



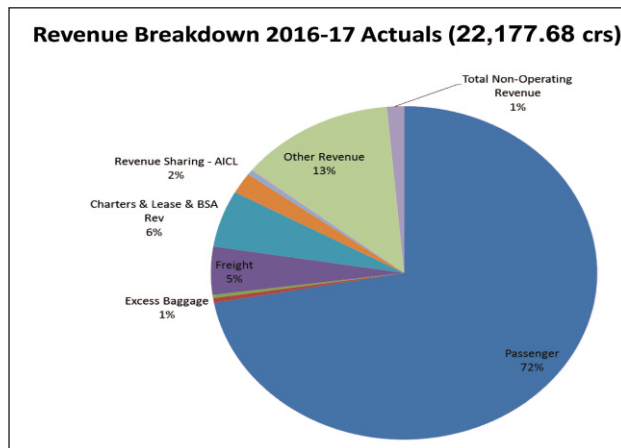
MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. ANALYSIS OF THE FINANCIAL/PHYSICAL PERFORMANCE

Stand-alone

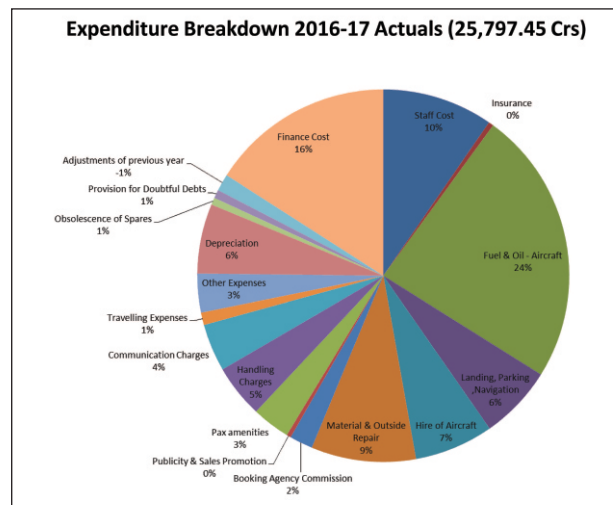
I. REVENUE

- Total revenue increased from Rs.206,103.3 million in 2015-16 to Rs.221,776.8 million during 2016-17 (increase of Rs.15,673.5 million)
- Operating Revenue increased from Rs.202,108.3 million in 2015-16 to Rs.218,596.1 million during 2016-17 (increase of Rs.16,487.8 million)
- Passenger Revenue increased from Rs. 156,562.5 million last year to Rs.159,978.1 million during 2016-17 (increase of Rs.3,415.6 million).r



II EXPENDITURE

- The total expenditure incurred during the year was Rs.257,974.6 million as compared to the previous year's figure of Rs.243,613.3 million (increase of Rs.14,361.3 million)
- Operating expenses increased from Rs.198,873.3 million during 2015-16 to Rs.215,615.8 million during 2016-17 (an increase of Rs.16,742.5 million)



**Consolidated****I. REVENUE**

- Total Revenue increased from Rs.237,601.2 million in 2015-16 to Rs.257,716.5 million during 2016-17, an increase of 8.47%.
- Passenger Revenue increased from Rs.187,036.1 million to Rs.195,098.8 million during 2016-17, an increase of 4.31%.
- Other Revenue increased from Rs.23,284 million during 2015-16 to Rs.35,214.2 million during 2016-17, an increase of 51.24%.
- Group Operating Profit was Rs.2,119.8 million as against the Operating Profit of Rs.2,983.4 million during previous year.
- Group had shown Consolidated Net Loss for 2016-17 at Rs.62,885.2 million which was more by Rs.19,778.7 million compared to the previous year's loss of Rs.43,106.5 million.

II. EXPENDITURE

- There was an increase in Total Expenses by 6.85% from Rs.279,780.2 million during 2015-16 to Rs.298,943.7 million during 2016-17. There was an increase in Staff Cost by 7.55% from Rs.41,850.6 million in 2015-16 to Rs.45,012.4 million during 2016-17.
- Finance Cost had decreased from Rs.47,179.4 million during 2015-16 to Rs.44,626.9 million during 2016-17.

2. MEASURES TO IMPROVE PERFORMANCE**2.1 Plans to turnaround performance**

The Company continued to take several initiatives to improve the performance of the Company including inter-alia

- Rationalization of certain loss making routes.
- Return of leased aircraft.
- Induction of brand new fleet on several domestic & international routes thereby increasing passenger appeal.
- Phasing out old fleet and consequent reduction in maintenance cost.
- Reduction of contractual employment & outsourced agencies.
- Critical analysis of Fuel consumption on all flights by setting up a Fuel Council and Fuel Manager.
- Increase in passenger, cargo, excess baggage revenue through aggressive sales & marketing strategy.
- Implementation of Quick win IT Solutions including upgrade of Revenue Management System, introduction of SAP-ERP throughout the network.



- Upgradation of FFP and Introduction of several marketing initiatives including Companion Free Schemes, Apex fare, GOI packages, Preferred Agents Partnership, Promotion of web bookings and other promotional schemes like AI Holidays, etc.

2.2 Infusion of Additional Equity- Linked to the Turnaround Plan of the Company

The Government infused Equity Capital of Rs.24,652.1 Million during 2016-17. The paid up capital as on 31 March 2017 is Rs.2,67,530 Million. Further, Rs.1,372.1 Million of Share Application Money is pending allotment. During the year 2017-18 the Government has further infused an amount of Rs.18,000 Million as Equity Capital from May - September 2017.

2.3 Going Concern

On account of the support of GOI as well as the implementation of TAP / FRP, various measures have been taken by the Company towards improving operating and financial position. It is expected that the financial condition of the Company would continue to improve in the future. The Company has shown an all round improvement in the operational / financial performance such as improvement in the seat factor, passenger carriage, aircraft utilisation etc. Barring unforeseen circumstances, the Company hopes to return to Cash Positive status earlier than contemplated under the TAP. The Accounts are therefore prepared by the Management on the Going Concern Basis.

2.4 Product Development

a) Premier Clubs

The Flying Returns Programme of the Company has four levels of membership viz. Base, The Silver Edge Club, The Golden Edge Club and the Maharajah Club.

The Maharajah Club is the highest Tier in the Flying Returns Programme followed by the Golden Edge Club and Silver Edge Club.

Membership of the Maharajah Club, Golden Edge Club and Silver Edge Club is on the basis of earning 75,000 miles, 50,000 miles and 25,000 miles, respectively, in a span of twelve months.

Membership of the Maharaja and Golden Edge Clubs entitles members to enhanced privileges like Bonus Flying Returns points, additional baggage allowance, priority check-in, priority confirmation from the waitlist, upgrade vouchers and lounge access at select airports, etc.

Membership of Silver Edge Club entitles members to the privileges such as Bonus flying return points, additional baggage allowance, upgrade vouchers and priority check-in.

The membership base of the Clubs as on December 2017 is as under

The Maharaja Club	936
Golden Edge Club	1,616
Silver Edge Club	7,378

b) Flying Returns Programme

Flying Returns Programme (FRP) is designed to recognise and reward frequent flyers of Air India. The benefits and privileges of FRP include :



- Increased check-in baggage allowance, tele check-in, personalized check-in counters at select airports, priority for confirmation from the waitlist, priority baggage handling, pooling of flying return points with spouse and wide array of special offers.
- Apart from earning and redeeming on Air India, Flying Return members can also earn and redeem on all 27 Star Alliance partner carriers.
- Members can accrue points while traveling on select flights of our code share partner airlines.
- Members can transfer reward points from our non-airline partners to Flying Returns.
- Non-airline partners are SBI Cards, Kotal Bank, Citibank and Travelling Connect.

