



18th ANNUAL REPORT | 2021-22



AI ENGINEERING SERVICES LIMITED
(Formerly known as Air-India Engineering Services Limited)

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CORPORATE INFORMATION

Board of Directors (As on 30-12-2022)

Shri Vikram Dev Dutt, Chairman

Shri Satyendra Kumar Mishra

Shri RajeshSingh Shrinarayan Sharma

Smt. Parama Sen

Chief Executive Officer

Shri Sharad Agarwal

Chief Financial Officer

Shri Rakesh Kumar Jain

Company Secretary

Ms. Sakshi Mehta

Registered Office

Airlines House, 113, Gurudwara Rakabganj Road,

New Delhi – 110001

CIN: U74210DL2004GOI125114

Corporate Office

2nd Floor, CRA Building, Safdarjung Airport,

New Delhi – 110003

Tel: +91-11-24600763

E-mail: marketing.aiesl@aiesl.in; Website: www.aiesl.in

Statutory Auditors

M/s Prakash Chandra Jain & Co.,

Chartered Accountants

Internal Auditors

M/s G.S. Mathur & Co.,

Chartered Accountants

Secretarial Auditors

M/s J.P. Saini & Associates,

Company Secretaries

Tax Auditors

M/s Vijay Mukesh & Co.,

Chartered Accountants

Bankers

State Bank of India (SBI)

HDFC Bank

ICICI Bank

Registrar & Transfer Agent (RTA)

M/s Link Intime India Pvt. Ltd.

C 101, 247 Park, L B S Marg,

Vikhroli (West), Mumbai 400083



CHAIRMAN'S SPEECH



Dear Shareholders,

It gives me immense pleasure to present the Eighteenth Annual Report of the Company for the year 2021-22. I would like to thank each one of you for making it convenient to attend this meeting.

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

PERFORMANCE OF THE COMPANY

The financial performance of your company during FY 2021-22 was as under:

- The operating revenue has increased from Rs. 1160.02 crores in previous year to Rs. 1881.91 crores in current year and the total revenue increased from Rs. 1185.54 crores to Rs. 1906.52 crores during the period i.e., an increase of approx. Rs. 720.98 crores (60.81%).
- As against this, the total expenditure of the company has increased from Rs. 1202.27 crores (restated) to Rs. 1331.24 crores in the same period with an increase of approx. Rs. 128.97 crores (10.73%).
- The company has earned a net profit of Rs.843.98 crores in the FY 2021-22 as compared to net profit of Rs.4.79 crores (restated) in FY 2020-21.

As regards, non-financial performance, in FY 2021-22, the Company handled around 450 aircraft. AIESL provided Line Maintenance Services to AIL Fleet along with various international operators namely, Jazeera Airways, OMAN Airways, Malaysian Airlines, Kuwait Airways, Tiger Scoot, China Airlines, MA Indo Airlines, Egypt Air etc. and Indian operators including Air Asia India, Go Air, SpiceJet, Fly Big, TATA Vistara.

The Company is providing MRO services to Defense as well private sector operators, wherever AIESL is having the capability. Your company carried out base maintenance work for Domestic operators namely – Air Asia India, TATA SIA Airlines, Spicejet, GoAir, Indigo Airlines in 2021-22. In addition, AIESL carried out major maintenance work for Aviation Research Centre (ARC), Indian Air Force, Indian Navy, Indian Coast Guard and HAL. In 2021-22, AIESL undertook maintenance



of private party's aircraft like – Reliance RCDL, Taj Air Charters, Zoom Air, Club one Air and Blued art Aircraft. In addition to this AIESL inked agreement with DRDO for maintenance of their A319 & A320 aircraft. As a part of Atmanirbhar Campaign, AIESL has collaborated with Boeing Defense for the Maintenance, Repair & Overhaul on key Boeing defense platforms in India including the P8I operated by Indian Navy & the 777 VIP aircraft operated by the Indian Air force.

Your company had approval from 13 foreign Civil Aviation authorities namely EASA, FAA, Qatar, Kuwait, GACA (UAE), CAA Singapore, CAA Srilanka, CAA Nepal, CAA Thailand, CAA Malaysia, CAA of Bangladesh and PACA Oman. AIESL has applied for approval of CAA of EGYPT.

In Northern Region of AIESL, approval was granted by DGCA to conduct maintenance checks of B737 Aircraft in hangars of Delhi, and C-check of SpiceJet aircraft were conducted. Also, AIESL NR has undertaken capability enhancement for CFM LEAP1A aircraft checks & looking forward to future demands. Similarly, in Western Region of AIESL, agreement for Phase1 Check of Pratt & Whitney engines was completed for PW1100 engines of Airbus NEO aircraft. In Nagpur MRO, Engine Test Cell has acquired approvals from EASA & FAA for testing of GENx & GE90 engines. The GENx engines requires a QT (Quick Turn) maintenance check, at Nagpur MRO, we have carried out 4 QT checks.

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

CHANGE IN HOLDING COMPANY

Earlier, AI Engineering Services Limited (AIESL) was a wholly-owned subsidiary of Air India Limited (AI), however pursuant to the disinvestment of AI and the decision of Air India Specific Alternative Mechanism (AISAM), the entire shareholding of AIESL was transferred from AI to AI Assets Holding Limited (AIAHL) at book values on 12-01-2022 and consequently, AIESL has become a wholly owned subsidiary of AIAHL w.e.f. 12-01-2022.

STRENGTHS AND CHALLENGES

Strengths of AIESL:

- Biggest player in Indian MRO in terms of Revenue, Infrastructure and Professional Manpower.
- One stop shop for end to end solutions for airlines.
- Presence in niche market of Engine Overhaul shop of CFM 56-5B / 7B, GE & P&W.
- Presence in Base Maintenance across major bases.
- Presence in LM over 100 stations domestic and international locations.
- Presence in Components Repair and Overhaul.
- Presence in niche services like Modification/Structure Repair, NDT, Lease Rentals, Spare Support, CAMO Services, Training, etc.



Support for attracting investment

India needs to position itself strategically to attract investment from OEMs and large MRO service providers across the globe. Countries such as Singapore and Malaysia were quick in creating attractive investment policies and offering significant tax credits to OEMs. For instance, these countries offered tax credits on reinvestment, which effectively meant that an OEM already generating revenues in Singapore or Malaysia could re-invest in these countries and enjoy significant tax credits on 50–60 per cent of these investments. This policy has been the primary reason for OEMs to invest in a close cluster of countries. India can consider the following steps to provide a fillip to the MRO industry and attract private investment into the sector:

- Introduction of weighted deduction for capital expenditure incurred by MRO service providers in relation to set-up/ operations of a facility in India
- Extension of a concessional corporate tax rate of 15 per cent, recently introduced for new manufacturing companies, to MRO businesses as well; the extension to place India as a competitive investment destination amongst its Asian peers for global MRO players
- Introduction of an income-tax holiday for a specified period for MRO business, similar to the tax break recently provided to aircraft leasing business operating in the International Financial Services Centre (IFSC).

Resolution of issues in the tax structure

To boost domestic MRO in India, the government has been trying to liberalise its tax and regulatory policies. Rationalising the GST rate on MRO services to 5 per cent has been a welcome measure. However, the following uncertainties in tax structures still need attention:

- For supply of MRO services to domestic customers, refund of GST on inputs (goods) would be available given the inverted duty structure (i.e., a higher rate of GST on input than the output). However, refund of GST on input services is not available under the inverted duty structure scenario. Accordingly, accumulation of credit on this account would continue to be an area of concern.
- Refund of GST for MRO services (on account of export to offshore customers and inverted duty structure in a domestic scenario) involves a notable time and effort cost. This makes an adverse impact on working capital requirements.

FUTURE PLANS

The company is planning to improve revenue generation by way of providing MRO services pertaining to Existing Capabilities to third parties (through aggressive marketing) and acquiring new Capabilities. AIESL plans to acquire EASA Base Maintenance Capability to capture Aircraft Redelivery Business. It intends to expand on its MRO Services to the Defense sector such as DRDO/IAF/Indian Navy. AIESL has already signed Maintenance Agreement with DRDO for their fleet of A319 aircraft. To acquire EASA certifications for our Landing Gear overhaul Capability and CFM 56-5B Engine overhaul Capability, as also to upgrade ATEC Shop to service various components of A320 NEO Family Aircraft.



India is likely to require 1,750 new passenger and cargo aircraft over the next 20 years to meet an exponential rise in both passenger and freight traffic. To help meet this growth, India will need 1,320 new single-aisle aircraft and 430 wide-body aircraft valued at \$255 billion. This will generate a sizable aero engine market whose MRO is waiting to be exploited in the 'Make in India' domain. Private players along with the aero-engine OEMs need to develop India-specific business models to provide MRO facilities meeting the entire regulatory framework optimally. A huge potential in India is waiting to be tapped.

