of both short-term and long-term planning whereby we have saved operating cost by bringing in planned cancellations based on weak demand. Along with planned cancellations, frequencies are being increased on well performing routes and new RCS & VGF sectors have been planned. With the ongoing pandemic, considering the drop in loads and increased costs while the level of operations have gone down, our routes have been revisited / restructured whereby the loss-making routes going forward (short term and to be evaluated on a fortnightly basis) have been curtailed / discontinued (case to case basis). Further, few flight rotations have been reworked in order to save cost and enhance revenue, specially taking into consideration the 2nd Covid wave which has impacted the Aviation industry all across. On the basis of above facts, the management is assured to achieve the desired turnaround.
Other Matter Para Pax commission amounting to Rs 40.65 Million, MSF commission to PGP amounting to Rs 18.06 Million, Bank Charges on Credit Card Rs 16.83 Million has been accounted for on the basis of amount allocated by AIL and relied upon by us. Our opinion is not modified in respect of the above matter.	Suitable disclosure has been made in note no. 37 D(iv). The amount has been accounted as per existing MSA between AI and AAAL.
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.	
Responsibilities 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 including other comprehensive income, cash flows and changes in equity 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 scepticism 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, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2021 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- 30. 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

Audit Observation	Management Comments
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 2021 1) In respect of Its Fixed Assets - • The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.	This is a statement of fact.
• As explained to us, company conducts physical verification of the fixed assets on biennial basis. Physical verification of fixed assets for Delhi station has been completed during FY 2020-21. Physical verification of fixed assets for Hyderabad and Kolkata stations could not be done due to lockdown on account of global pandemic of SARS-CoV-2 ("COVID-19"), hence we cannot comment upon discrepancy if any in above two stations. • 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.	Suitable disclosures have been made in Note no. 32(a). This is a statement of fact.
2) In respect of Inventories - • 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 2020-21 could not be completed due to global pandemic of SARS-CoV-2 ("COVID-19"). • As per the information stated above, since the physical verification of inventories could not be completed in the financial year 2020-21, therefore we cannot comment upon discrepancy if any.	Suitable disclosure has been made in Note no. 32(b). Management has initiated the process for inventory verification and ensures the completion of the same in the year 2021-22

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.

<table>
<tr>
<td>(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, 2021 for a period of more than six months from the date they became payable, except Service Tax amounting to Rs. 311.30Million payables since previous years (matter is under litigation with the party M/S GATI Limited):</td>
<td>This is a statement of fact.

Suitable disclosure have been given in note no. 45.

The Service Tax amount has not been deposited as the matter is under litigation with M/s Gati limited.

The corrective action if any will be taken, based upon final verdict.</td>
</tr>
<tr>
<td>(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.
<table>
<tr><th>Name of the Statute</th><th>Nature of Dues</th><th>Amount Outstanding (Rs. In Million)</th><th>Period for which amount relates</th><th>Forum where dispute is pending</th></tr>
<tr><td>Income Tax Act 1961</td><td>Income Tax and Interest</td><td>17.43</td><td>Assessment Year 2000-01</td><td>ITAT</td></tr>
<tr><td>Income Tax Act 1961</td><td>Income Tax and Interest</td><td>14.04</td><td>Assessment Year 1997-98</td><td>CIT(Appeals)</td></tr>
</table>
</td>
<td>This is a statement of fact.</td>
</tr>
<tr>
<td>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 2021.</td>
<td>This is a statement of fact.</td>
</tr>
<tr>
<td>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.</td>
<td>This is a statement of fact.</td>
</tr>
<tr>
<td>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</td>
<td>This is a statement of fact.</td>
</tr>
</table>

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.
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.(37) 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 the 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 form 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 (RCS) and Viability Gap Funding (VGF) which has been properly accounted for in the books of accounts.	This is a statement of fact.	NIL

MANAGEMENT'S REPLIES TO "ANNEXURE C" TO THE AUDITORS' REPORT

Audit Observation	Management Comments
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, 2021 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.	This is a statement of fact.
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	This is a statement of fact. This is a statement of fact.

(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.	This is a statement of fact.
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.	Internal Financial Control Risk matrix has been controlled with effective management control mechanisms. No new functional area creating another control factor has been introduced in 2020-21. Hence Management is of opinion that Internal Financial Controls are in place.
Opinion In our opinion, 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, 2021, 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.	

BALANCE SHEET AS AT 31ST MARCH 2021

Particulars			Note No.	As at March 2021 Rs in Million	As at March 2020 Rs in Million
ASSETS :					
1		**Non-current Assets**			
	(i)	Property, Plant & Equipment	2(a)	225.94	91.23
	(ii)	Right-of-Use Assets	2(b)	22,055.70	19,053.33
	(iii)	Financial Assets:			
		a) Trade Receivables		-	-
		b) Other Financial Assets	3	714.03	815.32
	(iv)	Income Tax Assets (Net)	4	498.03	397.28
	(v)	Deferred Tax Assets (Net)		-	-
	(vi)	Other Non-Current Assets	5	2,760.56	2,470.60
2		**Current Assets**			
	(i)	Inventories	6	291.54	296.97
	(ii)	Financial Assets:		-	-
		a) Trade Receivables	7	636.60	787.55
		b) Cash and Cash equivalents	8	48.87	307.75
		c) Bank balances other than (b) above	9	22.72	14.36
		d) Loans	10	324.84	443.96
		e) Others Financial assets	11	116.77	189.21
	(iii)	Other Current Assets	12	1,053.56	804.42
	TOTAL ASSETS			28,749.16	25,671.98
	EQUITY AND LIABILITIES :				
1		**Equity**			
	(i)	Equity Share Capital	13	4,022.50	4,022.50
	(ii)	Other Equity	14	(30,534.10)	(26,934.78)
2		**Liabilities**			
	(i)	**Non-current Liabilities**			
		a) Financial Liabilities			
		i) Borrowings		-	-
		ii) Lease Liabilities	15	21,954.42	21,651.18
		iii) Other Financial Liabilities		-	-
		b) Provisions	16	639.57	587.49
		c) Other non Current Liabilities		-	-
	(ii)	**Current Liabilities**			
		a) Financial Liabilities			
		i) Borrowings	17	20,656.16	17,111.08
		ii) Trade Payables	18	8,900.61	8,219.68
		iii) Other Financial Liabilities	19	2,714.53	549.39
		b) Provisions	20	3.82	2.12
		c) Other Current Liabilities	21	391.65	463.32
	TOTAL EQUITY & LIABILITIES			28,749.16	25,671.98
Significant Accounting Policies and Other Explanatory Notes forming part of Ind AS Financial Statements			01-55		

As per our Separate report of even date

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

Sd/-
V. B. Singh
Partner
Membership No: 073124
UDIN: 21073124AAADP9102

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/-
(Harpreet A. De Singh)
CEO AAAL

Sd/-
(Manjiree M. Vaze)
Company Secretary
Membership No. ACS-16028

Sd/-
(Ambar Kumar Mondal)
Chief Financial Officer

Place : New Delhi
Date : 14 July, 2021

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

	Particulars	Note No	Amount for the period 2020-21	Amount for the period 2019-20
			Rs. In Million	Rs. In Million
I	**Revenue**			
1	From Operations	22		
	i) Scheduled Traffic Services		**2,535.79**	7,136.04
	ii) Non Schedule Traffic Services		**1,988.29**	2,419.72
	iii) Other Operating Revenue		**11.31**	374.53
2	Other Income	23	**56.88**	1,881.25
II	**Total Revenue (1+2)**		**4,592.27**	11,811.54
III	**Expenses**			
	Aircraft Fuel & Oil		**787.97**	1,963.24
	Other Operating Expense	24	**2,064.21**	3,397.59
	Purchase of Stock-in-Trade		**-**	-
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		**-**	-
	Employee benefit expenses	25	**1,148.98**	1,878.14
	Finance Costs	26	**1,406.95**	4,542.15
	Depreciation and Amortization expenses	2a & 2b	**2,407.79**	2,287.89
	Other expenses	27	**377.31**	94.53
IV	**Total Expenses**		**8,193.21**	14,163.55
V	**Profit/(Loss) before exceptional items and tax (II - IV)**		**(3,600.94)**	(2,352.01)
VI	**Exceptional Items**		**-**	-
VII	**Profit/(Loss) before tax (VII - VIII)**		**(3,600.94)**	(2,352.01)
VIII	**Tax expense:**			
1	Current Tax		**-**	-
2	Deferred Tax		**-**	-
IX	**Profit/(Loss) for the year after tax (VII-VIII)**		**(3,600.94)**	(2,352.01)
X	**Other Comprehensive Income**			
	A Items that will not be reclassified to Statement of profit and loss			
	- Remeasurements of defined Benefit Plans		**1.62**	(3.74)
	- Income tax relating to items that will not be reclassified to profit or loss		**-**	-
XI	**Total Comprehensive Income for the period (IX+X) (Comprising Profit/(Loss) and Other Comprehensive Income for the period)**		**(3,599.32)**	(2,355.75)
XII	**Earnings per equity share (In Rupees)**	28		
	(1) Basic		**(89.52)**	(58.47)
	(2) Diluted		**(89.52)**	(58.47)
	Significant Accounting Policies and Other Explanatory Notes forming part of Ind AS Financial Statements	01-55		