Total Flying Returns membership base as on December 2017 was 22,64,606 classified as given below:

Region	
India (including Premium Clubs)	14,71,994
Overseas (including Premium Clubs)	7,92,612
Total	22,64,606

The highlights of Flying Returns Programme are as follows :

- Earn and redeem miles on 27 Star Alliance partner airlines
- Access to more than 1000 airport lounges worldwide
- Premium passenger benefits across the partner flights
- Membership extended worldwide
- Child Membership for individuals aged between 2 - 12 years of age
- Update profile details online
- Claim missing miles online
- Redeem miles online for flights and upgrades at www.flyingreturns.co.in
- No redemption threshold limit for redemption tickets
- Purchase miles at Rs.1.25 per point on shortfall of redemption and Expired Flying Return Points extension at Rs.0.60 per point.

2.5 Marketing initiatives

Various annual and short term initiatives / promotions were undertaken to increase load factors and revenues of Air India. The incentives were targeted to reward travel agents for better performance. Passengers were incentivised directly so as to make Air India their preferred choice. Corporates / Travel Management Companies were given special terms to promote Air India. Some of the promotional initiatives undertaken during the Financial Year 2016-17 are as under :



- For giving impetus to sales the travel agents were offered performance based incentives. Also, the Agency Discounted (AD) Ticket Policy was made more liberal and attractive. Further, Familiarisation Tours (FAM Tours) were organised for travel agents / tour operators to promote new destinations on Air India's Network.
- Tie-ups with Travel Management Companies were operationalised to service MNCs and SMEs to make a dent into a niche market segment.
- Corporate customers and PSUs were directly incentivised with special incentives and other soft benefits for their continuous patronage.
- Several Short Term Incentive Schemes were conceptualized and implemented, directly targeting the passengers to make Air India their preferred choice like Fly for Sure, Independence Day Sale, Monsoon Sale, Spot Fares, Super Sale, Special Fares for Students, New Year Sale and Rajdhani Fares, etc.

Corporate Policy

Corporate Policy for corporate houses was rolled out for the year 2016-17. The Scheme offers volume based incentives and upgrades to Corporates on Domestic / International Sales - Back-end incentives of maximum of 3.5%, Front-end incentives from 6% to 10% and up to 50 upgrades on subject to availability Basis.

Performance Linked Bonus (PLB)

PLB scheme offered in India for international and domestic sales to travel agents. Incentive percentage ranging from 2% to 4% for international sales and 1% to 3% for domestic sales in Economy Class and additional 2% for Business Class and First Class sales .

Short Term Promotions

Various short term promotional initiatives launched and advertised :

- Airport Upgrade Scheme has been made more attractive for domestic and international airports.
- "Special Fares" on select domestic sectors of Air India in Economy Class for purchase of ticket 20 days or more in advance with fares matching Rajdhani IIAC Express routes of Indian Railways.
- "New Year Sale" from 27-31 December 2016, Deepawali Day Special Offer for 30 October 2016, Spot Fares commensurate to Rajdhani Express within 4 hours of departure from 11 July - 30 September 2016, Fly for Sure Offer, Discounted Day Return Fares from 25 July - 19 September 2016, Monsoon Sale from 9-15 August 2016.
- Special Fares for Students on the entire domestic network for travel during the months of July-August 2016.
- Special Fares during launch of Vienna and Madrid inaugural flights, addition of Six Freedom Fares by leveraging network strength via DEL Hub.
- Short-term Boarding incentive scheme ex Chennai.
- Web Portal for Non-IATA Agents.



- Reserving an entire row in Economy Class on Domestic Flights for women passengers travelling alone at no extra cost.
- Upgrade Scheme for gallantry award winners effective 30 September 2016.

Promotions on International Sectors

- PLB SCHEME for Germany, UAE, UK, Italy and Japan, offering volume based productivity linked bonus for agents (maximum up to 7%).
- Familiarisation Tours were organised for travel agents / tour operators, promoting destinations like Sri Lanka, Austria, Madrid, Vienna and Vietnam.
- Short Term Sector based FOC Scheme for Delhi-Vienna-Delhi (Business / Economy 1:5)

eSuper Saver Multi User

Promotional Scheme for individuals and valid for travel on Air India domestic sectors in India was launched in 2016. Under the Scheme, an online booklet of 10 coupons can be purchased for Business Class or Economy Class on all domestic sectors. The online booklet eCoupons can thereafter be redeemed for travel within one year of purchase.

3. HIGHLIGHTS

Awards & Recognition

Singapore based Changi Airport Group named Air India the top airline by absolute growth in passenger carriage in South Asia. The award was presented to Air India at the Changi Airline Awards 2016.

Air India made history operating the world's all-women flight on one of world's longest non-stop route - the Delhi-San Francisco sector to commemorate International Women's Day on 6 March 2017, on a 17 hour sojourn. The entire flight operations from cockpit crew to cabin crew, check-in staff, doctor, customer care staff, ATC and the entire ground handling from operators to technicians, engineers, flight dispatchers and trimmer were women employees.

Air India has featured in an official commemorative album launched to mark Queen Elizabeth II's 90th birthday celebrations, which was to be presented as a gift to VVIP and VIP guests during the royal events between May 12 & 15, 2016 in Windsor Castle. The album was also to be distributed to key figures and organisations around the world including heads of state, ambassadors and leaders of industry. Air India has been highlighted because of its significant editorial support for the project and as a major transport organisation to the UK. Air India has a historical relationship with the UK, with its first flight to London being operated by a four engine Constellation aircraft on 8 June 1948 via Cairo and Geneva.

4. FLEET SIZE, NETWORK, JOINT VENTURES, ETC.

4.1 Fleet Size

As of 31 March 2017, Air India had the following aircraft in its fleet :



Aircraft Type	Owned	Leased	Sale & Lease Back	Total
B777-200LR	3	-	-	3
B777-300ER	12	-	-	12
B747-400	3	-	2	5
B787-800	2	-	2	123
A320	11	7	-	18
A319	19	3	-	22
A321	20	-	-	20
TOTAL	70	10	23	103

4.2 Network

The pattern of operations during 2016-17 for international operation was as under :

Routes	Summer 2017	Winter 2017	Summer 2016	Winter 2016
India/ USA	33	33	27	27
India/ UK	32	32	32	32
India/ EUR	32	30	24	26
India/Gulf	137	137	137	137
India/ FEA	23	23	23	23
India/ SEA	35	35	35	49
India/ SAARC	62	62	51	60

4.3 Joint Ventures and Code Share Arrangements

As on 31 March 2017, Air India being member of STAR Alliance had Free Flow Code Share arrangements with other STAR Alliance Members viz. Lufthansa, Austrian Airlines (Block Space), Swiss (Block Space), Ethiopian Airlines, Singapore Airlines, Turkish Airlines, Egypt Air, Asiana Airlines, Air Canada, Adria Airways and EVA Air. In addition, Air India also had Free Flow Code Share arrangements with Air Mauritius, Hong Kong Airlines, Air Astana, Flybe, Air Austral and Air India Express.