CORPORATE GOVERNANCE

AIESL was in compliance with the guidelines on Corporate Governance issued by Department of Public Enterprises (DPE), wherever applicable during the year. The Company, based on self-evaluation, falls under 'Excellent' grade for the compliance of DPE Corporate Governance Guidelines for both the financial years 2020-21 and 2021-2022. The DPE has also awarded 'Excellent' grading to AIESL for compliance of DPE Corporate Governance Guidelines during 2020-21.

ACKNOWLEDGEMENT

I, on behalf of Board of Directors, express my heartfelt thanks for the valuable assistance and co-operation extended to the Company by Air India Limited, AI Assets Holding Limited, Ministry of Civil Aviation, Air India Express Limited, Alliance Air Aviation Limited, AI Airport Services Limited, Auditors and vendors for their unstinted support. I also acknowledge the support extended by all other authorities including Banks and regulatory agencies. I would like to thank my colleagues on the Board for their valuable guidance.

I acknowledge the efforts of all employees of the Company, who are our most valuable asset. Their dedication, intellect, hard work and deep sense of values has been the key to take our Company forward and make it profitable.

We look forward to your continued support in this journey, as always.

**Sd/-
(Vikram Dev Dutt)
Chairman**



VISION

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

MISSION

CUSTOMER

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

PROCESS

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



DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting their Eighteenth (18th) Annual Report on the business and operations of the Company and the Audited Financial Statements for the Financial Year ended 31st March, 2022.

1. GENERAL INFORMATION

The Board of Directors of Air India Limited, the then parent company, on 07-08-2010 approved the hiving off of Air India Engineering Services Limited (AIESL) as wholly owned subsidiary of Air India and a separate Profit Centre to cater the service towards Maintenance, Repair and Overhaul (MRO) activities of the captive load of Air India and its other subsidiaries besides the workload from 3rd Party Customer of domestic and international market.

Accordingly, Cabinet Approval was obtained on 06-09-2012, for operationalization of AIESL. After complying with the requirements of the various Statutory and Regulatory Authorities, final approval was obtained from DGCA to operate as an independent MRO under CAR 145, on 01-01-2015.

The name of Company was changed from "Air-India Engineering Services Ltd" to "AI Engineering Services Ltd" w.e.f. 03-08-2020.

Earlier, AIESL was the wholly-owned subsidiary of Air India Limited (AI), however pursuant to the disinvestment of AI and the decision of Air India Specific Alternative Mechanism (AISAM), the entire shareholding of the AIESL was transferred from AI to AIAHL on 12-01-2022 and consequently, AIESL has become a wholly owned subsidiary of AIAHL w.e.f. 12-01-2022.

2. FINANCIAL SUMMARY AND HIGHLIGHTS

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

| Particulars | (Rs. in crore) | |
|--|------------------------------------|---|
| | Financial Year ended 31-03-2022 | Financial Year ended 31-03-2021 (Re-stated) |
| Total Revenue | 1906.52 | 1185.54 |
| Total Expenses | 1331.24 | 1202.27 |
| Profit (Loss) before tax | 575.28 | (16.73) |
| Less: Provision of Tax | (261.84) | 0.0 |
| Profit after tax | 837.12 | (16.73) |
| Other Comprehensive Income | 6.86 | 21.52 |
| Total Comprehensive Income | 843.98 | 4.79 |
| Balance of profit brought forward from previous year | (2392.16) | (2396.95) |
| Balance carried to Balance Sheet | (1548.18) | (2392.16) |



3. CAPITAL STRUCTURE

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

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

During the year under review, there was no change in the share capital of your Company and the entire shareholding is held by AI Assets Holding Limited (AIAHL).

4. DETAILS OF REVISION OF FINANCIAL STATEMENTS OR BOARD'S REPORT

The Company has not revised its Financial Statements or Board's Report in respect of any of the three preceding financial years as mentioned in Section 131(1) of the Companies Act, 2013. However, the financial statements for FY 2020-21 have been restated in this year's report.

5. DIVIDEND

The Board of directors does not recommend any dividend on the Equity Shares of the Company for the FY ended 31st March 2022.

6. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

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

7. AMOUNT WHICH THE BOARD PROPOSES TO CARRY TO RESERVES

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

8. MAJOR EVENTS AND SIGNIFICANT ACHIEVEMENTS DURING FY 2021-22:

Even with COVID-19 and following all guidelines/directions given by the Government of India from time to time in this regard, AIESL sustained its operations for its major customers. AIESL played a vital role during the disinvestment process of Air India (the then holding company), by recovering long grounded B777/B787/A320 aircraft for Air India. The Company successfully delivered six A321 to DRDO post customization.

8.1 The details of fleet of AI group companies handled by AIESL during 2021-22, on average basis, was as under:

| Type of Aircraft | Average No. of Aircraft |
|------------------|-------------------------|
| A319 | 20 |
| A320 | 36 |
| A321 | 20 |
| B787 | 27 |
| B777 | 16 |
| B747 | 4 |
| ATR | 18 |
| B737 | 24 |
| Total | 165 |



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

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

| Fleet Type | Daily Utilization (BH/FH) on Operating fleet | Daily Utilization (BH/FH) on Total fleet | TDR (%) |
|-------------------|--|--|---------|
| A319 | 6.68/5.04 | 2.97/2.24 | 99.47 |
| A320 | 9.59/7.63 | 8.47/6.74 | 99.50 |
| A321 | 9.40/7.51 | 5.92/4.72 | 99.23 |
| B787 - 8 | 9.66/8.82 | 6.52/5.96 | 97.44 |
| B777 | 10.80/10.3 | 7.30/6.96 | 95.91 |
| B747- 400 | 0.0/0.0 | 0.0/0.0 | NIL |
| ATR 72-212A (600) | 07:09 / 05:38 | 05:53/04:38 | 98.96 |
| B737 | 9.50/8.52 | 9.50/8.52 | 98.96 |

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

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

The performance and achievements of Nagpur MRO during the FY 2021-22 is as under:

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

Engine Shop

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

Current Status: **3 QT** operational.

After the tool procurement (planned):

3 QT will convert to 2 QT + 1 PRSV

- DGCA approval received for testing of GE90 engines and Quick Turn (QT) jobs of GEnx engines in December 2017. Subsequently, Quick Turn (QT) repairs were completed on Four GEnx Propulsors/ Engines QT as follows during FY. 2021-22
 - Engine Sr No. 956955 during 02 Feb 2020 and 20 Sept 2021
 - Engine Sr No. 956119 during 20 July 2020 and 03 Nov 2021
 - Engine Sr No. 956234 during 24 Feb 2021 and 17 Dec 2021
 - Engine Sr No. 956951 during 30 Nov 2021 and 06 May 2022
 - Engine Sr No. 956117 and 956972 – Dis-Assembly & Assembly of Unserviceable Engine done & sent to GE due to work scope escalation which is beyond current capability.
- EASA audit completed in April 2022:



Engine Test Cell

- Now remote Support & calibration Support from SAFRAN have been restored after clearing all previous dues.
- Engine handling system has been restored and made serviceable. It was Unserviceable from last few months due to lack of support from OEM.

B. Overview of Aircraft Checks done at MRO during FY 2021-22:

- Total 'C' checks (B777 aircraft) carried out - 04
- Total phase checks (B777 aircraft) carried out - 10
- Total isolation checks (B777 aircraft) carried out - 02

Total number of completed checks (B777 aircraft) was 16 in year 2021-22 and 135 checks since inception.

During the year under review:

Total number of Tank modification completed - 03

Total number of Landing gear replacements done - 01

C. Back Shops COD – Approvals for B777 & B737

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

Standards Room: During FY 2021-22, Nagpur MRO has got the capability of Standards Division that includes Ultrasonic Testing, Eddy Current Testing, Radiographic Testing, Fluorescent Particle Inspection and Magnetic Particle Inspection.