As per our Separate report of even date

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

Sd/-
V. B. Singh
ICAI Partner
Membership No: 073124
UDIN: 21073124AAADP9102

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

Sd/-
Rajiv Bansal
Chairman
DIN No 00245460

Sd/-
Vinod Hejmadi
Director
DIN No 07346490

Sd/-
Harpreet A. De Singh
CEO AAAL

Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. ACS-16028

Sd/-
Ambar Kumar Mondal
Chief Financial Officer

Place : New Delhi
Date : 14 July, 2021

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

A. Equity Share Capital	As at 31.03.2021		As at 31.03.2020	
	No. of Share	Amount in Rs. Million	No. of Share	Amount in Rs. Million
Balance at the beginning of the reporting period	**40,225,000**	**4,022.50**	**40,225,000**	**4,022.50**
Changes in equity share capital during the year	**-**	**-**	**-**	**-**
Balance at the end of reporting period	**40,225,000**	**4,022.50**	**40,225,000**	**4,022.50**

B. Other Equity

Amount in Rs. Million

PARTICULARS	Retained Earnings	Other Comprehensive Income	Total
Balances as at 1.04.2020	(26,938.32)	3.54	(26,934.78)
Profit Loss for the year	(3,600.94)	-	(3,600.94)
Other Comprehensive Income for the year	-	1.62	1.62
Total Comprehensive Income for the year	**(30,539.26)**	**5.16**	**(30,534.10)**
Balance as at 31.03.2021	**(30,539.26)**	**5.16**	**(30,534.10)**
Balance as at 1.04.2019	(24,003.60)	**18.32**	**(23,985.29)**
Impact of Ind AS 116-Leases	(593.74)	-	(593.74)
Restated balance as at 1.4.2019	**(24,597.35)**	**18.32**	**(24,579.03)**
Profit Loss for the year	(2,352.01)	-	(2,352.01)
Adjustment of the opening balance of OCI for Leave Encashment	11.03	(11.03)	-
Other Comprehensive Income for the year	-	(3.74)	(3.74)
Total Comprehensive Income for the year	**(26,938.32)**	**3.54**	**(26,934.78)**
Balance as at 31.03.2020	**(26,938.32)**	**3.54**	**(26,934.78)**

As per our Separate report of even date

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

Sd/-
V. B. Singh
ICAI Partner
Membership No: 073124
UDIN: 21073124AAADP9102

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

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Chairman
DIN No 00245460

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Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. ACS-16028

Sd/-
Ambar Kumar Mondal
Chief Financial Officer

Place : New Delhi
Date : 14 July, 2021

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31.03.2021

Particulars	2020-21		2019-20	
	Amount in Rs. Million		Amount in Rs. Million	
(A) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit or Loss before Tax as per Statement of Profit & Loss A/c		**-3600.94**		**-2352.01**
Add/(Less)-Adjustments for Non-Operating Expenses/ Income and Non-Cash Items				
Depreciation and amortisation expenses	**2,407.79**		2,287.89	
Provisions / Un-claimed Liabilities Written Back	**(1.58)**		(1,801.00)	
Bad Debt Prov.	**-**		23.68	
Interest, Finance Cost and Exchange difference on Leases as per Ind-AS 116	**(634.46)**		2,714.10	
Interest and Finance Costs	**2,041.40**		1,828.05	
Interest Income on Deposits	**(55.30)**		(80.25)	
Provision for obsolescence of spares	**(19.48)**		57.72	
		3,738.38		**5,030.20**
Operating Profit/(Loss) before working capital changes		**137.44**		**2,678.19**
Adjustments for (increase) / decrease in operating assets:				
Other Bank Balances	**(8.36)**		205.47	
Other non-current assets	**(289.95)**		(1,075.20)	
Inventories	**26.42**		(139.51)	
Trade receivables	**150.95**		175.62	
Loans	**119.12**		(268.58)	
Others Financial Asset	**72.44**		(50.96)	
Other current assets	**(249.15)**		(406.59)	
		(178.52)		**(1,559.75)**
Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	**680.99**		2,515.07	
Other current liabilities	**(71.67)**		68.71	
Short-term borrowing	**3,545.08**		777.52	
Short-term provisions	**1.70**		(0.06)	
Other Financial Liabilities	**(53.32)**		68.66	
Long-term provisions	**18.71**	**4,121.51**	**16.99**	**3,443.14**
Cash generated from operations		**4,080.42**		**4,561.58**
Less : Income Taxes Paid / (Refunded) Including TDS		**(100.76)**		(208.22)
Net Cash from Operating Activities (A)		**3,979.67**		**4,353.36**

(B) CASH FLOW FROM INVESTING ACTIVITES				
a) Purchase of Fixed Assets	**(160.65)**		(15.04)	
b) Proceeds from FDR under Lien	**101.29**		278.45	
c) Interest Income on Deposits	**55.30**		80.25	
Net Cash from/(used) in investing activities (B)		**(4.07)**		**343.67**
(C) CASH FLOW FROM FINANCING ACTIVITES				
a)Conversion of Current Liability into Equity				
b) Lease payment	**(2,193.07)**		(2,599.71)	
c) Interest Paid	**(2,041.40)**	**(4,234.48)**	(1,828.05)	(4,427.76)
Net Cash from/(used) in financing activities (C)		**(4,234.48)**		(4,427.76)
(D) NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)		**(258.88)**		269.26
(E) CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**307.75**		38.48
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR (D+E)		**48.87**		307.75

Note :- The above Statement of Cash Flow 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	Amount (Rs.) Million 2020-21	Amount (Rs.) Million 2019-20
Cash and Cash Equivalent comprises:		
Balance with Banks		
In Current Accounts	**48.86**	307.47
Cash on hand	**0.01**	0.28
Closing Balance	**48.87**	**307.75**

As per our Separate report of even date

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

Sd/-
V. B. Singh
ICAI Partner
Membership No: 073124
UDIN: 21073124AAADP9102

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

Sd/-
Rajiv Bansal
Chairman
DIN No 00245460

Sd/-
Vinod Hejmadi
Director
DIN No 07346490

Sd/-
Harpreet A. De Singh
CEO AAAL

Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. ACS-16028

Sd/-
Ambar Kumar Mondal
Chief Financial Officer

Place : New Delhi
Date : 14 July, 2021

Notes forming part of the IND AS Financial Statements of Alliance Air Aviation Limitedfor the year ended 31st March, 2021

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 Rs. (Million), 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, 1956now 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.

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 (Ind-AS) 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. The financial statements were authorised for issue by the Board of Directors of the Company on 14.07.2021

(ii) Basis of measurement:

The financial statements have been prepared under the historical cost convention 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, 2021.

(iv) Critical accounting estimates / judgments:

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

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

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

a) Impairment of Assets

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

c) Basis of classification of a Property as Investment Property

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

e) Estimation of Costs of Re-delivery.

f) Recognition of Deferred Tax Assetsand 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 ProcessingEquipment's	3 Years
Ground Support Equipment's(ATR)	(As per above mentioned policy at II b (2.))
MedicalEquipment's	15 Years
Airframe Rotables	Based on Lease Period
Aero EngineRotables	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. IntangibleAssets

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

The Company has applied following practical expedient for calculation of Lease Liability -

Use of single average discount rate to portfolio of leases of similar assets in similar economic environment with similar conditions for end date.

A. 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 contact 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.

6) **Provision for Re-delivery**

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. 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 and credited to Provision for Re-delivery under liabilities.

Subsequent measurement of Re-delivery charges is being done based on management estimates on the basis of assumptions primarily relating to expected cost and discount rates commensurate with the expected obligation maturity schedules. The estimates are therefore made to ensure that the provision corresponds to the present value of the expected costs to be borne by the company. The assumption made for estimation are being followed consistently. Any change in estimates in Re-delivery charges is directly adjusted to ROU Assets and corresponding adjustment to Provision for Re-delivery.

7) **Manufacturer's Credit (Cash & Non-Cash Incentives):**

Manufacturer Credit means cash incentives & non-cash-based incentives in the form of any rebates, discounts, incentive payments, and other credits which are provided by OEM (Original Equipment Manufacturer) and subsequently passed on to the customer by the Lessor at the time of Lease Agreement.

Cash incentives:

The company receives incentives from OEM (Original Equipment Manufacturer) or the Lessor in connection with acquisition of aircraft under lease. These incentives are recorded as reduction to the carrying amount of Right to Use Assets at the commencement of lease of the respective aircraft or aircraft components.

Non-Cash Incentives:

Non-cash incentives are recorded as and when due to the company by setting up a deferred asset and a corresponding deferred incentive. These incentives are recorded as a reduction to the cost of related aircraft and aircraft components in case of owned aircrafts. In case of aircrafts held under leases, the incentives are recorded as reduction to the carrying amount of right to use assets at the commencement of lease of the respective aircraft or aircraft components taken on 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.

3) 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.

4) 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.

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-36by 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. GovernmentGrants

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. 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 borrowings that are used for acquisition of qualifying assets exceeding the value of Rs.10.0 million is capitalized at the weighted average borrowing rate on loans outstanding at the time of acquisition.
- 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.

XI. 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.

XII. 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 ofrealisation/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.

XIII. EmployeeBenefits:

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.

XIV. 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.

XV. 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 thatmay 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.

XVI. 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.

XVII. 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.

XVIII. 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, forfinancial reporting purposes, fair value measurements are categorized into Level1, 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) inactive 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.