5. FINANCING INITIATIVES

Aircraft Financing

During 2016-17, Sale and Lease Back of 9 B787-8 aircraft had been concluded. Further, 6 B7897-8 aircraft were financed through Bridge Loans obtained from First Abu Dhabi Bank jointly with Mashreq Bank (3 aircraft) and Investec Bank plc (3 aircraft).



The balance 3 B777-300ER aircraft are scheduled to be delivered in January / February 2018. Two of these aircraft will be delivered by using the loan amount received from Gol and will be used for SESF operations. The third aircraft will be financed through Bridge Loan.

6. AIR SAFETY

A dedicated website flightsafety@airindia.in has been set up which aids dissemination of vital safety related information in a cost effective manner to all employees of the Company. Our mission is to

- Ensure a sound Safety Management System
- Promote active participation of all departments in adopting optimum safety standards
- Introduce methods which enhance safety awareness
- Investigate Incidents / Accidents
- Recommend safety measures within the Training environment, thereby addressing known / perceived threats and errors

7. QUALITY MANAGEMENT SYSTEM (QMS)

ISO Certification of QMS Department

The Bureau of Indian Standards (BIS) had carried out Surveillance Audit of QMS for conforming to the ISO Certificate requirements on 28 February 2017 and the Auditor confirmed that the QMS implemented by the Organisation was found to be conforming to the Certificate requirements IS / ISO 9001:2008 and the documented system was found to be effective and adequate.

Documentation Management System(DMS)

A centralized Corporate Document Management System provides creation, version management, search, retrieval and dissemination of documents over a browser to all authorised personnel based on individual rights, across all Departments and all three AOP Holders and Strategic Business Units. It effectively complies with IOSA, DGCA, ISAGO, Star Alliance standards, Government as well as organization requirements.

DMS is a major initiative moving towards near paperless office and for better transparency and document repository to comply with Government and Regulatory requirements. This not only generates cost savings for the Company but also improves efficiency, saves times as well as environment.

QMS ensured that all the soft copies of the Manuals are reviewed, approved, uploaded and distributed through DMS. During 2016-17 AICL IOSA, EU TCO and ISAGO, ISO and DGCA Regulatory Audit were conducted and Document Management System was cleared without any finding.

IATA Operational Safety Audit (IOSA) of Air India Express

IOSA Initial Audit of Air India Express, the Low Cost Subsidiary Airline of Air India was co-ordinated with IATA and M/s Quali Audit. Corporate QMS along with nominated Air India Express Officials conducted internal quality and Safety Audits for all operational areas as per the IOSA requirement for continuous improvement from 5 to 9 December 2016 and the IOSA Registry was awarded to Air India Express is valid till 9 December 2018.



IATA Safety Audit for Ground Operations (ISAGO)

Air India being ISAGO Audit Pool Member successfully completed all the assigned Ground Service Providers (GSP) Audits by IATA in the year 2016 and the Audit Performance for the year 2016 has been rated as 100%.

ISAGO Renewal Audit of Headquarters of Air India Air Transport Services Limited (AIATSL), a wholly owned subsidiary of Air India was conducted by M/s Wake Limited Auditors from 12-13 May 2016 and was successfully cleared with NIL findings. The same was renewed till 3 July 2018. ISAGO Renewal Audit of Mumbai Station was conducted by Qatar Airways Auditors from 1 to 3 August 2016 and has been renewed till 13 October 2018. Similarly, ISAGO Renewal Audit of Chennai Station was conducted by Malaysian Airlines and the Registry has been validated till 18 June 2019.

IATA Operational Safety Audits (IOSA)

IOSA Registry of Air India was extended till 16 January 2018 after the IOSA renewal audit was conducted.

8. INFORMATION TECHNOLOGY

Mobile App

Air India has launched SITA iTravel Mobile App on 24 October 2016 for Android and Apple IOS. It provides improved features for making bookings on domestic and international flights, retrieve bookings, search for lowest available fares, premier seat selection, checking flight status, access Flying Returns account details and check-in for flights. The Boarding Card has 2D Bar Code implemented at European Stations and at Hyderabad.

Self Bag Tagging and Self Bag Drop at Mumbai Airport

The passengers departing from Mumbai Airport have the option not only to print their bag tags but also do self bag drop after scanning their bags.

AI Corporate Email

Air India Corporate Email System was migrated to NIC (Government of India) Email System in August 2016. 12000 email accounts were migrated from on-primse IBM Lotus Domino System to NIC System successfully.

Cyber Security

Roll out for Security information and Event Management has been done in Air India Network to enable real time monitoring of logs of various IT devices deployed in Network. Maintaining of logs is also a regulatory requirement.

SITA Baggage Hub

Air India is participating in Star Baggage Hub solution to improve baggage handling and tracing among STAR Alliance partners. Air India being a dominant carrier at Delhi, Mumbai and Dubai Airports, was assigned the responsibility of technical integration of Baggage Messages (BHS, BRS, etc). Air India has completed the integration of Baggage Message Systems with STAR at Delhi Airport T3 whereby all STAR carriers are now able to send the Baggage messages to STAR HUB.



Security Department Portal

Web based portal developed for Security Department to publish information related to Daily / Monthly / Yearly Functional Reports, e-Filing of daily report, Security Circulars and Manuals, Office Orders and other documents for easy access to all Security Personnel.

HAJ 2016

Prior Check-in facility both for the Onward and Return flight from and to India was provided for Haj Pilgrims.

Automated Baggage Tag printing was enabled for Haj Pilgrims at all the stations from where Air India operated Haj flights.

Additionally, handling of IT and related activities of Haj Pilgrims travelling on Fly NAS (XY) from four Indian Cities viz. Varanasi, Guwahati, Jaipur, Aurangabad and on Spice Jet (SG) from two Indian Stations viz. Indore and Gaya was also enabled.

9. HUMAN RESOURCES

9.1 Staff Strength

The staff strength as on 31 March 2017 was 17677.

9.2 Long Service Mementoes

Every year all the employees of the Company who have completed 25 years of service are presented with a long service memento on 27 August. Accordingly, this year the Long Service Mementoes presentation function was held Region-wise and 956 employees were felicitated.

10. SPORTS

Cricket

Air India Team won T-20 Corporate Cricket Tournament held at Malvan, Sunaina Devi Memorial at Patna, SN Divedi Memorial at Allahabad, SG T Khalso Cup at Delhi and Roshnara Cup held at Delhi.

Women's Cricket

The Indian Women's Cricket Team was the proud winners of Asia Cup held at Thailand, Bangkok under the expertise and guidance of Ms Purnima Rau, OCS from Commercial, Hyderabad who was appointed as Head Coach of the Team. Ms Jhulan Goswami, Dy Manager (Comml) from Kolkata was also part of the team and instrumental in the team's win.

Hockey

Air India Junior Hockey Team became World Champions in the recently concluded Junior World Cup held at Lucknow, Uttar Pradesh. Shri Harendra Singh was the coach of the Indian Junior Team and Shri Armaan Qureshi was member of the winning team. Shri Edgar Mascarenhas was appointed Coach for Maharashtra Men Hockey Team for the 1st Hockey India 5-a-side Senior National Hockey Championship held at Pune.

**Football**

Air India Football Team won Shahed Durga Mall Bahadur Tournament held at Dharamshala and Nadkarni Cup (MDFALeague) held at Mumbai in April-May 2016 and February 2017, respectively.