Back Shops: Component Overhaul Division (COD)

STRUCTURAL GROUP: During FY. 2021-22 Nagpur MRO has also got the level 2 capability for Both BOEING {B777-200LR/300ER(GE90), B737-700/800/900(CFM56), B787-8(GENX)} as well as AIRBUS {AIRBUS A319/ A320/ A321 (CFM56-5B), A320 (V2500 SERIES)} for following processes:

- Repair of composite material structure & components
- Structural repair and modification on aircraft & its components including eddy current inspection
- Floor panel, ceiling panel, sidewall and decompression panel – fabrication and repair
- Cold working of fastener holes on aircraft and its components



- Heat treatment of aluminium alloys, corrosion resistant steel, titanium alloys and alloy steels
- Welding of metals - group I, V, VI and VII

COD – CSSE Group: During FY 2021-22, Nagpur MRO has also got following capability for BOEING:

- Sewing of aircraft seat cushion cover, aircraft curtains, aircraft sound proofing, zipper panels, carpet & insulation blanket
- Charging of oxygen cylinders
- Hydrostatic stress testing of compressed gas cylinder

During FY 2021-22, Nagpur MRO has certified:

- 13 Sliderafts
- 18 Oxygen bottles

(There is sudden decline in completion of WO in shops due to non-availability of certifying staff)

D. Future operations plans are as under:

Proposed Shops in future:

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

Future Plans for Base Maintenance:

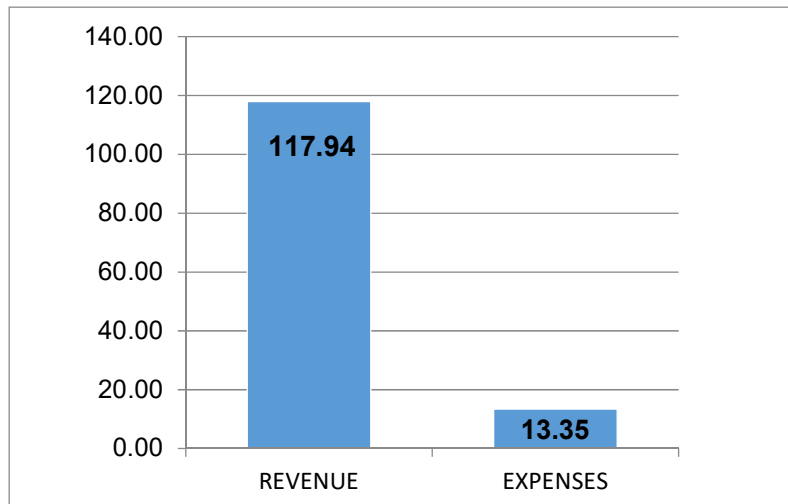
- Capability enhancement of A-320 series aircraft to 12 years Check from P4 check.
- To increase the capacity of CAR 147 training to AME school students, this will bring revenue to the company.

E. Below is the graphical representation of Revenue & Expenses of MRO Nagpur for the FY 2021-22:

| FY | 2021-22 |
|----------------|----------------|
| Revenue (Rs.) | 117.94 Cr. |
| Expenses (Rs.) | 13.35 Cr. |



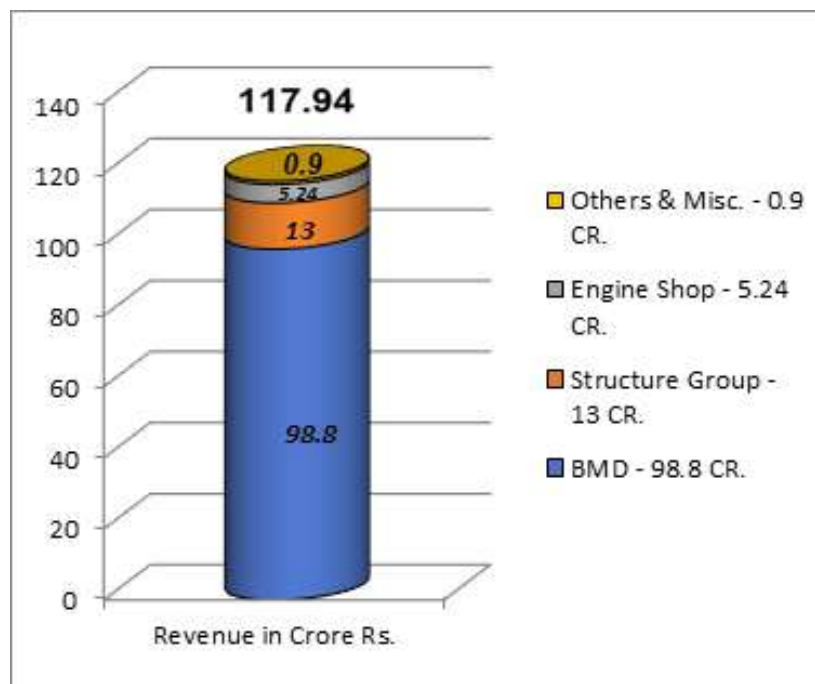
Revenue & Expenses (Amount in Crore Rs.) - FY 2021-22



Classification of Revenue generation

NAGPUR MRO Revenue in FY 2021-22

| AREA | CUSTOMER | Revenue Generation (Amount in Crore INR) |
|---------------------------|--|--|
| Base Maintenance (BMD) | AIL | 98.80 |
| Structure Group | AIL | 13.00 |
| Engine Shop | AIL | 5.24 |
| Other Third party & MISC. | AAR-INDAMER / IAF / AIASL / Training / MISC etc. | 0.90 |
| Total | | 117.94 |





II. TRIVANDRUM (TRV) MRO

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

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

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

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

In the year 2021-22, due to the post pandemic recovery in aviation sector, AIESL TRV MRO regained the business from 3rd party (SpiceJet) and have completed major maintenance checks on SpiceJet aircraft totaling the number of aircraft serviced to 18 during the period from June 2019 till March 2022. The MRO has earned substantial additional revenues without additional increase in its cost.

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

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

A. Major Achievements:

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

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

B. Statistics (Year 2021-22) for aircraft operated by Air India Express were as under:

- o Type of Aircraft in Fleet : B 737-800 (CFM56-7B)
- o No. of aircraft : 24 Aircraft



- o Average Utilization of aircraft : 9.50 hrs/day
- o No. of flight / week : 422
- o No. of station (Int) : 15
- o No. of station (Dom) : 21
- o Dispatch reliability : 98.69

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

C. Base Maintenance (Production) Statistics: (April 2021 till March 2022)

- o Phase checks - 105
- o Monthly checks- 95
- o Yearly Checks- 10
- o C Checks on AIX aircraft- 13
- o SpiceJet 6-yearly +C1, C2 checks- 2 aircraft & Vistara (one aircraft)

D. Component Overhaul Production: (April 2021 till March 2022)

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

- o Wheels (Main & Nose) - 873 Quantity (OVHL and Tyre Change)
- o Brakes - 106 Quantity (OVHL and Stack Change)
- o Oxygen - 135 Quantity (Charging)
- o Batteries - 93 Quantity (OVHL and Charging)

E. Earnings for Year 2021-2022 were as under:

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

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

The substantial reduction in the MRO revenue was attributed to covid related slowdown at MRO and its network stations. However, the MRO earned approx. Rs. 4.70 Cr revenues from SpiceJet base maintenance checks at TRV. The total revenues include the MTO revenues of Rs. 39,89,692 during the year.

The revenues for the 3rd party aircraft- 02 SpiceJet and one Vistara aircraft was @ Rs. 2.60 Crores in addition to AIXL revenues.



However, again from April 2022 till date, the MRO has serviced 06 SpiceJet aircraft with the additional revenues of Rs. 5 Crores.

F. Comparative billing summary of AIXL during 2018-19, 2019-20, 2020-21 & 2021-22 were as under:

| Financial Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|----------------|---------------------|----------------------|---------------------|---------------------|
| Total revenues | INR 90,23,26,688 | INR 136,49,36,735 | INR 62,43,44,389 | INR 90,36,88,740 |

G. The achievements for the TRV MRO during the year 2021-22:

- TRV MRO received DGCA approval on A320 family aircraft to cover all 03 variants and its engines i.e. A319/320/321 fitted with V2500/ CFM56-7B/LEAP-1B engines to cover up to 12 years checks.
- The MRO has successfully carried out major checks on two Air India aircraft.
- The MRO also received B737 -700/800/900 BDF and BDSF approval from DGCA and FAA.
- The MRO has subsequently carried out major maintenance work on numerous freighter aircraft belonging to SpiceJet and earned substantial amount of revenues for AIESL.
- The MRO enhanced its capability to carry out major maintenance checks on B737-700/800/900/900ER aircraft up to 20 years checks.
- Gained trust from the customers-SpiceJet and Vistara for carrying out major checks within the TAT and providing the best maintenance services. Earned approx. Rs. 2.6 Cr for 2021-22 and performed 6 more aircraft from April 2022 to earn Rs. 5 crores.