XIX. 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

XX. Materiality Threshold Limits:

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

Thresh hold Items	Unit	Thresh hold Value
Prior Period Expenditure/Revenue		
- Identification based on Individual limits	**Million**	15
- Restatement based on overall limit	**Million**	1% of Turnover of Previous Year
Prepaid Expense	**Million**	0.010
Foreign Stations	**Million**	0.050
Domestic Stations	**Million**	0.010
Contingent Liability & Capital Commitments	**Million**	**0.10**
Fair Valuation of Financial Instruments	**Million**	5.0

As per our report of even date attached.

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

Sd/-
V. B. Singh
ICAI Partner
Membership No: 073124
UDIN: 21073124AAADP9102

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

Sd/-
Rajiv Bansal
Chairman
DIN No 00245460

Sd/-
Vinod Hejmadi
Director
DIN No 07346490

Sd/-
Harpreet A. De Singh
CEO AAAL

Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. ACS-16028

Sd/-
Ambar Kumar Mondal
Chief Financial Officer

Place : New Delhi
Date : 14 July, 2021

NOTE 2 (a) PLANT, PROPERTY & EQUIPMENT

Amount in Rs. Million

PARTICULARS OF ASSETS	Useful Life as per Schedule II	Gross Block as on 01.04.2020	Additions during the year	Sold/ Discarded during the year	Gross Block as on 31.03.2021	Accumulated Depreciation as on 01.04.2020	Depreciation for the year	Adjustments made during the year	Accumulated Depreciation as on 31.03.2021	Net Block as on 31.03.2021	Net Block as on 31.03.2020
		A	B	C	D	E	F	G	H	I	J
PLANT & EQUIPMENT	5 Years	10.30	0.24	-	10.54	4.24	1.81	-	6.05	4.49	6.06
FURNITURE & FIXTURES	10 years	7.67	0.31	-	7.98	2.77	0.58	-	3.35	4.63	4.90
VEHICLE	8 Years	2.81	-	-	2.81	1.68	0.06	-	1.74	1.06	1.13
DATA PROCESSING EQUIPMENT	3 Years	20.92	0.39	-	21.31	11.95	4.46	-	16.42	4.89	8.96
GROUND SUPPORT EQUIPMENT (ATR)	(as per policy)	8.17	-	-	8.17	8.17	-	-	8.17	-	-
AIRFRAME ROTABLES	Based on Lease Period	165.26	12.92	-	178.18	96.11	13.62	-	109.73	68.45	69.15
AERO ENGINE ROTABLES	Based on Lease Period	1.46	146.79	-	148.25	0.43	5.40	-	5.83	142.42	1.03
TOTAL		**216.59**	**160.65**	**-**	**377.24**	**125.35**	**25.93**	**-**	**151.29**	**225.94**	**91.23**
Previous Year		**202.39**	**15.04**	**0.86**	**216.57**	**104.97**	**21.24**	**(0.02)**	**125.36**	**91.23**	**97.44**

NOTE NO : 2 (b)

Amount in Rs. Million

PARTICULARS OF ASSETS	Useful life	Gross Block as on 01.04.2020	Additions during the year	Sold/ Discarded during the year	Adjustments during the year	Gross Block as on 31.03.2021	Accumulated Depreciation as on 01.04.2020	Depreciation for the year	Accumulated Depreciation as on 31.03.2021	Net Block as on 31.03.2021	Net Block as on 31.03.2020
ROU ASSET	Based on Lease Period	**21,319.98**	5,384.22	-	-	26,704.20	2,266.65	2,381.85	4,648.50	22,055.70	19,053.33
TOTAL		**21,319.98**	**5,384.22**	**-**	**-**	**26,704.20**	**2,266.65**	**2,381.85**	**4,648.50**	**22,055.70**	**19,053.33**
Previous Year		**21,319.98**	**-**	**-**	**-**	**21,319.98**	**-**	**2,266.65**	**2,266.65**	**19,053.33**	**-**

NOTE NO.- 3

Rs. In Million

OTHER FINANCIAL ASSETS	As at March 31st, 2021	As at March 31st, 2020
Unsecured Considered Good		
Deposits (Maturity more than 12 months)	**714.03**	815.32
(includes FDR under lien)		
Unsecured Considered Doubtful		
Advance to Suppliers	**29.46**	30.62
Less: Impairment Allowances to Doubtful Debts	**(29.46)**	(30.62)
Total	**714.03**	**815.32**

NOTE NO.- 4

INCOME TAX ASSETS (NET)	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	**Rs. In Million**
Advance Payment of Income Tax including TDS	**514.47**	413.72
Less: Provision for taxation	**(16.44)**	(16.44)
Total	**498.03**	**397.28**

NOTE NO.- 5

OTHER NON CURRENT ASSETS	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	**Rs. In Million**
Unsecured Considered Good		
Advances other than Capital Advances		
Security Deposits (Maintenance Reserve)	**2,760.56**	2,470.60
Total	**2,760.56**	**2,470.60**

NOTE NO.- 6

INVENTORIES	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	**Rs. In Million**
Stores and Spare Parts *	**424.31**	463.23
Loose Tools *	**3.81**	2.29
Goods in Transit	**12.15**	-
Less: Provision for Obsolescence & Shortages	**(148.73)**	(168.56)
Total	**291.54**	**296.97**

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

NOTE NO.- 7

TRADE RECEIVABLES	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Secured, considered good	-	-
Unsecured, considered good	636.60	787.55
Trade Receivable which have significant increase in Credit Risk	-	-
Trade Receivable- Credit Impaired	26.46	26.46
Less: Impairment Allowance for doubtful receivables	(26.46)	(26.46)
Total	636.60	787.55

NOTE NO.- 8

CASH AND CASH EQUIVALENTS	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Balance with Banks		
In Current Accounts	48.86	307.47
Cash in hand	0.01	0.28
Total	48.87	307.75

NOTE NO.- 9

BANK BALANCES OTHER THAN CASH & CASH EQUIVALENTS	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Balance with Banks		
In Margin Money Deposits (3 < Maturity < 12)	22.72	14.36
Total	22.72	14.36

NOTE NO.- 10

LOANS	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Unsecured, Considered Good		
Security Deposits	324.84	443.96
Total	324.84	443.96

NOTE NO.- 11

OTHER FINANCIAL ASSETS	As at March 31st, 2021	As at March 31st, 2020
Unsecured Considered Good	Rs. In Million	Rs. In Million

OTHER FINANCIAL ASSETS	As at March 31st, 2021	As at March 31st, 2020
Advances to Suppliers	**116.61**	188.88
Advances to Staff	**0.16**	0.34
Unsecured Considered Doubtful		
Advances to Staff	**5.45**	5.45
Less: Allowance for Doubtful Staff Advances	**(5.45)**	(5.45)
Total	**116.77**	**189.21**

NOTE NO.- 12

OTHER CURRENT ASSETS	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	**Rs. In Million**
Unsecured Considered Good		
Prepaid Expenses	**117.63**	104.03
Receivable from Related Parties	**149.46**	45.50
Receivable from Others	**0.11**	25.02
GST Input Tax Recoverable	**786.36**	629.77
Unsecured Considered Doubtful		
Deposits with High Court *	**222.27**	222.37
Less: Provision for Doubtful Deposit	**(222.27)**	(222.27)
Total	**1,053.56**	**804.42**

*Refer Note No. 45 of the Ind AS Financial Statements

NOTE NO.- 13

EQUITY SHARE CAPITAL	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	**Rs. In Million**
Authorised Share Capital		
200,000,000 Equity Shares of Rs.100/- each	**20,000.00**	20,000.00
(Previous Year 200,000,000 Equity Shares of Rs. 100/- each)		
	20,000.00	20,000.00
Issued, Subscribed & fully Paid up Share Capital		
402,25,000 Equity Shares of Rs.100/- each, fully paid-up	**4,022.50**	4,022.50
(Previous Year 402,25,000 Equity Shares of Rs. 100/- each)	**-**	-
	4,022.50	4,022.50
13 (a) Reconciliation of no. of shares	**As at March 31st, 2021**	**As at March 31st, 2020**
	No. of Shares	No. of Shares
No. of equity shares at the beginning of year	**40,225,000**	40,225,000
Add No. of equity shares issued	**-**	-

EQUITY SHARE CAPITAL	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Less No. of equity shares redeemed	-	-
No. of equity shares at the closing of the year	**40,225,000**	40,225,000
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, 2021	As at March 31st, 2020
	No. Of Shares	No. Of Shares
Air India Limited, Holding Company and its nominees (on behalf of holding company)	**40,225,000**	**40,225,000**
No. Of Share	**40,225,000**	**40,225,000**
Percentage of Holding	**100%**	**100%**

NOTE NO.-14 : OTHER EQUITY

	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
1. Surplus /(Deficit) in statement of profit & loss		
Opening balance	**(26,938.32)**	(24,003.60)
Add:Profit / (Loss) for the year	**(3,600.94)**	(2,352.01)
Less: Impact of Ind As 116	**-**	(593.74)
Less : Adjustment of the opening balance of OCI for Leave Encashment	**-**	11.03
Closing balance	**(30,539.26)**	(26,938.32)
2. Other Comprehensive Income		
Opening balance	**3.54**	18.32
Add: Adjustment of the opening balance of OCI for Leave Encashment	**-**	(11.03)
Add: For the Year	**1.62**	(3.74)
Closing balance	**5.16**	3.54
Total	**(30,534.10)**	**(26,934.78)**

NOTE NO.- 15

LEASE LIABILITIES	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Lease Liabilities	24,207.38	21,685.69
Less: Current Portion of lease liability (disclosed in note no. 19)	(2,252.96)	(34.51)
(Disclosed as Current Liability in Balance Sheet)		
TOTAL	**21,954.42**	21,651.18