Kabaddi

Air India Kabaddi Team won Shivneri Seva Mandal State Level held at Mumbai, Gajanan Krida Mandal All India at Mumbai and Departmental National Kabaddi Tournament held in M.P. during 2016-17.

Badminton

Air India Badminton Team won many Gold, Silver and Bronze Medals in Junior All India Major Ranking Badminton Tournaments held in Bangalore, Trivandrum, Tirupati, Delhi and Hyderabad and in Senior All India Major Ranking Badminton Tournament held in Pune during 2016-17. The Team also won Gold, Silver and Bronze Medals in Senior National Championships held at Chandigarh and Patna, Central Zone Tournament at Bhopal, Junior National Championships at Udipi, All India Public Sector Tournament at Bhopal and Chandigarh, Senior All India Malaya Manorama Tournament held at Itanagar and Thrissur, 25th Smt Krishna Khaitan All India Junior Ranking Tournament at Chandigarh and APMDC All India Senior Ranking Tournament held at Kadappa.

Air India players also represented India in Asia Junior Badminton Championship at Bangkok, BWF World Junior Championship at Spain and Dutch German Yonex International.

Table Tennis

Air India Table Tennis Team won Bronze Medal at the Inter Institution Table Tennis Championship held at Jaipur in July 2016 and Gold Medal at 4th Inter District & 78th Maharashtra State Championship held at Balewadi, Pune in October 2016.

Chess

Air India players won Bronze, Silver and Gold Medals in Asian National Cup at UAE, Asian Continental Individual, Uzbekistan and Commonwealth Game held at Sri Lanka. The Team also represented India in Chess Olympiad at Russia in September 2016 and was ranked 5th.

Shooting

Shri Gagan Narang participated in Rio Olympic Games and World Cups Rio, Bangkok, Munich and Azerbaijan during 2016. Shri Deepak Sharma won 2 Silver Medals and Shri Annuraj Singh won 1 Bronze Medal in International Shooting Competition, Hannover (Germany) in May 2016. They also participated in World Cup, Munich, Germany. Team consisting of Shri Toshinder Singh, Shri Abhishek Vashisht and Shri Alok Singh won Gold in National Martial Arts Games held at Mumbai in May 2016. Team consisting of Shri Alok Singh, Shri Abhishek Vashisht and Shri Toshinder Singh won Gold in All India Big Bore Air Rifle Shooting Championship held in August 2016.

11. PUBLIC GRIEVANCES

During the year 2016-17, 1911 Public Grievance cases were received and 345 pending cases of 2015-16 (Total 2256 cases). Out of these, 2162 cases have been settled and 94 are pending.



12. STATUTORY COMPLIANCE RELATING TO SUBSIDIARIES

Air India has five subsidiary companies. The financial statements of the subsidiaries are included in this Annual Report elsewhere. Their performance is briefly discussed here :

12.1 Air India Air Transport Services Limited (AIATSL)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	1384.24	1384.24
Total Income	6245.28	6369.01
Profit/(Loss) After Tax	334.31	1014.07

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

AIATSL was considered favourably as a Service Provider at the Greenfield Kannur Airport in Kerala expected to be operationalised effective January 2018. This will boost the revenue of AIATSL.

As per CAPA, Indian airlines could place orders for 250-300 aircraft in the next 3-6 months. This would lead to considerable growth in ground handling and ancillary activities and AIATSL would stand to gain by this development.

12.2 Air India Express Limited (AIXL)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	7800.0	7800.0
Total Income	33555.33	29500.27
Profit/(Loss) After Tax	2967.45	3616.82

AICL operates a Low Cost Airline under the brand name "Air India Express". Launched on 29 April 2005 with a fleet of 3 leased B737-800 aircraft, it operated from 3 stations in Kerala to 5 stations in the Gulf. Effective 5 May 2017, the name of the Company was changed from Air India Charters Limited to Air India Express Limited.

As on 31 March 2017, AIXL had a fleet of 23 B737-800 which included 6 B737-800 leased aircraft. The airline operated to 15 Indian and 14 foreign on-line stations.

During 2016-17, inspite of increase in RPKs and passenger carriage in absolute terms, the load factor declined by almost 8% from 82.3% during 2015-16 to 75.9% in 2016-17. However, the passenger



carriage on the Airline's services grew by 22% going up from 2.80 million during 2015-16 to 3.42 million during 2016-17. The capacity offered by the Airline in terms of ASK during 2016-17 increased by 33% from 8730 million in 2015-16 to 11,574 million. The Operating Revenue increased substantially from Rs.29100 million in 2015-16 to Rs.33300 million.

Air India Express began its Summer Schedule 2016 operations with 387 departures per week. By the end of the Schedule the Airline inducted 5 more aircraft in its fleet and the number of departures rose to 531 per week as compared to 375 departures per week in the Summer 2015 Schedule. The Company reported net profit for the second consecutive year besides generating substantial cash profit. The net profit for Financial Year 2016-17 was Rs.2967.45 million as against Rs.3616.82 million during the year 2015-16. The cash profit was Rs.5909.05 million.

12.3 Air India Engineering Services Limited (AIESL)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	1666.66	1666.66
Total Income	7404.84	6202.71
Profit/(Loss) After Tax	(5051.60)	(5586.20)

AIESL presently provides MRO services to not only Air India Limited and its Subsidiary Companies viz. Air India Charters Ltd. and Airline Allied Services Limited but also to few third party Airlines. MRO facilities are based at Nagpur, Chennai and Hyderabad. In Southern Region Engineering Certification was done for approximately 9736 flights earning a revenue of approximately Rs.126.1 million.

The Company is planning to establish its footprints overseas also. In a first step towards that AIESL is in the process of establishing the first overseas branch at Sharjah, UAE. Based on the experience and backed by cost benefit analysis, the opportunity to expand to other international stations will also be explored.

12.4 Airline Allied Services Limited (AASL)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	4022.50	4022.50
Total Income	3758.14	2738.58
Profit/(Loss) After Tax	(2827.22)	(1987.50)

The Company operates under the brand Alliance Air.

As on 31 March 2017 the Company had 2 ATR-42-320s and 8 ATR-72-600s leased aircraft in its fleet. As at the end of the year, the network of the Company consisted of 33 stations within the Country. Presently, it operates around 266 flights per week. As on 31 March 2017, the staff strength of the Company was 533 excluding 16 employees on deputation from the parent Company.



Alliance Air operated air services in the North East Region under anMoU with the North Eastern Council (NEC). It also operates flights with VGF support from Lakshadweep, Diu Administrations and Punjab Government, to Agatti, Diu and Bathinda, respectively.

12.5 Hotel Corporation of India Limited (HCI)

(Rs.in Million)

Particulars	2016-17	2015-16
Air India's investment in equity	1106.00	406.00
Government's investment in equity	270.00	220.00
Total Income	520.61	475.12
Profit/(Loss) After Tax	(542.70)	(577.56)

HCI provides catering services to Air India Group at Mumbai and Delhi through Chefair, its Flight Catering Unit. In addition, HCI earns revenue through its two Hotels viz. Centaur Lake View Hotel, Srinagar and Centaur Hotel, Delhi and by operating Lounge at T3, Delhi.

12.6 Joint Venture Agreement between Air India Limited and Singapore Airport Terminal Services (SATS) on ground handling

The Company has entered into a Joint Venture (JV) agreement with SATS, Singapore in the equity ratio of 50:50 to provide ground handling services to airlines at certain metro airport. This was in pursuance of Government of India Notification on the Ground Handling policy.