H. As future operations plan the MRO intends to enhance its capabilities in the following areas:

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

I. Proposed Shops in future:

- o Avionics Accessories repair shop



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

III. JEOC (JET ENGINE OVERHAUL COMPLEX):

JEOC, Delhi is an integral part of AIESL which contributes to the major part of its revenues. The performance of JEOC, Delhi, during the FY 2021-22 is as under:

- The total no. of engines produced were 17 (12 for Air India, 01 for IAF and 04 of Air Asia)
- Revenue generated during the year from Outside Parties, other than captive workload of AI was equivalent to INR 4.42 Cr (including rentals, spare sales, and labor man hours)
- ALL revenues on CFM 56-5B engines produced in JEOC has not been estimated separately as it is assumed to be part of Block hour revenue for AIESL
- Consequent to the second wave of COVID-19, JEOC has put its efforts to ensure immediate production of CFM 56-5B engines of M/s Air India in the quickest possible time as per the commitments given. Additional workload has been catered to as per the current capabilities on CFM LEAP engines and for various Operators including Indigo, Spice Jet, etc. including the Borescope Inspection and other specialized jobs.
- Efforts are also being done to enhance the outside party jobs through consistently approaching them with our current capabilities.
- JEOC has been taking steps to enhance its capabilities on CFM LEAP engine through liasioning and continuous discussions with SAFRAN for technical knowhow, tooling and infrastructure requirement. A Business plan to come out with a financial viability on CFM LEAP engine has also been made by JEOC team for the review of management. This will not only save the foreign exchange but also will be a part of Government initiatives of Make in India – Atma Nirbhar Bharat.
- Efforts to ensure the compliance of EASA in JEOC are underway and at final stages. Upon EASA certification, it is expected that JEOC revenue will increase exponentially.
- Warranty claims realized by JEOC in the year 2021-22 were as under:

| | | |
|--------------|---|-----------------------------------|
| LEAP 1A | - | USD 0.31 Million |
| CFM 56-5B | - | USD 3.85 Million |
| Total | - | USD 4.16 Million (Approx.) |



IV. MUMBAI BASE (WESTERN REGION): The performance of Western Region (WR) during the period is as under:

❖ **GROUP - A**

Highlights of performance during the year 2021-22 (Fleet –A), is as under:

A. Major Check activity at Base Maintenance:

➤ At Base Maintenance- BOM, the number of checks carried out on A-321 A/c during 2021- 22 is as follows:

| | | | |
|---|------------------|---|-----|
| o | A-Checks | - | 50 |
| o | P-Check | - | 104 |
| o | C-Check | - | 11 |
| o | 20 Month's Check | - | 1 |

➤ By way of providing Engg. Hangar facilities for Aircraft to Outside parties at MUMBAI-NEC BASE, we have earned revenue of Rs.1254.21 Lakhs (Excluding GST) during 2021-22 as per the invoices raised by Finance AIESL, WR.

B. Line Maintenance:

➤ Certification of Airbus Flights at the base and outstations:

| | | | |
|---|--------------------|---|--------|
| ▪ | Preflight Check | - | 14,266 |
| ▪ | Night Halt Check | - | 2,978 |
| ▪ | Layover Inspection | - | 916 |
| ▪ | Weekly Inspection | - | 723 |
| ▪ | 400FH Inspection | - | 59 |

➤ Certification of ATR flights at the base and outstations:

| | | | |
|---|---------------------|---|------|
| ▪ | Transit Checks | - | 3633 |
| ▪ | Night Halt | - | 175 |
| ▪ | Lay Over Inspection | - | 120 |
| ▪ | Weekly Inspection | - | 59 |

➤ Technical Certification provided to Client Airlines:

Engineering Certification of Client Airlines Aircraft (A320 family A/c) of M/s TATA CIA Vistara, M/s Air Asia Ltd., M/s Qatar Airways, M/s Kuwait Airways, M/s Singapore Airlines, M/s Oman Air, M/s Star Airline, M/s Indonesian Airline, M/s Srilankan Airlines, M/s Spice Jet & M/s Royal Nepal Airline, are provided at various Stations in Western Region Gr.A is as given below:



| Sr. No. | Station | Name of Party | Month | | | | | | | | | | | | Total |
|--------------|-----------|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| | | | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | |
| 1 | MUMBAI | SriLankan Airlines | 23 | 17 | 19 | 14 | 13 | | 25 | 35 | 40 | 34 | 32 | 40 | 292 |
| | | Kuwait | | | | 1 | | | | | 4 | 4 | 4 | | 13 |
| | | Royal Nepal Airlines | | | | | | | | | | | | 2 | 2 |
| | | Thai Smile | 33 | 38 | 14 | 10 | 13 | 1 | 8 | 6 | 12 | 9 | 4 | 17 | 165 |
| | | Air Asia (India) Ltd. | | | 22 | 13 | | | | | | | | 7 | 42 |
| | | Garuda Indonesian | | | 1 | 1 | | 1 | | | | | | | 3 |
| | | Oman Air | | | | | 8 | 1 | 3 | 1 | 1 | 1 | | | 15 |
| | | Air Asia (Malaysia) | | | | | | 2 | 18 | 6 | 11 | 5 | 2 | | 44 |
| | | Star Air | | | | | 17 | 1 | | | | | | | 18 |
| 2 | AHMEDABAD | Qatar Airways | 9 | 17 | 12 | 13 | 21 | 21 | 19 | 21 | 22 | 25 | 23 | 26 | 229 |
| | | Vistara | 119 | | | | | | | | | | | | 119 |
| | | Kuwait | | | | | | 3 | 5 | 4 | 13 | 11 | 8 | 10 | 54 |
| | | Singapore Airline | | | | | | | | 1 | 4 | 4 | 4 | 8 | 21 |
| 3 | GOA | Vistara Airbus | | 32 | 36 | 45 | 87 | 110 | 138 | 95 | 157 | 92 | 88 | 143 | 1023 |
| | | Air Asia | | | | | | | 1 | | | | | | 1 |
| 4 | INDORE | Vistara | | 14 | 16 | 31 | 47 | 60 | 61 | 59 | 62 | 43 | 50 | 62 | 505 |
| | | Vistara Boeing | | | | | 1 | | | | | | | | 1 |
| | | Star Air | | | | | 1 | | | | | | | | 1 |
| 5 | BARODA | SPICE JET | | 1 | | | | | | | | | | 1 | |
| 6 | SURAT | Air India Express Ltd. | | | | | | | | | 9 | 8 | 9 | 26 | |
| 7 | JAMNAGAR | VVIP | | | | | | | | | | | 1 | 1 | |
| Total | | | 184 | 119 | 120 | 128 | 208 | 200 | 278 | 228 | 326 | 237 | 223 | 325 | 2576 |

- Revenue earned from Third Party Certification in WR: The Third-party revenue from client airlines for certification of Flights during 2021-22, is of Rs. 254.44 Lakhs (Excluding GST).
- C. MTO Engineering Training, NEC-MUMBAI: We have earned revenue of approx. Rs.726.21 Lakhs (Excluding GST) during the period April 2021 to March 2022 by providing training facilities at NEC, MUMBAI.
- D. Revenue from AIAHL-DRDO: During the period, we have earned revenue of Rs.148.55 Lakhs (Excluding GST).
- E. Production of Overhaul Shops: The number of **Components Serviced** at Overhaul shops at AIESL, MUMBAI-NEC for FY 2021-22 is as follows:
- o AF Accy OH Shop - 733
 - o EM Shop - 48
 - o Electrical OH Shop - 492
 - o Instrument OH shop - 1168
 - o Radio OH Shop - 808



- F.** Revenue earned from AIL: The revenue from AIL for certification and major maintenance of aircraft during 2021-22, is of Rs. 11,804.40 Lakhs (Excluding GST) as per billing by AIESL, WR Gr.A.
- G.** Revenue earned from AASL: The revenue from AAAL for certification of ATR Flights during 2021-22, is of Rs. 383.75 Lakhs (Excluding GST) as per billing by AIESL, WR Gr.A.
- H.** Total Earnings of AIESL, MUMBAI-NEC for FY 2021-22 is as under:

| Earnings | Amount in Lakhs (INR) |
|--|------------------------------|
| Revenue earned from maintenance of AIL Aircraft | 11,804.40 |
| Revenue earned from maintenance of AAAL Aircraft | 383.75 |
| Third party revenue from client airlines for certification of Flights | 254.44 |
| Revenue from Engineering Training School | 726.01 |
| Revenue from AIAHL-DRDO | 148.55 |
| Earnings by way of providing Engineering Hangar facilities to outside party Aircraft | 1254.21 |
| Total Earnings | 14,571.36 |

I. MRO CAPABILITIES of WR, Group A:

Line Maintenance: Handling 20 Stations including Base for A/c Certification

Major Maintenance:

A/C at Base: - A330, A321

- Base Maintenance
 - NDT Inspection/X-Ray
 - Structure Repair shop
 - Composites Repair shop
 - Machine shop
 - Painting / Tailoring
- Airframe Accessories Overhaul shops
- Avionics Shops
 - Electrical, Instrument, Radio & Overhaul Shops.
- Quality Assurance and Tech Services
 - QA & TS of A321 & A330 aircraft
 - Oil and Fuel Testing Laboratory
 - LICENSING, AUTHORISATION, AUDIT, TECH. LIBRARY
- Engineering Facilities
 - Upkeep and Maintenance of all Fabrication of Trestles etc.
 - Maintenance of utilities like electricity, compressed air, Central Air conditioning



C. Earnings from Third Party were Rs. 588 lacs. Third Party Work done during the period is as under:

- AOG recovery for Etihad and Cathay Pacific.
- L/G Overhaul of A320 aircraft used
- Major checks of B737 aircraft of SpiceJet.
- Major checks of B737 aircraft of Vistara.
- Maintenance of 2 Nos B777 aircraft used for VVIP operation.