NOTE NO.- 16 :

PROVISIONS	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Provisions for Employee Benefits		
Provision for Gratuity	66.99	56.78
Less : Current Portion of Gratuity (Disclosed under Note No. 20)	(2.38)	(1.38)
Provision for Leave Enchashment	34.07	25.48
Less : Current Portion of Leave Encashment (Disclosed under Note No. 20)	(1.44)	(0.74)
Other Provisions		
Provision for Re-delivery of Aircraft	**542.33**	507.34
TOTAL	**639.57**	**587.49**

NOTE NO.-17

CURRENT BORROWINGS	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Loans From Related Parties (Unsecured)		
Air India Ltd. (Holding Company) *	20,656.16	17,111.08
TOTAL	**20,656.16**	**17,111.08**
*** Refer Note No. 37 of the Ind AS Financial Statements**		

NOTE NO.-18

TRADE PAYABLES	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
a.) Total outstanding dues of		
Micro Enterprises and Small Enterprises	-	-
b.) Total outstanding dues of Creditor other		
than Micro Enterprises and Small Enterprises		
- Provision for Expenses	**1,060.37**	651.89

TRADE PAYABLES	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
- Vendors in India	**4,439.53**	4,090.85
- Vendors Outside India	**1,203.64**	1,085.15
- Payable to Related Parties	**2,041.75**	2,240.49
- Supplier-MRO-RAMCO	**155.32**	151.30
TOTAL	**8,900.61**	8,219.68

NOTE NO.- 19

OTHER CURRENT FINANCIAL LIABILITIES	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Earnest Money Deposit	**2.72**	2.69
Security Deposits	**305.83**	309.82
Lease Liabilities (Refer note no. 15)	**2,252.96**	34.51
Others	**153.02**	202.38
TOTAL	**2,714.53**	**549.40**

NOTE NO.- 20

CURRENT PROVISIONS	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Provision for Gratuity Liability	**2.38**	1.38
Provision for Leave Enchashment	**1.44**	0.74
TOTAL	**3.82**	**2.12**

NOTE NO.- 21

OTHER CURRENT LIABILITIES	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	Rs. In Million
Advance from Suppliers	241.03	194.51
Statutory dues Payable		
- TDS on GST payable	3.50	5.81
- TDS payable as per Income Tax	107.42	220.90
- Provident Fund Payable	6.09	8.48
- Service Tax Payable*	33.44	33.44
- Others	0.17	0.18
TOTAL	**391.65**	**463.32**

*Refer Note No. 45 of the Ind AS Financial Statements

NOTE NO.- 22

Rs. In Million

REVENUE FROM OPERATIONS	2020-21	2019-20
1. Operational Revenue		
From Sale of Services		
i) Scheduled Traffic Services		
a) Passenger	2,443.63	7,047.87
b) Excess Baggage	38.08	76.62
c) Mail	2.13	2.10
d) Cargo	51.95	9.45
	2,535.79	7,136.04
ii) Non-Schedule Traffic Services		
a) Charter	17.18	30.80
b) Subsidy for Operation from Government	1,971.11	2,388.92
	1,988.29	2,419.72
iii) Other Operating Revenue		
a) Manufacturers Credit	**-**	335.99
b) Handling Servicing and Incidental Revenue	11.31	38.54
	11.31	374.53
TOTAL	**4,535.39**	**9,930.29**

NOTE NO.- 23

OTHER INCOME	2020-21	2019-20
	Rs. In Million	Rs. In Million
1. Interest on Fixed Deposit-India	**55.30**	80.25
2. Others		
- Provisions No Longer Required Written Back	**1.58**	1,801.00
TOTAL	**56.88**	**1,881.25**

NOTE NO- 24

	OTHER OPERATING EXPENSES	2020-21	2019-20
		Rs. In Million	Rs. In Million
i)	Aircraft Lease, Handling & Maintenance charges		
	Lease of Aircraft Engine	22.29	75.64
	Handling	256.28	421.99
	Maintenance	1,179.48	1,552.47
		1,458.05	2,050.10
ii)	Navigation, Landing, Housing & Parking		
	Landing Fees - Scheduled & Other Ops	13.48	29.61
	Housing & Parking Fees	16.46	10.22
	Flight Comm & Navigation Charges	94.74	324.06
		124.68	363.89

	OTHER OPERATING EXPENSES	2020-21	2019-20
		Rs. In Million	Rs. In Million
iii)	Other Communication Charges		
	Expenses on Reservation System	129.87	473.74
	Postage Telegram & Courier Charges	0.09	0.16
	Telephone & Trunk Call Charges	1.46	1.74
		131.42	475.63
iv)	Passenger Amenities		
	Inflight & Hotel Consumables Consumption		
	Pax Amenities - Catering On Ground	1.78	29.76
	Pax Amenities - Catering On Board	30.00	98.90
	Pax Amenities - Hotel Expenses	3.71	0.45
	Pax. Call center Charges	15.25	17.26
	Pax Amenities - News Paper & Magazines	0.05	0.07
		50.79	146.45
v)	Insurance		
	Insurance - Aircraft	122.41	79.80
	Insurance General	0.01	0.01
		122.42	79.81
vi)	Inventory Consumption		
	Material Consumed-Aircraft	155.68	136.52
	Provision for Obsolescence (Net)	(19.48)	57.72
		136.20	194.24
vii)	Booking Agency Commision (Net)		
	Commison on Ticket sale	40.65	87.48
	TOTAL	**2,064.21**	**3,397.59**

NOTE NO.- 25

EMPLOYEE BENEFIT EXPENSES	2020-21	2019-20
	Rs. In Million	Rs. In Million
1. Salary, Wages and Bonus		
Salaries - Staff In India	**693.74**	867.31
Bonus Expense	**6.98**	6.11
	700.72	873.42
2. Crew Allowances		
Foreign Contract Pilots Fees & Claims	**318.76**	736.37
	318.76	736.37
3. Contribution to Provident and Other Funds		
CC Provident Fund-Staff in India	**14.88**	12.14
	14.88	12.14
4. Staff Welfare Expenses		

EMPLOYEE BENEFIT EXPENSES	2020-21	2019-20
	Rs. In Million	Rs. In Million
Other Staff Welfare Expenses	21.79	31.25
Staff Training Expenses	71.41	209.43
	93.20	240.68
5. Gratuity	12.53	10.21
6. Leave Encashment	8.89	5.32
TOTAL	1,148.98	1,878.14

NOTE NO.-26

FINANCE COST	2020-21	2019-20
	Rs. In Million	Rs. In Million
(i) Interest on Loans:		
- Interest on AI Loan (Holding Company)	1,614.00	1,446.26
(ii) Interest expense on lease liabilities*	(634.46)	2,714.10
(iii) Bank Charges	9.60	21.28
(iv) Delayed Payment Charges to Fuel Companies	213.53	193.84
(v) Interest charged by related parties	204.28	166.68
TOTAL	1,406.95	4,542.15

* Includes Exchange Differences amounting to (Rs. 856.70) Million , P/Y Rs. 1976.98 Million on account of translation of lease liabilities denominated in foreign currencies.

NOTE NO.- 27

OTHER EXPENSES	2020-21	2019-20
	Rs. In Million	Rs. In Million
Travelling Expenses	32.20	88.53
Rent	26.56	28.51
Repair Charges	2.11	10.68
Hire of Transport	36.77	32.36
Electricity / Heating & Fuel Charges	5.79	6.68
Water Charges	-	0.01
Printing and Stationary	1.93	6.24
Publicity and Sales Promotion	1.15	0.91
Covid Exp.	21.02	-
Legal Charges	0.16	0.82
Payment to Auditors	1.63	2.17
Professional / Consultation Fees & Expenses	20.82	36.89
Provision for Bad & Doubtful Advances	-	23.68
Input Reversal	36.36	-
Exchange Variation (Net)	105.61	(187.70)
Fees to DGCA	2.19	1.07

OTHER EXPENSES	2020-21	2019-20
	Rs. In Million	**Rs. In Million**
Office Cleaning Expenses	**0.07**	0.10
Entertainment Expenses - General	**0.10**	0.41
Books & Periodicals - Jeppesen / Technical	**46.54**	19.07
Other Misc. Expenses	**2.47**	16.95
Interest on delayed payment of TDS	**31.36**	6.91
Interest on delayed payment of Service Tax/GST	**2.47**	0.23
TOTAL	**377.31**	**94.53**

NOTE NO.- 28

DISCLOSURE OF EARNING PER SHARE AS PER IND-AS 33	As at March 31st, 2021	As at March 31st, 2020
	Rs. In Million	**Rs. In Million**
a) Weighted average number of equity shares		
Opening	40,225,000	40,225,000
Issued	-	-
Weighted Average Number of Equity Share (Used as Denominator)	40,225,000	40,225,000
b) Net profit after tax available for equity shareholders (Used as Numerator)	(3,600,943,517)	**(2,352,007,567)**
c) Basic and Diluted Earning Per Share (In Rupees)	(89.52)	**(58.47)**
d) Par Value of Share (In Rupees)	100.00	**100.00**

Notes forming part of the Financial Statementsfor the year ended 31 March 2021

29. 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 Governmentand 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 has not taken any decision for disinvestment of Alliance air. MOCAwill separately decide the contours of the mode of disposal of the subsidiaries viz.Alliance Air Aviation Limited Erstwhile Airline Allied Services Ltd.