13. RISK MITIGATION STRATEGIES

The Company continuously monitored the risks perceptions and taken preventive action for mitigation of risks on various fronts.

14. INTERNAL CONTROL SYSTEMS

The Company continues to ensure proper and adequate internal control systems and procedures commensurate with its size and nature of business to ensure that all assets are safeguarded and protected against loss from unauthorized use and that transactions are authorized, recorded and reported correctly. The internal control system enables documented policies, guidelines, authorization and approval procedures. Necessary actions were also being taken to address some of the concerns raised by the Auditors in this regard.

The Company has an extensive system of internal controls which ensures optimal utilization and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations as also internal policies and procedures. The internal control system is supplemented by extensive internal audits, regular reviews by management and well documented policies and guidelines to ensure reliability of financial and other records to prepare financial statements and other data.



The Company has a well defined manual on delegation of authority and administrative powers, based on which, the authorities exercise their powers. This manual is reviewed periodically to cope with the changes necessitated by the needs of the organization. The said manual, along with the Company's key functional process manuals, further strengthens the internal control system of the organization. The Company has independent internal audit systems to monitor the entire operations and services spanning over all locations, businesses and functions on a regular basis. The Company has also employed outside consultants in its various areas of functioning in order to reduce/monitor its cost platform.



CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Corporate Governance

Air India Limited's corporate philosophy on Corporate Governance has been to ensure fairness to the Stakeholders through transparency, full disclosures, empowerment of employees and collective decision making.

2. Board of Directors

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

BOARD OF DIRECTORS AS ON 31 MARCH 2017

Shri Ashwani Lohani	Chairman & Managing Director
Shri Pankaj Srivastava	Director (Commercial)
Shri Vinod Hejmadi	Director (Finance)
Ms Gargi Kaul	Jt Secretary & Financial Advisor, Ministry of Civil Aviation
Shri Satyendra Kumar Mishra	Jt Secretary, Ministry of Civil Aviation

Shri B S Bhullar and Shri N K Jain ceased to be Directors effective 2 February 2017 and 3 February 2017, respectively.

Further, on completion of their term Shri Ravindra H Dholakia, Shri Prem Vrat, Shri Gurcharan Das, Smt Renuka Ramnath and Air Marshal (Retd) K K Nohwar ceased to be Independent Directors on the Board of the Company with effect from 28 May 2016.

The Board places on record its appreciation of the valuable services rendered by Shri BS Bhullar and Shri N K Jain as Directors and Shri Ravindra H Dholakia, Shri Prem Vrat, Shri Gurcharan Das, Smt Renuka Ramnath and Air Marshal (Retd) K K Nohwar as Independent Directors on the Board of the Company.

During the year, all meetings of the Board and the Shareholders were chaired by the Chairman & Managing Director.

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

Board Meetings :

Five Board Meetings were held during the financial year on the following dates:



Sr. No.	Date of Meeting	Board Strength	No. of Directors Present
1.	23 May 2016	11	8
2.	12 July 2016	6	4
3.	14 September 2016	6	5
4.	14 October 2016	6	4
5.	8 February 2017	5	4

The Board has adopted a Code of Conduct for the Directors and Senior Management and the same has been posted on the website of the Company. There is a system in the Organisation of affirming compliance with Corporate Governance by the Board Members and Senior Management Personnel of the Company. A declaration of compliance signed by Chairman & Managing Director of the Company is enclosed with this Annual Report.

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

Name of the Director	Academic Qualifications	Attendance out of 5 Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
Wholetime Directors Shri Ashwani Lohani, Chairman & Managing Director	Mechanical Engineer and Fellow of Chartered Institute of Logistic and Transport	5	Part-time Chairman Air India Charters Ltd Air India Air Transport Services Ltd Air India Engineering Services Ltd Airline Allied Services Ltd Hotel Corporation of India Ltd Director Air India SATS Airport Services Pvt Ltd Air Mauritius Ltd Air Mauritius Holdings Ltd	Chairman Finance Committee HR Committee Strategic Committee Member CSR and Sustainability Committee Nomination & Remuneration Committee Audit Committee – HCI Audit Committee – AIXL Audit Committee-AIATSL CSR Committee-AIATSL



Name of the Director	Academic Qualifications	Attendance out of 7 Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
Shri Vinod Hejmadi	B.Com., ACA	5	Director Air India Charters Ltd Airline Allied Services Ltd Hotel Corporation of India Ltd Air India Air Transport Services Ltd Air India Engineering Services Ltd Air India SATS Airport Services Pvt Ltd.	Member Finance Committee, AIL Audit Committee, Air India Express Limited & Air India Air Transport Services Limited Co-opted Member Strategic Committee, AIL Chairman Audit Committee, Hotel Corporation of India Limited
Shri N K Jain Director(Personnel) (upto 3 February 2017)	B.Tech, IIT Rourkee LLB, IRPS	4	NIL	Member HR Committee Corporate Social Responsibility and Sustainability Committee
Shri Pankaj Srivastava	MBA	3	Director Airline Allied Services Ltd	Co-opted Member Strategic Committee
Non Executive Directors (Ex Officio)				
Ms Gargi Kaul Jt.Secretary & Financial Advisor, Ministry of Civil Aviation	M.Phil	4	Director Air India Air Transport Services Ltd Air India Engineering Services Ltd Hotel Corporation of India Ltd	Member Audit Committee, AIL Strategic Committee, AIL Finance Committee, AIL CSR Committee, Air India Air Transport Services Limited Chairperson Audit Committee, Air India Air Transport Services Limited



Name of the Director	Academic Qualifications	Attendance out of 7 Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
Shri B S Bhullar, Jt. Secretary, Ministry of Civil Aviation (upto 2 February 2017)	Post Graduation in Agriculture Science	2	Director Air India Air Transport Services Ltd Air India Engineering Services Ltd Hotel Corporation of India Ltd	Member HR Committee Strategic Committee Nomination & Remuneration Committee CSR Committee, Air India Air Transport Services Limited
Non Executive Directors - Independent				
Smt Renuka Ramnath (upto 28 May 2016)	BE- VJTI, MBA,AMP- Harvard Business School	-	Director Multiples Alternate Asset Management Pvt Ltd Multiples Equity Fund Trustee Pvt Ltd Shri Nath G Corporate Management Services Pvt Ltd Arvind Ltd Indian Energy Exchange Ltd Mogae Media Pvt Ltd PVR Limited B2R Technologies PvtLtd Vikram Hospital (Bengaluru) Pvt Ltd Bharatiya Mahila Bank Ltd	Chairperson Audit Committee Member Strategic Committee Finance Committee
Shri Ravindra H Dholakia (upto 28 May 2016)	Post Doctoral Fellow (Toronto), Phd (MSU, Baroda)	-	Director AE Ltd Union Bank of India	Chairman Nomination & Remuneration Committee Member HR Committee Strategic Committee Member Audit Committee-AE Ltd Audit Committee-STC Ltd



Name of the Director	Academic Qualifications	Attendance out of 7 Board Meetings held during the year	Details of Directorships held in other Companies	Memberships held in Committees
Shri Prem Vrat (upto 28 May 2016)	B.Tech (Hons) in Mechanical Engineering, IIT-Kharagpur, M.Tech (Indl Engg & Operations Research), Phd, IIT-Delhi	1	NIL	Member Audit Committee Strategic Committee Finance Committee Nomination & Remuneration Committee
Shri Gurcharan Das (upto 28 May 2016)	Graduate with Honors from Harvard University, AMD-Harvard Business School	-	Director Birla Sun Life Trustee Company Pvt Ltd Gurcharan Das Consultants Pvt Ltd Non Executive Chairman DMI Finance Pvt Ltd.	Member Strategic Committee Member Remuneration Committee, Fortis Health Care Ltd Audit Committee , Gillette India Ltd.
Air Marshal (Retd) K K Nohwar (upto 28 May 2016)	Graduate from National Defence Academy	1	NIL	Chairman Corporate Social Responsibility & Sustainable Committee Member HR Committee Strategic Committee

3. Board Committees

Audit Committee

As part of the Corporate Governance and in compliance with the provisions of the Companies Act, 2013 and DPE Guidelines, the Company constituted the Audit Committee of the Board in November 2007.