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

Component Overhaul Shop (COD, Old Airport)

- 24 components of B777, B787 & B737

Accessory Overhaul Division

- Oil Cooler and Relief Bypass Valve Assembly
- Fuel Filter Clogging Indicator
- Flow Divider
- Fuel Differential Pressure Transducer

Instrument Overhaul Shop (IOD, Old Airport)

- Clock/Mic for B777/ B787
- Control Display Unit & Control Panel Assy. B777/ B787
- Oxygen Box Assembly & Oxygen Panel Assembly B777/ B787
- Oxygen Pressure Regulator B777/ B787
- Oxygen Valve Assembly B777/ B787
- 13 components of B777, B787 & B737

V. DELHI BASE (NORTHERN REGION)

Major events at Northern Region during the Financial Year 2021-22 are as under:

- Total Number of 2932 Third Party Certifications of NB a/c were carried out at Delhi and its outstations.
- AIESL, Northern Region generated a total Revenue of 1,189.35 Cr. INR during the financial year 2021-22.
(Revenue distribution is
 - towards AIL fleet: 420.18 Cr.,
 - towards AAAL fleet: 8.66 Cr.,
 - towards AIXL fleet: 3.98Cr.,
 - towards SESF: 636.40 Cr.,
 - towards IAF: 105.46 Cr., &
 - 3rd Party: 14.67 Cr.)



- **Major Check activity at Base Maintenance:**

At Base Maintenance, NR, the number of checks carried out on Airbus fleet of Air India, during 2021- 22 is as follows:

| | | |
|--------------------------|---|----|
| o 1A-Checks | - | 44 |
| o 2A-Checks | - | 35 |
| o 3A-Checks | - | 38 |
| o 4A Checks | - | 37 |
| o Packages (P1-P25) | - | 92 |
| o Engine Change Activity | - | 42 |
| o 6 Yearly check | - | 6 |
| o 12 Yearly Check | - | 2 |

VI. HYDERABAD BASE (SOUTHERN REGION): Highlights of performance during the year 2021-22 (Fleet –A), are as under:

AIESL MRO at Hyderabad is in forefront in Aircraft Maintenance service with its state of art and youngest MRO in AIESL network. Regional Head office at Hyderabad is responsible for Engineering Services rendered to Tamil Nādu, Kerala, Karnataka, Telangana, Andhra Pradesh, Agatti and for International Flights from these states. We provide best in class timely and quality services to the customers by maintaining highest standards of regulatory and safety compliance.

Capability of Hyderabad Hangar

A320 (IAE V2500)

Up to “8C” Check and 12 years Check, 20 years tasks, including OOP tasks.

A319/A320/A321 (CFM56)

“A” Check and its multiple and work package up to 12 years Check, 20 years inspection tasks including OOP tasks along with modification, structural repair and inspection.

A320 (CFM LEAP 1A)

“A” Check and its multiple and up to 144 Months/45000 FH/36000 FC inspections including OOP tasks along with modification, structural repair and inspection.

ATR 72-212A (PWC PW120)

All MPD tasks up to “4C” Check 70,000 flight landings, 46,000 flight hours, 15 years including modifications, structural inspection, repair and OOP tasks.

- Also offer specialized services like A320 Engine change, Borescope inspection of Engines, Ram Air Turbine Test, Magnetic Particle & Fluorescent Particle Inspection



Achievements during FY 2021-22

- 1) **Technical Certification to Client Airlines:** At different S/Region stations, we have provided Engineering Certification for more than 1450 third party client Flights (excluding AIL/AAAL) during April 2021 to March 2022, earning revenue of approximately **Rs.190.35 Lakh** compared to 111.59 Lakhs in previous year.
- 2) **Technical Handling/ Headset Service to Client Airlines:** Revenue earned from technical handling/Headset Support Service is approx. **Rs. 95 Lakhs** during April 2021 to March 2022 from more than 1000 third party client flights.
- 3) **Revenue from AIL (Major Maintenance/ LM/ Component Servicing):**
 - At MRO, RGIA, Shamshabad “7” A-Checks with 62 packages on A-320 family A/c of AIL (Air India Ltd.) and other structural repair jobs have been carried out in the period from April 2021 to March 2022.
 - During the period from April 2021 to March 2022, through Major Checks/LM handling/Component Servicing of A320 family A/c of AIL, we have earned revenue of **Rs.9177.64 Lakhs** compared to 6375.45 Lakhs in previous year.
- 4) **Revenue from AAAL (Component Servicing/LM/Major Maintenance):**
 - We have carried out “30” Major checks, “05” Weighment on ATR -72 A/c and other structural repair jobs.
 - From AAAL (Alliance Air) through Component Servicing/Major Checks/LM handling of ATR A/c in S/Region, during the period from April 2021 to March 2022 we have earned revenue of **Rs.2157.07 Lakhs**, compared to 1778.52 Lakhs in previous year.
 - By way of providing Engg. Hangar facilities for Aircraft of AAAL at Hyderabad, we have earned revenue of **Rs.406.32 Lakhs** during April 2021 to March 2022, compared to nil in previous year.
- 5) **Revenue from AME Trainees/Inplant Trainees/CAR 147B/Project Work:** During the April 2021 to March 2022, by intake of AME trainees/On Job Trainees (6 months & 1 month On Job Training etc.)/CAR147 basic MTO students, we have earned revenue of **Rs.175.32 Lakhs** compared to Rs. 61.20 Lakhs in previous year.
- 6) By way of providing AIESL Hangar facilities for Aircrafts of outside parties at Chennai during April 2021 to March 2022, we have earned revenue of **Rs.259.69 Lakhs**, compared to Rs. 205.98 Lakhs in previous year.
- 7) Through aircraft component servicing of outside parties at Hyderabad during April 2021 to March 2022, earned revenue of approx. **Rs. 18.37 Lakhs**, compared to Rs.15.76 Lakhs in previous year.

VII. KOLKATA BASE (EASTERN REGION)

Highlights of performance during the year 2021-22 (Fleet –A), are as under:



A. Line Maintenance:

➤ Certification of Airbus Flights (AI) at the base and outstations:

| | | |
|-----------------------|---|------|
| ▪ Preflight at CCU | - | 4270 |
| ▪ Lay Over Inspection | - | 434 |
| ▪ Weekly Inspection | - | 190 |
| ▪ 400FH Inspection | - | 16 |
| ▪ Night Halt PF | - | 884 |
| ▪ PF at Outstations | - | 9040 |

➤ Certification of ATR flights at the base & outstations:

| | | |
|-----------------------|---|------|
| ▪ Transit Checks | - | 5948 |
| ▪ Night Halt | - | 436 |
| ▪ Lay Over Inspection | - | 313 |
| ▪ Weekly Inspection | - | 163 |
| ▪ 400FH Inspection | - | 03 |
| ▪ A1 toA9Checks | - | 43 |

➤ Technical Certification provided to Client Airlines:

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

No. of Third-party Certifications done during 2021-2022 (Airbus Group)

| Sl. No. | Station | Airlines | APR'21 | MAY'21 | JUN'21 | JUL'21 | AUG'21 | SEP'21 | OCT'21 | NOV'21 | DEC'21 | JAN'22 | FEB'22 | MAR'22 | Total |
|--------------|--------------|----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| 1 | Bhubaneshwar | Vistara | 48 | 31 | 30 | 53 | 80 | 78 | 100 | 91 | 93 | 92 | 72 | 93 | 861 |
| 2 | Ranchi | Vistara | 57 | 31 | 30 | 31 | 61 | 60 | 62 | 61 | 62 | 33 | 50 | 62 | 600 |
| 3 | Guwahati | Vistara | 68 | 22 | 31 | 35 | 52 | 78 | 77 | 79 | 79 | 65 | 61 | 88 | 735 |
| 4 | Bagdogra | Vistara | 74 | 62 | 60 | 72 | 80 | 84 | 93 | 89 | 93 | 49 | 47 | 84 | 887 |
| 5 | Dibrugarh | Vistara | 31 | 31 | 30 | 31 | 31 | 30 | 31 | 30 | 41 | 44 | 28 | 35 | 393 |
| 6 | Portblair | Vistara | 21 | 11 | 9 | - | - | 13 | 18 | 21 | 26 | 22 | 11 | 18 | 170 |
| | | Air Asia | - | 5 | 4 | 4 | - | 4 | 5 | 4 | - | 4 | 4 | 4 | 38 |
| 7 | Agartala | Vistara | - | - | - | - | - | - | - | - | - | - | - | - | 0 |
| 8 | Patna | Vistara | 30 | 31 | 30 | 31 | 31 | 30 | 38 | 51 | 32 | 27 | 28 | 32 | 391 |
| 9 | Kathmandu | Vistara | - | - | - | - | - | - | - | - | - | - | - | 15 | 15 |
| Total | | | 329 | 224 | 224 | 257 | 335 | 377 | 424 | 426 | 426 | 336 | 301 | 431 | 4090 |