30. Disclosure as per Ind AS 37 –Provisions, Contingent Liabilities& Contingent Assets:

A. **Disclosure of Contingent Liabilities**

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. Million)

Description	Opening Balance As on 01.04.2020	Addition During the Year	Amount charged against provision	Unused Amount reversed during the year	Effect of Change in Discounting rate	Balance As on 31st March 2021
* Income Tax Demand Notices Received by Company which are under appeal	36.99	0.17	Nil	Nil	N/A	37.16
** Other Claims on account of Other contingent Liabilities	644.85	0.37	527.96	Nil	N/A	117.26
Grand Total	**681.84**	**0.37**	**559.25**	**Nil**	**N/A**	**122.96**

**The disputed demands shown above are excluding interest on demand*

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

a.) Interest liability on account of delay in foreign remittance raised by the vendor, amounting to Rs. NILMillion(Previous Year - Rs. 70.00million). AAAL has successfully renegotiated with Lessor for Lease reductionand waiver of Interest claim in 2020-21.

b.) Miscellaneous claim **Rs. 117.26million**(Previous Year - Rs.574.85million)includes:

- Claims received from various foreign vendors amounting Rs. 95.18million (Previous Year- Rs. 133.31 million) not acceptable and disputed by AAAL Engineeringon ground of non-compliancewith theagreed terms for the services.
- Unsettled legal claims of Rs.22.08million(Previous Year- Rs. 21.71million) in respect of ongoing legal cases.

C.) **Capital & Other Commitments**:

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

(Amount in Rs. Million)

Particulars	As at 31 March 2021	As at 31 March 2020
-	NIL	235.53

D.) **Provision for Redelivery**

Movements in the provisions for redelivery are disclosed hereunder:

(Amount in Rs. Million)

PARTICULARS	For the year ended 31 March 2021	For the year ended 31 March 2020
Balance as at beginning of the year	507.34	164.92

Provisions created during the year	90.92	244.18
Interest accretion on provisions during the year	5.07	14.43
Amounts utilized/adjusted during the year	(41.91)	0.00
Impact of exchange loss on restatement of opening provision	0.00	0.00
Impact of exchange Gain/Loss on restatement of closing provision	(19.09)	83.81
Balance as at end of the year	**542.33**	**507.34**
Balance as at end of the year - non-current	**542.33**	**507.34**
Balance as at end of the year - current	**0.00**	**0.00**

31. 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. 345.74million (Net) (Previous YearRs. (42.43 million) by re-stating the balances of its comparative period i.e.,2019-20.

a) **Nature of Prior period error –** The bills or creditsreceived in current year for which erroneously no provision / outstanding recoveries were made in 2019-20, and hence now being accounted as Prior Period Items and re-stated in period i.e., 2019-20

b) **Amount of correction done –**

(Amount in Rs. Million)

Head of Income/Expense	**Balance as on 31.03.2020**	**Re-stated Balance as on 31.03.2020**	**Difference (Prior Period Error)**
BOOKS & PERIODICALS	19.07	21.08	2.01
MAINTENANCE	595.76	593.01	-2.75
ENGINE LEASE RENTAL	75.64	74.45	-1.19
EMPLOYEE BENEFIT EXPENSES	20.25	31.32	10.97
PAX AMENITIES	114.73	124.03	9.3
HOTEL/TRAVELLING EXPENSES	55.72	59.26	3.54
OTHER MISC EXPENSES	73.01	86.95	13.94
STAFF TRAINING EXPENSES*	0.61	208.21	208.82
FLIGHT COMM. & NAVIGATION CHARGES	222.96	324.06	101.10

* The parent company,Air India Ltd (AI) has raised bills amounting to Rs. 279.76 millionin the current year towards Simulator Training extended to AAAL Pilots. Against this amount AI has already recognised part of it as Income in the year 2019-20. In the year 2020-21 an amount of Rs.208.82Million pertaining to previous year has been billedto AAAL based on outstanding revenuealready booked by AI in previous year and balance amount of Rs. 70.95 millionpertains to current year.

c) **Effect on EPS due to restatement of comparative period financial statements**

	Particulars	Amount
1)	Profit for the year 2019-20 (Million)	(2,006.26)
2)	Less: Prior Period Adjustments done in 2019-20 (Million)	345.74
3)	Adjusted Profit/(Loss) for the Year 19-20 (Million)	(2,352.01)
4)	Weighted Average No. of Equity Shares (No. of Shares)	4,02,25,000
5)	EPS (Basic & Diluted) (Actual) - 2019-20 (In Rs.)	(49.88)
6)	Effect of Prior Period on EPS (In Rs.)	(8.59)
7)	EPS (Basic & Diluted) (Adjusted) for 2019-20 (In Rs.)	(58.47)

32. 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 2019-20was completed for Delhi but could not be completed for all the stations due to Global pandemic of COVID-19. The pending physical verification could not be completed in 2020-21 because of COVID-19 pandemic and lockdown imposed all over the country.

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 2020-21, however due to Global pandemic of COVID-19 and lockdown all over the country, the physical verification work could not be completed by outside agencies, the agency will complete the same in 2021-22.

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. Million)

Head of Account	Balance as per Books	Balance which is unconfirmed	% Of amount unconfirmed
TRADE PAYABLE	8900.61	738.82	8.30
TRADE RECEIVABLE	636.60	12.36	1.94

2) Balance confirmation certificates as on 31st March 2021 have been sent to all vendorsand customers. Confirmations have been obtained from 91.70% of the total amount in case of vendors andin case of the customers all the parties are Govt Dept/Ministry and98.06% of the total dues as on 31st March 2021are confirmed.

33. Internal Control

To ensure the regulatory and statutory compliance as well as to provide the highest level of corporate governance, the company has adequate internal system and process in place for smooth and efficient conduct of business. A comprehensive delegation of power exists for smooth decision making which is periodically reviewed to alien with changing business environment and for speedier decision making.

Elaborate guideline for preparation of accounts is followed consistently for uniform compliances. In order to ensure that all checks

and balances are in place and all internal control system are in order, regular and exhaustive internal audit is being conducted by independent firm of Chartered Accountants. 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. Besides, the company has Audit Committee, to keep a close watch on compliances with Internal control system.

Further, company 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. Based on the report submitted necessary corrective action has been taken.There is no new activity and process introduced/ carried out during the year 2020-21. Accordingly, the risk matrix submitted under IFC for FY 2019-20 has been reviewed and compliance has been ensured in 2020-21.

34. 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 beingprocured throughMMD 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 AIESL. For inventory including consumables, which can be commonly used for ATR, Airbus and Boeing aircraft is being procured either by AIL or by AAAL.
2. The Interface between RAMCO and SAP has been implemented hence all the transactions which are taking place in RAMCO are now being directly posted in SAP through interface.

35. Status of Reconciliation with Airport Operators

1. Reconciliation with Airport Authority of Indiahas been carried out and has been reconciled from 01.04.2012 till 31.03. 2021.
2. The accounts with BIAL, DIAL, HIAL and MIAL have been reconciled up to 31.03.2021.

36. Disclosure as per Ind-AS 108 “Operating Segments”

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. Million)

Particulars	FY-2020-21	FY-2019-20
India	4535.39	9908.05
Outside India	00.00	22.24
TOTAL	**4535.39**	**9930.29**

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.

37. Disclosure as per Ind-AS 24 “Related Party Disclosures”

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

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 ofAlliance Air Aviation Ltd. (AAAL) (Formerly known as Airline Allied Services Ltd.) (During FY 2020-21 and till date)

Sr. No.	Name	Designation	Date of Appointment	Date of Cessation
1	Shri Rajiv Bansal CMD, Air India Ltd.	Chairman	14/02/2020	Till date
2	Shri Vinod S Hejmadi Director (Finance), Air India Ltd.	Director	20/11/2015	Till Date
3	Ms Meenakshi Mallik Director (Commercial), Air India Ltd.	Director	14/07/2020	Till Date
4	Shri Prem Singh Negi Regional Director (Northern region), Air India Ltd.	Director	07/10/2019	Till Date
5	Shri Pranjol Chandra Director, Ministry of Civil Aviation	Director	31/08/2018	Till Date
6	Smt. KusumLata Sharma Director(Finance), Ministry of Civil Aviation	Director	20/01/2020	27/01/2021
7	Shri Deepak Sajwan Deputy Secretary, Ministry of Civil Aviation	Director	27/01/2021	Till Date

B. Key Managerial Personnel & Relatives

Sr. No.	Name of Key Managerial Personnel	Designation	Date of Appointment	Date of Cessation
1.	Mr. C.S. Subbiah	Chief Executive Officer	25/05/2016	31/10/2020
2.	Ms. Harpreet A. De Singh	Chief Executive Officer	03/11/2020	Till Date
3.	Mr. Ambar Kumar Mondal	Chief Financial Officer	26/07/2019	Till Date
4.	Ms. Manjiree M. Vaze	Company Secretary	21/03/2017	Till Date

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.	Sister Concern (Subsidiary of Air India)	Entity having no significance influence/control on the company
Air India Air Transport Ltd.	Sister Concern (Subsidiary of Air India)	Entity having no significance influence/control on the company
Hotel Corporation of India	Sister Concern (Subsidiary of Air India)	Entity having no significance influence/control on the company
Air India Express Limited	Sister Concern (Subsidiary of Air India)	Entity having no significance influence/control on the company

ii) Parties (other than Government of India)

Air India SATS	Joint Venture of Air India	Entity having no significance influence/control on the company

D. Related Party Transactions

i. There are no transactions with Key Managerial Personnel except remuneration and perquisites paid Chief Executive Officeramounting Rs. 2.02 millionand to Chief FinancialOfficer amounting Rs. 1.29 millionfor the Year 2020-21.