As on 31 March 2017, the following were the Members of the Audit Committee :

Ms Gargi Kaul	Chairperson
Shri Ashwani Lohani	Member
Shri Satyendra Kumar Mishra	Member
Director (Finance)	Special Invitee
GM-Internal Audit	Special Invitee



However, on appointment of Shri Syed Zafar Islam and Dr R K Tyagi as Independent Directors on the Board of the Company effective 31 May 2017, the Audit Committee was reconstituted as under :

Name of the Director	Position held in the Committee	Category of the Director
Shri Syed Zafar Islam	Chairperson	Part Time Non Official Director
Dr R K Tyagi	Member	Part Time Non Official Director
Jt Secretary & Financial Advisor, MOCA	Member	Non Executive Part-time Director
Chairman & Managing Director	Permanent Invitee	Chairman & Managing Director
Director (Finance)	Special Invitee	Functional Director
ED-Internal Audit	Special Invitee	Executive Director

The Terms of Reference of the Audit Committee are as under:

- 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 Airlines Business;
- To discuss with the Auditor before the audit commences the nature & scope of the audit and to ensure co-ordination where more than one audit firm is involved;
- 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 :



1. 23 May 2016 (22nd Meeting)
2. 14 September 2016 (23rd Meeting)
3. 14 October 2016 (24th Meeting)

Attendance at the Audit Committee Meetings

Name of the Member	No. of Meetings Attended
Smt Renuka Ramnath, Chairperson	-
Ms Gargi Kaul, Member	1
Ms Gargi Kaul, Chairperson	2
Shri Prem Vrat, Member	1
Shri Ashwani Lohani, Member	2
Shri B S Bhullar, Member	1

Air India Limited presently has five Indian Subsidiary Companies i.e. Air India Express Limited (formerly known as Air India Charters Limited), Airline Allied Services Limited, Air India Air Transport Services Limited, Air India Engineering Services Limited and Hotel Corporation of India Limited.

Corporate Social Responsibility (CSR) & Sustainable Development Committee (SD)

The Board constituted a CSR & Sustainable Development Committee (SDC) on 11 December 2012 to approve and review Sustainable Development projects from time to time. The Committee consisted of :

Dr R K Tyagi	Chairman
Director (Finance)	Member
Director (Personnel)	Member

Smt Hade Singh, Head of Corporate Quality, Safety and Environment Management System – Nodal Officer

4. Remuneration to Directors

Air India being a Government Company, the appointment and remuneration payable to its Whole-time Directors is determined by the Government of India. The part-time (Ex Officio) Directors do not receive any remuneration from the Company. The non-official part-time (Independent) Directors are paid Sitting Fees for Board Meetings and Sub Committee Meetings of the Board attended by them. Air India does not have a policy of paying commission on profits to any of the Directors of the Company. The remuneration payable to officers below Board level is also approved by the Government of India.

Details of Remuneration paid to the Whole-time Directors during the Financial Year 2016-17 are as follows :



Names of Directors	All elements of remuneration packages of the Directors i.e. salary, benefits, bonus, pension, etc.				Total
	Salary & Allowances	Contribution to Provident Fund & other funds	Other benefits & perquisites	Performance Related Pay	
Shri Ashwani Lohani	28,49,640		32,400	Nil	28,82,040
Shri V Hejmadi	25,08,900	1,98,987	16,200	Nil	25,25,100
Shri N K Jain	27,68,004	1,70,720	32,400	Nil	28,00,404
Shri Pankaj Srivastava	25,39,976	2,01,045	34,800	Nil	25,74,776

Service Contracts : As per terms & conditions of appointment communicated by the administrative Ministry.

The Company has not introduced any Stock Option Scheme.

During the Financial Year, the Non-Executive (Independent) Directors received sitting fees for attending the meetings of the Board / Committees as under :

Shri Ravindra Dholakia	Rs.1,40,000/-
Shri Prem Vrat	Rs.1,40,000/-
Shri Gurcharan Das	Rs.1,40,000/-
Air Marshal (Retd) K K Nohwar	Rs.1,60,000/-
Smt Renuka Ramnath	Rs.1,00,000/-

5. Annual General Meetings during the last three years

The details of these meetings are given below :

	Date and time of the Meeting	Venue	Special Resolution Passed at the Meeting
7 th Annual General Meeting	24 December 2013 at 1200hrs	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi 110 001	Increase in Authorised Share Capital from Rs.15,000,00,00,000/- to Rs.20,000,00,00,000/- To increase overall borrowing limits



	Date and time of the Meeting	Venue	Special Resolution Passed at the Meeting
8 th Annual General Meeting	29 December 2014 at 1200hrs	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi 110 001	Increase in Authorised Share Capital from Rs.20,000,00,00,000/- to Rs.25,000,00,00,000/-
9 th Annual General Meeting	28 December 2015	Airlines House, 113 Gurudwara Rakabganj Road, New Delhi 110 001	-

M/s Link In time India Pvt Ltd having its address at Pannalal Silk Mills Compound, C-13 Lal Bahadur Shastri Marg, Subhash Nagar, Bhandup-West, Mumbai 400 078 are the Registrars and Transfer Agents for the debentures of the Company. All matters connected with debenture transfer, transmission, interest payment is handled by the transfer agents.

6. Code Of Conduct

“Code of Conduct for Board Members and Senior Management Personnel of Air India Limited” has been devised and made effective 31 March 2013. The purpose of this Code is to enhance further ethical and transparent process in managing the affairs of the Company. This Code has been made applicable to

- a. All Whole-time Directors
- b. All Non-Whole time Directors including Independent directors under the provisions of Law and
- c. Senior Management Personnel

All the Board Members and Senior Management Personnel have provided the Annual Compliance Certificate duly signed by them as on 31 March 2017.

7. Integrity Pact

The Company has introduced Integrity Pact (IP) to enhance ethics / transparency in the process of awarding contracts with effect from 8 February 2008. The Integrity Pact has now become a part of tender documents to be signed by the Company and by the vendor (s) / bidder (s) with a value of Rs.100 million and above.

8. Compliance with the RTI Act, 2005

Air India Limited, as a PSU Organisation with large public interface, has successfully ensured compliance with the provisions of Right to Information Act for providing information to the citizens.