| No. of Third-party Certifications done during 2021-2022 (Foreign Airlines) | | | | | | | | | | | | | | | |
|--|---------|-----------------------|----------|----------|----------|----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Sl. No. | Station | Airlines | APR'21 | MAY'21 | JUN'21 | JUL'21 | AUG'21 | SEP'21 | OCT'21 | NOV'21 | DEC'21 | JAN'22 | FEB'22 | MAR'22 | Total |
| 1 | CCU | QATAR | 4 | 7 | 8 | 7 | 11 | 9 | 10 | 7 | 13 | 15 | 8 | 15 | 114 |
| | | QATAR(320) | - | - | - | - | - | - | - | - | - | - | - | 8 | 6 |
| 2 | CCU | BIMAN BANGLADESH | - | - | - | - | - | - | 11 | 8 | 26 | 15 | - | 19 | 79 |
| 3 | CCU | SINGAPORE AIRLINES | - | - | - | - | - | - | - | - | - | - | 28 | 32 | 60 |
| Total | | | 4 | 7 | 8 | 7 | 11 | 9 | 21 | 15 | 39 | 30 | 44 | 72 | 267 |

➤ Revenue earned from Third Party Certification: The third-party revenue from client airlines for certification of Flights during 2021-22, is of Rs. 487.27 Lakhs (Excluding GST) as per the invoices raised by finance AIESL, ER.

B. Major Check activity at Base Maintenance:

➤ At Base Maintenance, CCU, the number of checks carried out on A-319 A/c during 2021- 22 is as follows:

| | | |
|---------------------|---|----|
| ▪ A-Checks | - | 40 |
| ▪ 2A-checks | - | 10 |
| ▪ 4A-Checks | - | 07 |
| ▪ Packages (P1-P31) | - | 53 |
| ▪ P25- 12 Yrs Check | - | 04 |
| ▪ ARC | - | 09 |

➤ By way of providing Engg. Hangar facilities for Aircrafts of outside parties at Kolkata, we have earned revenue of Rs. 20.80 Lakhs (Excluding GST) during 2021-22 as per the invoices raised by Finance AIESL, ER.

➤ A revenue of Rs. 3.66 Lakhs (Excluding GST) during 2021-22 through miscellaneous works like Loaning of equipment, Fixed charges etc.

C. Engineering Training School, Kolkata: We have earned revenue of approx. Rs.78.78 Lakhs (Excluding GST) during the period April 2021 to March 2022 by providing training facilities to outside agencies at ETS, Kolkata.

D. Revenue from IAF: During the period, we have earned revenue of Rs.56.82 Lakhs (Excluding GST) from APU servicing & components of IAF.

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

| | | |
|---|---|------|
| o AF Accy OH Shop (Including Servicing Life Jackets) | - | 1240 |
| o APU & Engine OH Shop | - | 30 |



- o Electrical OH Shop - 208
 - o Instrument OH shop - 1780
(Including Calibration of Items)
 - o Radio OH Shop - 429
- F.** Revenue earned from AIL: The revenue from AIL for certification and major maintenance of aircraft during 2021-22, is of Rs. 10424 Lakhs (Excluding GST) as per JBA raised by IE Bombay, AIESL.
- G.** Revenue earned from AAAL: The revenue from AAAL for certification of ATR Flights during 2021-22, is of Rs. 1246.21 Lakhs (Excluding GST) as per billing by AIESL, ER.
- H.** Total earnings of AIESL, Kolkata for FY 2021-22 are as under:

| Earnings | Amount in Lakhs (INR) |
|--|------------------------------|
| Revenue earned from maintenance of AIL Aircraft | 10424 |
| Revenue earned from maintenance of AAAL Aircraft | 1246.21 |
| Third party revenue from client airlines for certification of Flights | 487.27 |
| Revenue from Engineering Training School, Kolkata | 78.78 |
| Revenue from IAF | 56.82 |
| Earnings by way of providing Engineering Hangar facilities to outside party Aircraft | 20.80 |
| Earnings by carrying out Miscellaneous works | 3.66 |
| Total Earnings | 12317.54 |

I. Major Achievements:

After lot of preparations and compliance of regulatory requirements, application was submitted in Dec-2021, to DGCA for capability enhancement of Kolkata Base in the following 13 categories:

1. Line Approval: Upto 400 Hours Check for Airbus A320 (CFM Leap 1A).
2. Upto 45000 FH / 36000 FC / 12 Years MPD Tasks and Multiples including out of Phase Tasks/Modification, Structural Inspection and Repair For: Airbus A320/A321 (CFM56), Airbus A319/A320/A321 (CFM Leap 1A).
3. Upto 4C Check /36000 FC / 15 Years MPD Tasks and Multiples including out of Phase Tasks / Modification, Structural Inspection and Repair for ATR 72-212a (PWC PW120)
4. Upto C Check / 3000 FC / 4years MPD Tasks and Multiples including out of Phase Tasks/ Modification, Structural Inspection and Repair for ATR 42-500/600 (PWC PW120)
5. HONEYWELL APU 131-9A (P/N 3800708-1) – Testing
6. HOLMCO Telephone Handset (P/N 89-01-07XXX Series) Module/Sub-Assembly/PCB Level Maintenance and Testing (Level-2)
7. Three- & One-Half Inch Load Control Valve (P/N 3291432 SERIES) Overhaul, Repair, INSPN, Testing (Level-3)



8. 3.5 Inch Diameter APU Bleed Air Valve (P/N 3291214-2) Overhaul, Repair, INSPN, Testing (Level-3)
9. Air Turbine Engine Starter (P/N3505582 SERIES) Overhaul, Repair, INSPN, Testing (Level-3)
10. TLT (P/N 341E030000): Addition Due Sb- Overhaul, Repair, INSPN, Modification, Testing (Level-3)
11. TCT (P/N 342B050000): Addition Due Sb- Overhaul, Repair, INSPN, Modification, Testing (Level-3)
12. HP Regulating Valve: Overhaul, Repair, INSPN, Testing (Level-3) P/N 6773E010000, P/N 6773F/C Series
13. Valve Bleed (P/N 6774F/G SERIES) Overhaul, Repair, INSPN, Testing (Level-3) DGCA audit was carried out in the respective activity centres in March-2022. Subsequently, approval was recommended and granted for all the 13 categories applied for.

Subsequent to the grant of approval for the above capability enhancement, VT-EDE was inducted for Major Check (3A+6yr.+12yr.) on 25-04-2022.

VIII. OVERSEAS OPERATIONS:

A. KATHMANDU

AIESL has registered its Line Maintenance Office at Kathmandu on 11-09-2019 vide Registration No.224110/076/077 from the Company Registrar, Office of Ministry of Industry Commerce and Supplies.

AIESL is already having one office in the Terminal Building and has signed agreement with M/s Buddha Air for space on the airside for smooth operation of Line Maintenance. After registration of AIESL, we are providing technical support to M/s TATA SIA & M/s Air Asia for their A320 Fleet. Initially, we do have the capability for A320 and there is huge scope for catering the Line Maintenance of B737 fleet. Oman Air and Air Asia has already shown their interest in us for Line Maintenance. Presently AIESL is handling 18 flights/week.

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

B. SAIFZONE –

AIESL has set up its branch office in Sharjah (SHJ) in 2017 for providing Line Maintenance services to AI and AIX aircraft. Further, AIESL has extended its flight handling operation at Dubai and Ras-AL Khaima. The AIESL UAE operation has become profitable in its second year of operation. Further AIESL has planned of expanding its network to Abu Dhabi Airport for LM handling of AI and AIX aircraft and also in process of expanding the LM handling activity of Indian register aircraft at UAE.



But Due to Covid-19 pandemic, the further expansion was hindered and AIESL UAE branch profitability was adversely affected due to Seize in flight operation or limited operation of flight under bubble agreement/Vande Bharat Mission.

With normalization of Covid-19 Pandemic Guidelines and ease in travel ban, the flight operation is now normalized and flight frequency has also been increased. This has resulted in increase in revenue.

Now AIESL is again looking forward for expansion of its foot print in UAE and looking for expansion of its network at Abu Dhabi Airport.

9. IMPLEMENTATION OF OFFICIAL LANGUAGE

In accordance with the Guidelines issued by the Department of Official Language (OL), Ministry of Home Affairs, all efforts are being made by all the departments of the Company for implementation of the Official Language policy of Govt. of India.

Implementation of Official Language Policy is being done in AIESL.