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

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

iv. Cargo commission amounting to Rs NIL Million, Pax commission amounting to Rs 40.65 million, MSF commission to PGP amounting to Rs 18.06million, Bank Charges on Credit Card Rs 16.83 million has been accounted for on the basis of amount allocated by AIL on the basis of report generated by an outsourced agency.

v. In respect of Excess Baggage sale, No Show Charges, Cancellation Charges & Code Share, AAAL has considered revenue amounting to Rs. 213.50 Million based on the specific approval of the competent authority of AI and AAAL.

vi. 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. and other Sister Concerns (other subsidiaries of Air India Ltd.) :

Details:

Name of the Entities and Nature of transactions	2020-21 (Amt.in Rs. Million)	2019-20 (Amt.in Rs. Million)
a) Air India Ltd.		
Expenditure/ Services received from Air India Ltd.		
Handling	33.16	77.05
SOD	6.21	24.89
Staff Training Expenses	71.80	210.01
Corporate Guarantee Charges	22.00	22.77
Interest charged by AIL	**1614.00**	1446.26
Insurance	**11.13**	7.98
Other Expenditure	**0.87**	0.88
Closing Balance of Air India Ltd.	**20657.32**	16903.30
Corporate Guarantee given by AIL on behalf of AAAL.	**4400.64**	4554.43
AAAL Billing on AIL		
SOD Billing by AAAL	**(1.79)**	(3.47)

Name of the Entities and Nature of transactions	2020-21 Amount (in Rs. Million)	2019-20 Amount (in Rs. Million)
b) Air India Engineering Services Ltd (AIESL)		
Expenditure Repair Other	453.44	526.69
SOD Billing by AAAL	(1.53)	(17.50)
Interest	117.10	89.02
Closing Balance (Cr.)	**1414.87**	**1310.24**

Name of the Entities and Nature of transactions	2020-21 (Amount in Rs Million)	2019-20 (Amount in Rs. Million)
c) Air India Air Services Ltd (AIASL) earlier known as Air India Air Transport Services.		
Expenditure Handling Charges	124.00	243.65
Credit Received SOD Billing by AAAL	(0.86)	(1.08)
Interest	75.32	54.86
Closing Balance	**718.52**	**851.10**

Name of the Entities and Nature of transactions	2020-21 (Amount in Rs Million)	2019-20 (Amount in Rs. Million)
d) Air India Express Limited		
Transfer of Inventory	0.13	(0.42)
SOD Billing by AAAL	(1.27)	(0.31)
Closing Balance (Cr.)	**(1.79)**	**(0.59)**

Name of the Entities and Nature of transactions	2020-21 (Amount in Rs Million)	2019-20 (Amount in Rs. Million)
e) Air India SATS Airport Services Pvt. Ltd.		
Expenditure		
Handling Charges	124.63	96.79
Closing Balance(Cr.)	**435.22**	**300.17**

Name of the Entities and Nature of transactions	2020-21 (Amount in Rs Million)	2019-20 (Amount in Rs. Million)
f) Hotel Corporation of India		
Expenditure		
Hotel Accommodation	1.09	4.69
Closing Balance(Cr.)	**0.30**	**4.26**

2. Transactions with Provident Fund Trusts

(Amount in Rs. Million)

Particulars	2020-21		2019-20	
	PF Contribution during the Year	**Payable as on 31.3.2021**	PF Contribution during the Year	Payable as on 31.3.2020
AASL PF Trust	**14.88**	**6.10**	**12.14**	**8.49**

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. Million)

Sr. No	Name of Entity	2020-21	2019-20
	Expenditure		
i)	Airport Authority of India *(including space)*	**125.37**	**255.79**
ii)	*Oil Companies*		
	Indian Oil Co Ltd	**610.39**	**1186.20**
	Hindustan Petroleum Co Ltd	**166.69**	**411.35**
	Bharat Petroleum Co Ltd	**183.10**	**315.95**

	Revenue		
i)	**Subsidy for Operation from Govt.**		
	Govt of India	**1971.11**	**2388.92**
ii)	**Charter Revenue - Others**		
	Govt of India	**17.19**	**21.96**

***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.*

38. 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 **8.89**million(Previous Year Rs.5.32million).

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.

Due to ongoing Pandemic situation, submission of required data for the valuation of Provident Fund obligations and plan assets etc. as per Ind-AS 19 “Employee Benefits” as on 31.03.2021could not done.In absence of actuary report, the required disclosure as per Ind AS 19 could not be done in financial statements.

2) Gratuity (Unfunded)

The Company has a defined benefit gratuity plan which is unfunded and is treated as Other Long-Term Employee Benefits. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Gratuity is paid by the company as and when it becomes due and is paid as per the Gratuity Scheme of the company. 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. (Million)

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Present value of the obligation at the beginning of the period	56.78	42.58
Interest cost	3.97	2.98
Current service cost	8.55	7.23
Past Service Cost	0	0
Benefits paid (if any)	(0.69)	(2.16)
Actuarial (gain)/loss	(1.61)	6.14
Present value of the obligation at the end of the period	66.98	56.78

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

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Actuarial gain / losses from changes in Demographics assumptions (mortality)	Not Applicable	Not Applicable
Actuarial (gain)/ losses from changes in financial assumptions	0	4.58
Experience Adjustment (gain)/ loss for Plan liabilities	(1.61)	1.56
Total amount recognized in other comprehensive Income	(1.61)	6.14

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

Period	As on: 31-03-2021	As on: 31-03-2020
Present value of the obligation at the end of the period	**66.98**	56.78
Fair value of plan assets at end of period	**0**	0
Net liability/(asset)recognized in Balance Sheet and related analysis	**66.98**	56.78
Funded Status - Surplus/ (Deficit)	**(66.98)**	(56.78)

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

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Interest cost	3.97	2.98
Current service cost	8.55	7.23
Past Service Cost	0	0
Expected return on plan asset	(0)	(0)
Expenses to be recognized in P&L	12.52	10.21

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

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Cumulative unrecognized actuarial (gain)/loss opening. B/F	(13.31)	(19.46)
Actuarial (gain)/loss – obligation	(1.61)	6.14
Actuarial (gain)/loss - plan assets	0	0
Total Actuarial (gain)/loss	(1.61)	6.14
Cumulative total actuarial (gain)/loss. C/F	(14.93)	(13.31)

2.3 (c): Net Interest Cost

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Interest cost on defined benefit obligation	3.97	2.98
Interest income on plan assets	0	0
Net interest cost (Income)	3.97	2.98

2.4: Experience adjustment:

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Experience Adjustment (Gain) /loss for Plan liabilities	(1.61)	1.56
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: 31-03-2021	As on: 31-03-2020
Number of employees	764	738
Total monthly salary	14.02	12.48
Average Past Service(Years)	6.9	6.4
Average Future Service (Years)	23.1	24.9
Average Age(Years)	36.9	35.1
Weighted average duration (based on discounted cash flows) in years	16	17
Average monthly salary	.03	.02

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	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	20,00,000.00	20,00,000.00

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

Period	As on: 31-03-2021	As on: 31-03-2020
Current Liability (Short-Term)*	2.37	1.37
Non-Current Liability (Long Term)	64.60	55.40
Total Liability	66.98	56.78

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	9.16	8.10

3.5 (c): Maturity profile of defined benefit obligation: Weighted Average

Weighted average duration (based on discounted cash flows) in years	16	17

3.5 (d): Maturity Profile of Defined Benefit Obligation: Maturity analysis of benefit obligations.

01 Apr 2021 to 31 Mar 2022	2.38
01 Apr 2022 to 31 Mar 2023	0.61
01 Apr 2023 to 31 Mar 2024	0.83
01 Apr 2024 to 31 Mar 2025	1.39
01 Apr 2025 to 31 Mar 2026	1.51
01 Apr 2026 Onwards	60.27

3.6: Projection for next period:

Best estimate for contribution during next Period	9.16	

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: 31-03-2021
Defined Benefit Obligation (Base)	6,69,88,047 @ Salary Increase Rate: 8%, and discount rate :7%
Liability with x% increase in Discount Rate	5,93,66,820; x=1.00% [Change (11) %]
Liability with x% decrease in Discount Rate	7,60,79,892; x=1.00% [Change 14%]
Liability with x% increase in Salary Growth Rate	7,58,98,539; x=1.00% [Change 13%]
Liability with x% decrease in Salary Growth Rate	5,93,66,820; x=1.00% [Change (11) %]
Liability with x% increase in Withdrawal Rate	6,61,21,392; x=1.00% [Change (1)%]
Liability with x% decrease in Withdrawal Rate	6,79,58,600; x=1.00% [Change 1%]

3.8: Reconciliation of liability in balance sheet

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Opening gross defined benefit liability/ (asset)	56.78	42.58
Expenses to be recognized in P&L	12.52	10.21
OCI- Actuarial (gain)/ loss-Total current period	(1.61)	6.14
Benefits paid (if any)	(0.69)	(2.16)
Closing gross defined benefit liability/ (asset)	66.98	56.78

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: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Present value of the obligation at the beginning of the period	25.48	22.76
Interest cost	1.78	1.59