As required by the RTI Act, information has been displayed on the Company's website for the public at large. Air India has decentralized its structure to deal with the applications / appeals received under RTI Act with effect from 9 January 2015. Presently, Air India has 85 Central Public Information Officers (CPIOs), 75 Central Assistant Public Information Officers (CAPIOs) at outstations and 24 First Appellate Authorities (FAAs) for speedy disposal of applications / appeals.

During 2016-17, 1004 cases of Requests and 158 Appeals were received. Out of 158 Appeals, 145 were disposed off by the First Appellate Authorities.



CODE OF CONDUCT

DECLARATION

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

(Pradeep Singh Kharola)
Chairman & Managing Director
Air India Limited

Place : Delhi
Date : 19 March, 2018



**ANNUAL STATEMENT SHOWING REPRESENTATION OF THE PERSONS WITH
DISABILITIES IN SERVICE AS ON 1 JANUARY 2017 AND
DIRECT RECRUITMENT / PROMOTION DURING THE CALENDAR YEAR 2016**

NAME : AIR INDIA LIMITED

Group	Number of Employees As on 1.1.2017					Direct Recruitment - 2016	Promotion - 2016
	Total	In Identified Posts	VH	HH	OH		
1	2	3	4	5	6	7	8
"A"	9467	199	5	1	31	NIL	NIL
"B"	4149	-	6	3	16	NIL	NIL
"C"	203	26	-	-	1	NIL	NIL
"D"	4230	575	10	9	30	NIL	3
Total	18049	800	21	13	78	NIL	3

Notes

- i. VH stands for Visually Handicapped (persons suffering from blindness or low vision)
- ii. HH stands for Hearing Handicapped (persons suffering from hearing impairment)
- iii. OH stands for Orthopedically Handicapped (persons suffering from loco motor disability or cerebral palsy)



Annexure to Directors' Report for the year 2016-17

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2017

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

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U62200DL2007GOI161431
2.	Registration Date	30 March 2007
3.	Name of the Company	AIR INDIA LIMITED
4.	Category/Sub-category of the Company	Government Company
5.	Address of the Registered office & contact details	Airlines House, 113 Gurudwara Rakabganj Road New Delhi 110 001
6.	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	N.A.

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

Sr No	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of 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, meals and freight 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 Express Limited 113, Airlines House, Gurudwara Rakabganj Road, New Delhi 110 001.	U62100MH1971GOI015328	Subsidiary	100%	2 (87)
2	Air India Air Transport Services Limited	U63090DL2003PLC120790	Subsidiary	100%	2 (87)
3	Air India Engineering Services Limited	U74210DL2004GOI125114	Subsidiary	100%	2 (87)
4	Airline Allies Services Limited	U51101DL1983GOI016518	Subsidiary	100%	2 (87)
5	Hotel Corporation of India Limited	U55101MH1971GOI015217	Subsidiary	80.38%	2 (87)
6	Air India SATS Airport Services Pvt Ltd	U74900DL2010PTC201763	Joint Venture	50%	2(6)



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

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2016]				No. of Shares held at the end of the year [As on 31-03-2017]				% Change during the year
	Demat	Physical	During the year	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF									
b) Central Govt		21496000000	5257000000	100		26753000000	26753000000	100	
c) State Govt(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other									
Total share holding of Promoter (A)		21496000000	5257000000	100	-	26753000000	26753000000	100	
B. Public Shareholding	Not Applicable								
1. Institutions									
a) Mutual Funds/UTI									
b) Banks / FI									
c) Central Govt.									
d) State Govt.(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify) Foreign Banks									
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-



Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2016]				No. of Shares held at the end of the year [As on 31-03-2017]				% Change during the year
	Demat	Physical	Total	% of Total 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 upto Rs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh									
c) Others (specify)									
i) Non Resident Indians									
ii) Non Resident Indians - Non Repatriable									
iii) Office Bearers									
iv) Directors									
v) HUF									
vi) Overseas Corporate Bodies									
vii) Foreign Nationals									
viii) Clearing Members									
ix) Trusts									
x) 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)		2149600000	5257000000	100		26753000000	26753000000	100	



B) Shareholding of Promoter-

Sr No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in 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	Government of India	21496000000	100	NIL	26753000000	100	NIL	

C) Change in Promoters' Shareholding (please specify, if there is no change)

Sr No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year				
	Government of India	21496000000	100	21496000000	
	At the end of the year				
	Government of India	26753000000	100	26753000000	

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

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



E) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Shri Ashwani Lohani	10	0	10	0
2	Ms. Gargi Kaul	10	0	10	0
3	Shri Satyendra Kumar Mishra	10	0	10	0
	Total	30		30	

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

(In Rs Crore)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	24340.95	28476.07	0	52817.02
ii) Interest due but not paid	25.28	9.71	0	34.99
iii) Interest accrued but not due	146.03	531.96	0	677.99
Total (i+ii+iii)	24512.26	29011.67	0	53530.00
Change in Indebtedness during the financial year				
* Addition	2505.08	2604.24	0	5109.32
* Reduction	6731.80	2155.44	0	8887.23
* Revaluation Impact	-297.28	-312.71	0	-609.99
Net Change	-4524.00	136.09	0	-4387.90
Indebtedness at the end of the financial year				
i) Principal Amount	19825.85	28621.53	0	48447.38
ii) Interest due but not paid	24.33	15.97	0	40.31
iii) Interest accrued but not due	98.51	555.90	0	654.41
Total (i+ii+iii)	19948.69	29193.41	0	49142.10



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
		Shri Ashwani Lohani	Shri Vinod Hejmadi	Shri N K Jain	Shri Pankaj Srivastava	
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2849650	2508900	276800	2539976	10666520
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	32400	16200	32400	34800	115800
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961					
2	Stock Option					
3	Sweat Equity					
4	Commission as % of profit others, specify.					
5	Others : (PF, DCS, House Perks tax etc)					
	Total (A)	2882040	2525100	2800404	2574776	10782320
	Ceiling as per the Act					

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			
		Smt Kalpana Rao			Total
1	Gross salary		**	**	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2234814	-	-	2234814
	(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	2234814	-	-	2234814

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

** The Company Secretary is holding the position in addition to her responsibilities as AGM-Corporate Affairs, Air India Ltd. Similarly, CFO is on deputation from Air India and no remuneration is paid to them by AICL.

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					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-



SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

(Pursuant to Section 204 (1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

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

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Air India Limited** (CIN:U62200DL2007GOI161431) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the **Air India Limited's** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit and as per the explanations given to me and the representations made by the Management, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2017 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

- A. I have examined the books, papers, minute books, forms and returns filed and other records made available to me and maintained by the Company for the financial year ended on 31 March, 2017 according to the applicable provisions of:
- i. The Companies Act, 2013 ('the Act') and the Rules made thereunder and amendment thereof .

During the period under review the Company has complied with the provisions of the Companies Act, 2013 ('the Act') and the Rules made thereunder and the Companies Act, 1956 , to the extent as applicable, subject to the following observations:

a) Establishment of Vigil Mechanism:

Pursuant to section 177(9) of Companies Act, 2013 read with Rule 7 of Companies (Meetings of Board and its powers) Rules, 2014 Company is required to establish a Vigil Mechanism for their directors and employees to report their genuine concerns or grievances. And, the companies which are required to constitute an audit committee shall operate the vigil mechanism through the audit committee .

The Company has represented that it has an independent Vigilance Department headed by an IPS Officer on deputation from Gol.

Vigilance manual of Air India has outlined policies, organisation structure and procedures for this purpose.

The Board of Directors reviews the work of the Vigilance Department from time to time.