10. IMPLEMENTATION OF RESERVATION POLICY

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

11. COMPLIANCE WITH RTI ACT, 2005

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

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

- No. of RTI Applications received during the year: 80
- No. of RTI Applications disposed off during the year: 70
- No. of RTI Applications pending as on the end of FY: 10

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

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

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

- Number of complaints of sexual harassment received in the year: NIL
- Number of complaints disposed off during the year: NIL
- Number of cases pending for more than ninety days: NIL
- Number of workshops or awareness programmes carried out in connection with prevention of sexual harassment: 03



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

13. MSME COMPLIANCE

It always has been endeavour of AIESL to support Micro and Small Enterprises (MSEs) and local suppliers. AIESL has taken a number of steps including implementation of Public Procurement Policy issued by the Government of India to procure the items specified from MSEs. The actual procurement from MSEs during the financial year 2021-22 was Rs.994.74 lakh.

14. MANAGEMENT

14.1 DIRECTORS AND KEY MANAGERIAL PERSONNEL

The details regarding the constitution of Directors of the Company during the FY 2021-22 are as given below:

| S. No | Name | Designation | Date of appointment | Date of cessation |
|-------|---------------------------------|----------------|---------------------|-------------------|
| 1. | Shri Rajiv Bansal | Chairman | 14-02-2020 | 12-01-2022 |
| 2. | Shri Vikram Dev Dutt | Chairman | 27-01-2022 | - |
| 3. | Shri Satyendra Kumar Mishra | Director | 02-02-2017 | - |
| 4. | Shri Vimlendra Anand Patwardhan | Director | 20-03-2020 | 14-12-2022* |
| 5. | Ms. Meenakshi Mallik | Woman Director | 11-09-2020 | 12-01-2022 |
| 6. | Shri Pranjol Chandra | Director | 12-01-2022 | 11-02-2022 |
| 7. | Smt. Parama Sen | Woman Director | 11-02-2022 | - |

* In pursuance of the Office Memorandum (OM) issued by the Ministry of Civil Aviation (MoCA) dated 14-12-2022, Shri Rajesh Singh Shrinarayan Sharma (Shri Rajesh Singh), JS&FA, MoCA, has been appointed as Nominee Director of the Company vice Shri Vimlendra Anand Patwardhan w.e.f. 14-12-2022.

WOMAN DIRECTOR:

By virtue of reconstitution of the Board of AIESL vide OM dated 11-02-2022 issued by the Ministry of Civil Aviation (MoCA), Smt. Parama Sen was appointed as Woman Director & Nominee Director on the Board of the Company w.e.f. 11-02-2022.

KEY MANAGERIAL PERSONNEL (KMP):

| S. No | Name | Designation | Date of appointment | Date of cessation |
|-------|--|-------------------------------|---------------------|-------------------|
| 1. | Shri Subramanian Senthilkumar | Chief Executive Officer (CEO) | 01-01-2021 | 31-05-2021 |
| 2. | Shri Palani Kumaravel | CEO | 01-06-2021 | 30-06-2021 |
| 3. | Shri Chandrashekhar Balkrishna Karkhanis | CEO | 01-07-2021 | 30-07-2021 |



| S. No | Name | Designation | Date of appointment | Date of cessation |
|-------|----------------------------|-------------------------------|---------------------|-------------------|
| 4. | Shri Jose Mathew | CEO | 30-07-2021 | 30-04-2022* |
| 5. | Shri Kapil Aseri | Chief Financial Officer (CFO) | 12-03-2018 | 09-11-2021 |
| 6. | Shri Gagan Batra | Company Secretary | 25-04-2017 | 09-11-2021 |
| 7. | Shri Gopal Krishan Valecha | CFO | 09-11-2021 | 20-05-2022** |
| 8. | Ms. Sakshi Mehta | Company Secretary | 09-11-2021 | - |

* *Shri Sharad Agarwal, the then ED (Engg.), had been assigned the charge of CEO of the Company w.e.f. 01-05-2022 as an interim arrangement till the recruitment of a regular CEO. Thereafter, Shri Sharad Agarwal has been appointed as CEO of the Company w.e.f. 01-10-2022 after the completion of recruitment process of a regular CEO.*

** *Shri Rakesh Kumar Jain has been appointed as CFO of the Company w.e.f. 20-05-2022.*

14.2 NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

During the Financial Year 2021-22, nine Board Meetings were held through video conferencing as per the provisions of the Companies Act, 2013, Companies (Meetings of Board and its Powers) Rules, 2014, DPE (Corporate Governance) Guidelines 2010 and exemption provided by the Ministry of Corporate Affairs in this regard as per Section 173 of Companies Act, 2013. The details of Board meetings are given below:

| S No. | Meeting | Date of Meeting | Board Strength | No. of Directors Present |
|-------|------------------|-----------------|----------------|--------------------------|
| 1. | 67 th | 27-04-2021 | 4 | 4 |
| 2. | 68 th | 25-06-2021 | 4 | 4 |
| 3. | 69 th | 30-06-2021 | 4 | 4 |
| 4. | 70 th | 28-07-2021 | 4 | 4 |
| 5. | 71 st | 26-08-2021 | 4 | 4 |
| 6. | 72 nd | 09-11-2021 | 4 | 3 |
| 7. | 73 rd | 13-12-2021 | 4 | 4 |
| 8. | 74 th | 06-01-2022 | 4 | 4 |
| 9. | 75 th | 12-01-2022 | 4 | 4 |

14.3 BOARD COMMITTEES:

The Company has the following Committees of the Board:

- i) Audit Committee
- ii) Corporate Social Responsibility (CSR) Committee

The details pertaining to composition of Audit Committee & CSR Committee are included in the Corporate Governance Report, which forms part of this report.

Further, the matter regarding constitution of Nomination and Remuneration Committee (NRC) was to be taken up after the appointment of Independent Directors by Holding company/ Administrative Ministry. As there was no Independent Director on the Board of AIESL, the



matter was taken up with the Administrative Ministry by the then Holding company i.e., Air India Limited.

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

14.4 COMPANY'S POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION

APPOINTMENT POLICY:

AIESL is a wholly owned subsidiary of AI Assets Holding Limited. As per Article 96 of the Articles of Association of the Company, the number of Directors of the Company shall not be less than three and not more than fifteen all of whom shall be appointed by AI Assets Holding Limited / Administrative Ministry, who will prescribe the period for which they will hold office as director and may remove them and appoint others in their places and fill in any vacancy that may occur.

REMUNERATION POLICY:

Section 197 in respect of remuneration to directors of the Company is not applicable to AIESL being a Government Company, vide Notification No.G.S.R.463(E) dated 05-06-2015, issued by the Ministry of Corporate Affairs. No remuneration is being paid to the Directors of the Company. The remuneration paid to the KMPs is disclosed in the 'Extract of Annual Return'.

14.5 PERFORMANCE EVALUATION

Pursuant to notification No.G.S.R.463(E) dated 05-06-2015 issued by the Ministry of Corporate Affairs, the statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors is not applicable to the Company, being a Government company.

14.6 DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm that:

- (a) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding



the assets of the company and for preventing and detecting fraud and other irregularities;

- (d) The Directors have prepared the Annual Accounts on a going concern basis;
- (e) Company being unlisted sub clause (e) of section 134(3) is not applicable;
- (f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

14.7 INTERNAL FINANCIAL CONTROLS

Adequate internal financial controls are in place for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies; the safeguarding of its assets; the prevention and detection of frauds and errors; the accuracy and completeness of the accounting records; and the timely preparation of reliable financial information, which is commensurate with the operations of the Company.

The Company has appointed an independent firm of Chartered Accountants as Internal Auditors to ensure that the Company's systems and practices are designed with adequate internal controls to match the size and nature of operations of the Company.

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

14.8 DISCLOSURE REGARDING FRAUDS

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

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

Not Applicable as the Company do not have any Independent Director during the Financial Year 2021-22.

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

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

17. DISCLOSURES RELATING TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

18. DETAILS OF DEPOSITS

The Company has not accepted any public deposit during the year ended 31st March, 2022 as covered under the provisions of Section 76 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.



19. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

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

20. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts/arrangements/transactions entered by the Company during the financial year with the related parties were in the ordinary course of business and on arm's length basis except taking over of MRO at Nagpur which has been transferred from Air India at book value and purchase of one A320 Classic aircraft fitted with two V2500 Engines, APU, Landing Gears and other components, bearing Registration no. VT-ESF, from Air India for a total amount of Rs.27.50 lakhs, plus applicable GST:

- i) The Board of the Company in its meeting held on 07-12-2020 had given its approval to the decision of administrative ministry to take over the MRO at Nagpur from Air India Limited (the then holding company) at the book value.
- ii) The Board of the Company in its meeting held on 06-01-2022 had given its approval for the purchase of one A320 Classic aircraft fitted with two V2500 Engines, APU, Landing Gears and other components, bearing Registration no. VT-ESF, from Air India for a total amount of Rs.27.50 lakhs, plus applicable GST. However, the said aircraft was delivered to AIESL after the close of the financial year 2021-22.