Current service cost	5.60	3.73
Benefits paid (if any)	(0.30)	(0.19)
Actuarial (gain)/loss	1.49	(2.40)
Present value of the obligation at the end of the period	34.07	25.48

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

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Actuarial gain / losses from changes in Demographics assumptions (mortality)	Not Applicable	Not Applicable
Actuarial (gain)/ losses from changes in financial assumptions	0	2.13
Experience Adjustment (gain)/ loss for Plan liabilities	1.49	(4.54)
Total amount recognized in other comprehensive Income	1.49	(2.40)

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

Period	As on: 31-03-2021	As on: 31-03-2020
Present value of the obligation at the end of the period	34.07	25.48
Fair value of plan assets at end of period	0	0
Net liability/(asset) recognized in Balance Sheet and related analysis	34.07	25.48
Funded Status - Surplus/ (Deficit)	(34.07)	(25.48)

2.3: Expense recognized in the statement of Profit and Loss:

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Interest cost	1.78	1.59
Current service cost	5.61	3.73
Expected return on plan asset	(0)	(0)
Net Actuarial (gain)/loss recognized in the period	1.49	(2.41)
Expenses to be recognized in P&L	8.89	2.92

2.4: Experience adjustment:

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Experience Adjustment (Gain) /loss for Plan liabilities	1.49	(4.54)
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: 31-03-2021	As on: 31-03-2020
Number of employees	764	738
Total monthly salary	14.02	12.48
Average Past Service(Years)	6.9	6.4
Average Future Service (yr)	23.1	24.9
Average Age(Years)	36.9	35.1
Total LeaveWith Cap/Without Cap	43114/43134	33634/33636
Total CTC / Availment Rate	28.05/3%	24.95 / 3%
Weighted average duration (based on discounted cash flows) in years	18	18
Average monthly salary	Rs. 18359	Rs. 16909

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 2012-14 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: 31-03-2021	As on: 31-03-2020
Current Liability(Short Term)*	1.44	0.74
Non-Current Liability (Long Term)	32.63	24.74
Total Liability	34.07	25.48

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: 31-03-2021
Defined Benefit Obligation (Base)	34.06
Liability with x% increase in Discount Rate	2,99,66,083; x=1.00% [Change (12)%]
Liability with x% decrease in Discount Rate	3,90,27,879; x=1.00% [Change 15%]
Liability with x% increase in Salary Growth Rate	3,89,28,269; x=1.00% [Change 14%]
Liability with x% decrease in Salary Growth Rate	2,99,66,083; x=1.00% [Change (12)%]
Liability with x% increase in Withdrawal Rate	3,37,03,101; x=1.00% [Change (1)%]
Liability with x% decrease in Withdrawal Rate	3,44,92,897; x=1.00% [Change 1%]

3.6: Reconciliation of liability in balance sheet

Period	From: 01-04-2020 To: 31-03-2021	From: 01-04-2019 To: 31-03-2020
Opening gross defined benefit liability/ (asset)	25.48	22.76
Expenses to be recognized in P&L	8.89	5.32
Benefits paid (if any)	(0.30)	(0.19)
Closing gross defined benefit liability/ (asset)	34.07	25.48

39. 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.

40. Disclosure as per Ind- AS 33 "EarningsPer Share"

Details	As at March 31, 2021	As at March 31, 2020
Profit/ (Loss) after tax as per statement of profit and loss (In Rupees)	(3,60,09,43,517)	(2,35,20,07,567)
Weighted Average no. of equity shares (Number)	4,02,25,000	4,02,25,000
EPS Basic & Diluted (In Rs.)	(89.52)	(58.47)

41. Disclosure as per Micro and Small Enterprises Development Act, 2006

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 2021 as required by Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act)

Amount in Rs. Million

Particulars	31-March-21 (Amt in Rs Million)	31-March-20 (Amt in Rs Million)
a) Amount remaining unpaid to any supplier:		
Principal amount	4.89	10.39
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

42. Going Concern

The company (being a wholly-owned subsidiary of Air India) has full support from the government of India to make the company fully operational after the disinvestment of Air India and also the company has taken various measures to improve its operational efficiencies and cost control measures. Since the company expects improvement in Operational and Financial Performances and the company has support from the government of India to make the company fully operational, hence the financial statements of the company have been prepared on the “Going Concern” basis in spite of having accumulated losses and net-worth being eroded.”

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 UDAAN scheme. The performance of the airline under UDAAN has been excellent wherein the company has been operationally positive. The total UDAAN route won by the Company now stands at 109. Out of allotted routes, the company operated 73 routes as on 31st March 2021, which were 61 routes till 31st March 2020. Out of the total route operated by AAAL in 2020-21, around 56% were under UDAN scheme. Alliance Air by deploying more resources on UDAAN sectors is moving towards profitability, as AAAL has been achieving operating profit on operation under UDAAN scheme. The Company has actively participated in UDAAN - 4.1 and awaiting final allotment.

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 2021-22 and thereafter further consolidate the gains.

43. Revenue

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.

44. Regional Connectivity Scheme

Till 31.3.2021 AAAL has been awarded (through bidding process) 109 routes under RCS (4 rounds), out of which 73 are operational. Remaining routes are proposed to be launched in the coming months, which includes 10 routes awarded in second round of allotment, 12 routes awarded in third round of allotment, 06 routes awarded in round 3.1 and 08 routes awarded in round 4of allotment and remain non-operational till 31.03.2021, though as per terms of the LOI these are required to be operational during the year 2020-21. Management is of the view that delay to make the route operationalis not on part of AAAL and is based on various factors beyond the control ofAAAL, therefore AAAL has no liability for the above stated delay in making the routeoperational.

45. 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. 300 million 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. 220 million 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. 220 million as prudence, although the matter is sub-judice. 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 09.07.2021 for arguments.

46. TDS on Provisional Expenses

Provision has been created for the bills received from the vendor during 2021-22 but the service availed in 2020-21 (i.e., all the bills dated after 2020-21). As per system being followed, the provisions created for 2020-21 is reversed in 2021-22 and the actual bill received in 2021-22 is booked in the vendor ledger after deducting applicable TDS in 2021-22. Due to GST scenario, provisions have been created without deduction of TDS for the bills of the year 2020-21 received in 2021-22 and dated 2021-22.

47. Disclosures as per Ind AS 116 "Leases"

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 Rs. Million)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Non-Current	Current	Non-Current	Current
Lease Liabilities	**21954.42**	**2252.96**	**21651.18**	**34.51**

b.) Disclosures for Leases where company is a Lessee under Ind AS 116

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

Short Term Lease -

During the year ended 31 March 2021, the Company has recognized an expense of Rs. 22.29Million on account of short-term leases which represents leased engines. 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 2021.

Effect of the Lease Modification as per Ind-AS 116

During the year the company has modified the lease agreements with the lessors due to outbreak of SARS-CoV-2 (COVID-19). For the remaining lease term as on 01.04.2020, the lessors have agreed to reduce lease rentals initially and increase the lease term by 2 years leading to increase in the overall lease term.

The Company has recognized such change in the lease term and lease rentals as Modification of Lease as per Ind-AS 116 "Leases". Following are the effects of modification in the lease liability and ROU Assets during the year –

(Amount in Rs. Million)

Effect of Lease Modification as per Ind-AS 116 "Leases"					
S. No.	**Particulars**	**Balance as on 31.03.2020**	**Modified Balance as on 01.04.2020 due to lease modification**	**Difference**	**Remark**
1	Right of Use Asset	19,053.33	24,437.54	5,384.22	Addition to ROU Asset due to Increase in Lease Liability Amounting to Rs. 5,293.29 million and Provision for Re-delivery Amounting to Rs. 90.92 million.
2	Lease Liability	21,651.18	26,944.47	5,293.29	Increase In Lease Liability Due to Lease Modification
3	Re-Delivery Provision	468.94	559.86	90.92	Increase In Provision for Re-Delivery Due to Lease Modification
		Before Modification	**After Modification for modified leases**		
	Discount Rate	3.1675%	0.6840%		

Lease liabilities of Rs. 26944.47 Million and ROU Asset of Rs. 24997.40 Million have been recognized as on 1st April 2020 using the incremental borrowing rate applicable to the Company at the date of modification of lease term, resulting into increase of lease liability by Rs 5293.29 Million as on 1st April 2020 on account of re-measurement of lease liability due to modification of lease.

Other Disclosures

(Amount in Rs. Million)

1.) Maturity Analysis of lease liabilities		
PARTICULARS	**2020-21**	**2019-20**
Less than one year	2492.93	2943.39
One to five years	10959.00	11773.57
More than five years	11458.32	10165.52
Total undiscounted lease liabilities at 31 March 2021	**24910.25**	**24882.48**
Lease liabilities included in the statement of financial position at 31 March 2021	**24207.38**	**21727.60**
2.) Amount's recognised in statement of profit and loss		
PARTICULARS	**2020-21**	**2019-20**
Depreciation expense on ROU Asset	2381.85	2266.65
Interest on lease liabilities	222.24	722.69
Variable lease payments not included in the measurement of lease liabilities	0	0
Income from sub-leasing right-of-use assets	0	0
Expenses relating to short-term leases*	22.29	75.64
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	0	0
***Engines taken on lease have been classified as short-term leases, since the lease term is less than 12 months as on the balance sheet date. Due to thisreason, management has availed the practical expedient.**		

3.) Amountsrecognised in the Statement of Cash Flows		
PARTICULARS	**2020-21**	**2019-20**
Amount Shown as Cash Flow from Investing Activity - Total cash outflow for leases	2193.07	2599.71

48. Remuneration to Auditors

The details of the Audit fees and Expenses of the Auditors: -

(Amount in Rs. Million)

Particulars	**2020-21**	**2019-20**
Payment to Statutory Auditor		
Statutory Audit Fees	1.20	1.20
Tax Audit Fees	0.15	0.15

GST Audit Fees	0.00	0.25
Total	**1.35**	**1.60**
Payment to other Auditors		
Internal Audit Fees	0.22	0.50
Fees For Other Matters	0.06	0.07
Total	**0.28**	**0.57**
Grand Total	**1.63**	**2.17**

49. The company has registered charges of **Rs. 2805.03million** (Previous Year Rs. 2805.04million) with the Registrar of CompaniesU/s 77 of Companies act 2013. The company is in the process of getting the said charges satisfied by following theprocedure prescribed U/s82 ofCompanies Act 2013.