**b) Risk Management Policy:**

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

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

It has been clarified that the Company has a Risk Management Policy for Fuel and as for commercial risks aviation and non-aviation insurance policies are taken to insure the aircraft and passengers. In addition, company takes insurance for staff who travel on duty abroad and covers operating and cabin crew for injuries including death under the Company's Aviation policy.

For other Risks, Company is under process of development of Risk Management Policy. In audit Committee Meeting held on 14 September 2016, Internal Financial Control over financial reporting was discussed and such reports included the steps taken by the Company to mitigate the Macro and Micro Risks as identified by it being a part of development of Risk Management Policy.

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

Independent Directors

Office of existing Independent directors of the company ceased on 28.05.2016. Under the proviso of sub-section 4 of section 149 of Companies Act, 2013 any intermittent vacancy of an independent director shall be filled-up by the 'Board' at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy, whichever is later. Such vacancy of independent directors was filled up by the company 31.05.2017 .

The word "Board", has been substituted for the words "Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government" for a Government company; vide Notification F No 1/2/2014-CL.V dated 5th June 2015.

Due to such vacancy ,following observation is attracted:

The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.

Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.



Queries raised by Statutory auditors of the company in Audit Observations in relation to compliance of Companies Act, 2013 including deviation from Accounting standards, has been replied by the Management in Directors Report, hence they have not been reproduced here.

Debenture Redemption Reserve as required under Section 71(4) of the Companies Act, 2013 has not been created in the absence of earned profits by the Company.

- ii. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of External Commercial Borrowings :

Company does not have any Overseas Direct Investment and Foreign Direct Investment.

- iii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iv. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 are applicable to the company :
 - (a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 ;

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

- B. In aviation sector, following laws are specifically applicable to the Company:

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

Director General of Civil Aviation (DGCA) is the regulatory authority for the Aviation Sector in India.

DGCA has developed the Regulatory Audit Program (RAP) to promote conformance with the aviation regulations and standards that collectively prescribe an acceptable level of aviation safety. It also ensures that Civil Aviation audit policies and procedures are applied uniformly.

In addition, IATA conducts IOSA Certification every year and discloses its findings, which are required to be corrected. In addition, Air India has ED-Flight safety who continuously monitors the flight safety operations of the Company.



I further report on the review of such reports, instructions and guidelines , that the Company is generally regular in compliance of aforesaid aviation laws and the compliance by the Company of such aviation laws has not been reviewed in this Audit since they have been subject to review by DGCA and other designated professionals.

C. I have also examined compliance with the applicable Clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India effective from 1st July, 2015 .
- (ii) The Debenture Listing Agreements entered into by the Company with the National Stock Exchange of India Ltd. and the Bombay Stock Exchange Ltd.; and
- (iii) Guidelines on Corporate Governance for Central Public Sector Enterprises as stipulated in the O.M. No. 18(8)/2005-GM dated 14th May, 2010 of the Ministry of Heavy Industries and Public Enterprises, Government of India.

I further report the following observation on perusal of Guidelines on Corporate Governance for Central Public Sector Enterprises of the company :

a) Audit Committee

- 1. Chapter 4 of DPE guidelines (para 4.4) require that the Audit Committee should meet at least four times in a year. During review, it was noticed that in respect of the Company, there were only three Meetings in the year 2016-17.

b) Guidelines on Corporate Social Responsibility And Sustainability For Central Public Sector Enterprises

I further report that the Company constituted CSR Committee on 4th February 2014 and the Company is not required to take up CSR activities as specified in the Act and the CSR Rules read with Guidelines on Corporate Social Responsibility And Sustainability for Central Public Sector Enterprises w.e.f. 01.04.2014 as the Company **has not** made any profit in the preceding year.

During the period under review, no meeting of CSR Committee was held.

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

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

Company has created separate Trusts to administer Provident Fund Contributions named as Air India Employees' Provident Fund Trust and Indian Airlines Employees' Provident Fund Trust.

Sexual Harassment of Women at Workplace(Prevention, Prohibition and Regulation) Act, 2013: The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual



harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. In connection with aforesaid Laws, adequate systems and processes are in place to monitor and ensure compliance with such laws.

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

- a) To establish Corporate Compliance Committee and designate a Chief Compliance Officer and maintain centralised mechanism to ensure compliance with all applicable laws (both Indian and International);
 - b) To establish and maintain effective co-ordination of functional units and the Compliance Department under the overall supervision of the Board;
 - c) To establish mechanism to prevent, detect, report and to respond to non-compliances;
 - d) Identification and classification of various compliance risks;
 - e) Organisation of compliance Check list, Audit, feed back, remedies.
- E) I further report, that the compliance by the Company of applicable financial laws, like Direct and Indirect Tax Laws, has not been reviewed in this Audit since the same have been subject to review by Statutory Financial Audit and other designated professionals.

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

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors subject to observations made above. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

Decisions at the Board Meetings, as represented by the Management, were taken unanimously.

I further report that as per the explanations given to me and the representations made by the Management and relied upon by me, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. It is informed that the Company has responded to notices for demands, claims, penalties etc. levied by various statutory / regulatory authorities and initiated actions for corrective measures, wherever necessary.

I further report that during the audit period the company has:



allotted 525,70,00,000 Equity shares of rupees 10/- each distinctively numbered from 21,49,60,00,000 to 26,75,30,00,000 both inclusive, to the President of India in its Board Meeting dt. 23.03.2017.

Sd/-
(Jiwan Parkash Saini)
Company Secretary In Practice

12 March, 2018

FCS No: 3671
CP No: 2100

Note-1 : Specific non compliances / observations / audit qualification, reservation or adverse remarks has been reported in respect of the above at appropriate place .

Note-2 : This Report is to be read with my letter of even date which is annexed as Annexure A and forms an integral part of this report.



The Members,
Air India Limited
Airline House, 113,
Gurudwara Rakabganj Road,
New Delhi-110001

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

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

Sd/-
(Jiwan Parkash Saini)
Company Secretary in practice

12 March, 2018

FCS No: 3671
CP No: 2100

**Management's Reply on the observations contained in the Secretarial Audit Report****(a) Independent Directors**

1. The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.

Management's Comments

Being a Government Company, Directors on Air India Limited Board are appointed by the Ministry of Civil Aviation. On completion of their term, the Independent Directors appointed effective 29 May 2013 ceased to be on the Board of the Company with effect from 28 May 2016. Thereafter, Ministry of Civil Aviation appointed Independent Directors on 31 May 2017.

In view of the above, no meeting of the Independent Directors could be held during 2016-17.

2. Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.

Management's Comments

Since no Independent Directors were appointed by the Ministry of Civil Aviation during 2016-17, provisions of Section 177(2) and Section 178 of the Companies Act, 2013 could not be complied with.

(b) Audit Committee

1. Chapter 4 of DPE guidelines (para 4.4) require that the Audit Committee should meet at least four times in a year. During review, it was noticed that in respect of the Company, there were only two Meetings in the year 2016-17.

Management's Comments

The point regarding number of meetings is noted and the Company will hold more meetings in future to comply with the provisions of DPE Guidelines.

(c) Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises

1. During the period under review, no meeting of CSR Committee was held.

Management's Comments

Since the Company had not made any profits, it was not required to spend any amount for CSR activities. However, a meeting of the CSR Committee will be held shortly to finalise the CSR Policy of the Company.