50. 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 2021, 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. Million)

Particulars	As at 31stMarch 2021	As at 31stMarch 2020
Borrowings	20656.16	17111.08
Total Debt (A)	**20656.16**	**17111.08**
Equity Share Capital	4022.50	4022.50
Other Equity	(30534.11)	(26934.78)
Total Equity (B)	**(26511.61)**	**(22912.28)**
Debt Equity Ratio (A/B)	**(0.78)**	**(0.75)**

Return on Equity and Capital Gearing Ratio:

(Amt in Rs. Million)

Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
Profit /(Loss) for the year	**(3600.94)**	**(2352.01)**
Equity Share Capital	4022.50	4022.50
Other Equity	(30534.10)	(26934.78)
Equity Attributable to owners of the company	**(26511.60)**	**(22912.28)**
Return on Equity Ratio (%)	**(13.58%)**	**(10.27%)**
Capital Gearing Ratio	**(5.14)**	**(4.25)**

51. 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, 2021

(Amount in Rs Million)

Particulars	Category				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others**			714.03	714.03	0.00	0.00	0.00
Current							
Trade Receivables*			636.60	636.60	0.00	0.00	0.00
Cash and Cash equivalents*			48.87	48.87	0.00	0.00	0.00
Bank balances other than (b) above*			22.72	22.72	0.00	0.00	0.00
Loans*			324.84	324.84	0.00	0.00	0.00
Other			116.77	116.77	0.00	0.00	0.00
Financial liabilities							
Non-Current							
Other							
Current							
Borrowings			20656.16	20656.16	0.00	0.00	0.00
Trade Payables			8900.61	8921.51	0.00	0.00	0.00
Other			2714.53	2714.53	0.00	0.00	0.00

ii) As on 31 March, 2020

(Amount in Rs. in Million)

Particulars	Category				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others			815.32	815.32	0.00	0.00	0.00
Current							

Trade Receivables*			787.55	787.55	0.00	0.00	0.00
Cash and Cash equivalents*			307.75	307.75	0.00	0.00	0.00
Bank balances other than (b) above*			14.36	14.36	0.00	0.00	0.00
Loans*			443.96	443.96	0.00	0.00	0.00
Other			189.21	189.21	0.00	0.00	0.00
Financial liabilities							
Non-Current							
Other							
Current							
Borrowings			17111.08	17111.08	0.00	0.00	0.00
Trade Payables			8219.68	8219.68	0.00	0.00	0.00
Other			549.39	549.39	0.00	0.00	0.00

*The Carrying amounts of trade receivable, trade payable, cash and cash equivalents, bank balance other than cash and cash equivalents 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.

52. 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. 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. 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 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 Ind AS 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. 636.60million** (Rs 787.55million) relating to revenue generated from passenger services.

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

Amount in Rs. Million

Particulars	**As at 31/03/2021**		**As at 31/03/2020**	
	Gross Carrying Amount	**Loss Allowance**	**Gross Carrying Amount**	**Loss Allowance**
Debts not due				
Debts over due	636.60	26.46	787.55	26.46

Movement in the allowance for impairment in respect of trade receivables

(Amount in Rs. Million)

Particulars	**For the year ended 31st March 2021**	**For the year ended 31st March 2020**
Balance at the beginning of the Year	26.46	50.20
Addition during the year	0.00	23.68
Write off/Adjustments made during the year	0.00	(47.42)
Balance at the end of the Year	26.46	26.46

(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 2020: 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 is gross and undiscounted, and includes interest accrued but not due.

(Amount in Rs. Million)

					Contractual Cash Flows
As at 31st March 2021	**Carrying Amount**	**Upto 1 year**	**1-5 Year**	**More than 5 years**	**Total**
Payable to Holding Company	20656.16	20656.16			20656.16
Trade payables	8900.61	8900.61			8900.61
Other Financial Liabilities	2714.53	2714.53			2714.53
Aircraft Lease	24910.25	2492.93	10959.00	11458.32	24910.25
GMSA	419.96	419.96			419.96
Totals	**57601.51**	**35184.19**	**10959.00**	**11458.32**	**57601.51**

(Amount in Rs. Million)

		Contractual Cash Flows			
As at 31st March 2020	**Carrying Amount**	**Upto 1 year**	**1-5 Year**	**More than 5 years**	**Total**
Payable to Holding Company	17111.08	17111.08			17111.08
Trade payables	8219.69	8219.69			8219.69
Other Financial Liabilities	549.39	549.39			549.39
Aircraft Lease	24882.48	2943.39	11773.57	10165.52	24882.48
GMSA	356.23	356.23			356.23
Totals	**51118.87**	**29179.78**	**11773.57**	**10165.52**	**51118.87**

(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 types 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.Million)

Variable-rate instruments	As at 31st March 2021	As at 31st March 2020
Payable to Holding Company	20656.16	17111.08
Total	**20656.16**	**17111.08**

Interest rate sensitivity analysis

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

Particulars	**Statement of Profit and loss.**	
Increase/(decrease) in the interest on foreign currency term loans-from others and on finance lease obligation.	Increase by 0.50 %	Decrease by 0.50 %
For the year ended 31 March 2021	103.28	(103.28)
For the year ended 31 March 2020	85.55	(85.55)

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.

53. 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 recognized 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.Million)

S.No.	Particulars	For the year ended 31st March 2021	For the year ended 31st March 2020
1	Passenger	2443.63	7047.87
2	Excess Baggage	38.08	76.62
3	Mail	2.13	2.10
4	Cargo	51.95	9.45
5	Charter	17.18	30.80
6	Subsidy for Operation form Government	1971.11	2388.92
7	Handling Servicing and Incidental Revenue	11.31	374.53
	Total	**4535.39**	**9930.29**

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

(Amount in Rs.Million)

Particulars	As at 31st March 2021	As at 31st March 2020
Trade Receivable	**636.60**	**787.55**

As on 31st march 2021 company is operating under Regional Connectivity Scheme (RCS) in 73 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:

Disclosure requirement as per para 120 of Ind As 115 in respect of remaining performance obligation is not being made in view of practical expedient as per para 121 of Ind As 115.

54. Estimation of Uncertainties relating to the global health pandemic from SARS-CoV-2 (COVID-19):

The outbreak of the coronavirus (COVID-19) pandemic globally and in India, has contributed to a significant decline and volatility, and a significant disturbance and slowdown of economic activity since 2019-20. The Indian government is being imposing strict lockdown at various occasions all over India to contain the spread of the virus since last year, this has led to significant disruptions and dislocations for individuals and businesses

Currently, the Company has to operate under various regulatory restrictions like fare capping, load restriction etc., which have severely impacted our operations and may have varied financial implications. Our revenues were materially impacted by the decrease in flyers during this period. In addition, in some states it led to grounding of the passenger airline operations. However, During the same period, the Company continued to incur committed expenditure concerning our employees, aircraft related expenditures such as lease rentals and other expenditures. This has significantly impacted our profitability.

Based on the anticipated scale of operations in the immediate future and in order to optimize the resources, various cost cutting and cost control measures were also implemented.The Company has renegotiated with lessors and other foreign vendors and has successfully achieved reduction in lease rentals amounting to US$ 30.11 Million in totality out of which US$ 11.11 Million during 2020-21.Cost control measures have also been taken on account of curtailment of salary which reduces our salary bill by 39.15 % and reduction of other cost specially catering, hotel, OT, etc. The total saving during 2020-21 on account of Indian vendor amounting to Rs. 929.04million

Considering different limitations being imposed by Government of India resulting in restriction of passengers and operation, AAAL has introduced contribution concept for determination of viability of operation, which resulted in increase in revenue and reduction of loss. Being a subsidiary of Air India Ltd., we are getting full support of the Government to overcome the Covid situation.

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, up to 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.

However, the full extent of the impact of the Covid-19 pandemic on the Company’s operations, and financial metrics will depend on future developments across the geographies that the Company operates in, and the governmental, regulatory and the Company’s responses thereto, which are highly uncertain and incapable of estimation at this time, however, we will continue to carry out the impact assessment on our assets and closely monitor any material changes to future economic conditions.

55. 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.

As per our report of even date attached

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

Sd/-
V. B. Singh
ICAI Partner
Membership No: 073124
UDIN: 21073124AAADP9102

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

Sd/-
Rajiv Bansal
Chairman
DIN No 00245460

Sd/-
Vinod Hejmadi
Director
DIN No 07346490

Sd/-
Harpreet A. De Singh
CEO AAAL

Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. ACS-16028

Sd/-
Ambar Kumar Mondal
Chief Financial Officer

Place : New Delhi
Date : 14 July, 2021