The omnibus approval of Audit Committee and Board was taken for entering into transactions with Air India and other Group companies (Air India, AAAL, AIXL, AIASL, HCI & AISATS) for providing MRO related services up to the specified limits during FY 2021-22. The details of Related Party Transactions in form AOC-2 are **attached**.

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

21. DISCLOSURES PERTAINING TO CORPORATE SOCIAL RESPONSIBILITY

Section 135 (1) of the Companies Act 2013 requires provision for CSR to be made applicable for a company having threshold Net Worth of ₹500 crores or Turnover of ₹ 1,000 crores or Net Profit of ₹5 crores or more during any of the three immediately preceding financial years. As the company has average net loss during immediately preceding three financial years, no CSR spent has been made during the FY 2021-22.

22. PARTICULARS OF EMPLOYEES & INDUSTRIAL RELATIONS

Industrial Relations were peaceful, however 06 days tools down agitation by Aircraft technicians (FTE) has occurred during the year:

No. of employees under various categories were as under:

- Executives : 355 (324 Permanent + 31 Contractual)
- Staff : 4610 (2118 Permanent + 2453 Contractual + 39 Retired)
- Total : 4965 (2442 Permanent + 2484 Contractual + 39 Retired)



- Technical out of the above were: 4046 (2440 Permanent + 1769 Contract + 38 Retired)
- Employees on deputation from Air India and other subsidiaries: 0
- Employees on deputation to other companies: 236

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

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

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

(B) Foreign exchange earnings and Outgo

| | (INR) |
|-----------------|-----------|
| Earnings | 332 lakhs |
| Outgo | 365 lakhs |

24. RISK MANAGEMENT

A comprehensive Risk Management Policy with the vision to manage and mitigate the risks pertaining to the Company was formulated and the same has been approved by the Board of Directors in its 74th meeting held on 06-01-2022, which is available at the Company's website at link <https://www.aiesl.in/RiskManagementPolicy.aspx>

All possible steps are being taken up by the Company for implementing the said policy.

25. MATERIAL ORDERS OF REGULATORS

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

26. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM

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

However, AI Engineering Services Limited (AIESL) was a wholly owned subsidiary of Air India Limited till 12-01-2022, therefore, the Vigilance Department of Air India covered the Vigilance function of subsidiary companies of Air India including AIESL till 12-01-2022.

Thereafter, the Vigilance Department of new holding company i.e., AI Assets Holding Limited (AIAHL) covers the Vigilance function of subsidiary companies of AIAHL including AIESL.



27. AUDITORS

STATUTORY AUDITORS

The Comptroller & Auditor General of India (C&AG) had appointed M/s Prakash Chandra Jain & Co, Chartered Accountants, as Statutory Auditors of the Company for the FY 2021-22.

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

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

SECRETARIAL AUDITOR

Your Company had appointed M/s J.P. Saini & Associates, Company Secretaries, as Secretarial Auditor to conduct the Secretarial Audit of the Company for FY 2021-22. The Secretarial Audit Report given by the Secretarial Auditor and management replies / comments thereon, if any, are enclosed to this report.

INTERNAL AUDITOR

M/s G.S. Mathur & Associates, Chartered Accountants, was appointed by the Board of Directors to conduct the Internal Audit of the Company for the FY 2021-22.

28. COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA (C&AG)

The comments of Comptroller and Auditor General (C&AG) of India on the Financial Statements for the year ending 31st March, 2022, have not been received as on the date of the report.

29. COMPLIANCE WITH SECRETARIAL STANDARDS

The Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) under Section 118(10) of Companies Act, 2013, were complied with by your Company to the extent applicable.

30. DETAILS OF APPLICATION MADE OR PROCEEDING PENDING UNDER INSOLVENCY AND BANKRUPTCY CODE 2016:

During the year under review, there were no applications made or proceedings pending in the name of the Company under the Insolvency and Bankruptcy Code, 2016.

31. DETAILS OF DIFFERENCE BETWEEN VALUATION AMOUNT ON ONE TIME SETTLEMENT AND VALUATION WHILE AVAILING LOAN FROM BANKS AND FINANCIAL INSTITUTIONS

During the year under review, there has been no one time settlement of Loans taken from Banks and Financial Institutions.

32. ANNEXURES TO THE REPORT:

The following certificate / reports etc. are annexed and forms an integral part of this report:



A. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed Management Discussion and Analysis Report is enclosed to this Report as 'Annexure – A'.

B. REPORT ON CORPORATE GOVERNANCE

The Report on Corporate Governance is enclosed to this Report as 'Annexure – B'.

C. EXTRACT OF ANNUAL RETURN

In compliance with the provisions of Section 92(3), Section 134(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of Annual Return in Form MGT-9 is enclosed to this Report as 'Annexure – C'. Further, the Annual Return is available on Company's website at link <https://www.aiesl.in/AnnualReturn.aspx>

D. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

During FY 2021-22 the related party transactions were with the holding company and other group companies, and were approved in terms of the Companies Act, 2013. The details of Related Party Transactions in form AOC-2 is enclosed to this report as 'Annexure – D'.

33. ACKNOWLEDGEMENTS

The Board sincerely acknowledges the support and guidance received from Air India Limited, AI Assets Holding Limited, Ministry of Civil Aviation, Comptroller and Auditor General of India, Ministry of Corporate Affairs, Statutory Auditors, Internal Auditor and Secretarial Auditor during the year and various other agencies.

Your Board of Directors take this opportunity to record their appreciation of the continuous support and contribution from all the employees of the Company. Your Board of Directors also takes this opportunity to convey their gratitude and sincere thanks for the cooperation and assistance received from the Shareholders during the period under report. The Board of Directors acknowledges your confidence and continued support and looks forward for the same in the future as well.

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

**Sd/-
Vikram Dev Dutt
Chairman
DIN: 02055541**

**Date: 27-12-2022
Place: New Delhi**



MANAGEMENT DISCUSSION & ANALYSIS REPORT

ANALYSIS OF FINANCIAL PERFORMANCE:

Revenue

Total revenue earned during FY 2021-22 was Rs. 1906.52 crores as against Rs. 1185.54 crores during FY 2020-21 i.e., an increase of approx. Rs. 720.98 crores (60.81%).

Expenditure

The total expenditure incurred during FY 2021-22 was Rs.1331.24 Crores as compared to the previous year's figure of Rs. 1202.27 Crores (restated), i.e., an increase of approx. Rs. 128.97 crores (10.73%).

INDUSTRY ANALYSIS

Aircraft MRO

The Asia Pacific maintenance, repair, and operations (MRO) market is expected to witness a robust growth in the forecast period due to the growing adoption of professional services. The region is considered a manufacturing hub for spare parts that are then supplied to other countries, owing to its cost-effectiveness, thus, providing a great boost to the growth of the maintenance, repair, and operations (MRO) industry. In addition, the market is expected to witness a significant demand due to standardization of equipment and services within critical manufacturing operations. Industry reports identify India as the seventh-largest civil aviation market in the world. It is set to become the world's third largest by 2026, representing a significant expansion scope for MRO facilities in India. About 90 percent MRO requirements in India are currently met through imports. India's indigenous MRO sector is in a nascent stage but carries a significant growth potential. The sector's growth will mainly be fueled by a growing aviation industry (expected to generate nearly 90,000 jobs and save about US\$ 2 billion in foreign exchange). Dependence on foreign MROs is likely to continue until the domestic MRO industry catches up with its foreign counterparts in terms of size and certified breadth of services.

Market Trends

The Indian MRO industry size is expected to increase from US\$ 1.7 billion in 2021 to US\$ 4.0 billion by 2031, at a compound annual growth rate (CAGR) of 8.9 percent against the expected global CAGR of 5.6 percent. With more than 1,000 aircraft currently on order, the country is likely to become the third-largest buyer of commercial passenger planes in the world, only after the US and China. This translates into demand for 200–300 major maintenance checks annually. Replacing ageing aircraft in the fleets of several airlines also creates scope for MRO to meet redelivery contracts. India is also poised to become a large defence aircraft market, propelling demand for military MRO capabilities as well.

From the lens of the aviation industry, three main initiatives would contribute immensely to drive sustainable growth of the MRO sector:



Becoming MRO integrators by taking the lead in setting up MRO facilities in the country. In addition, MRO players could leverage relationships with aircraft OEMs & international airlines to establish robust MRO infrastructure.

Consider revising & streamlining workforce certification to comply with regulation of the US's Federal Aviation Authority & European Union Aviation Safety Agency. This will facilitate the entry of new people in to industry & boost the talent availability.

In spite of the pandemic leaving a considerable dent in global aviation, the opening up of the skies in recent weeks has offered hope to the airline sector. The industry is hopeful of a steady revival.

With the sector beginning to open up, hope hinges for the global Commercial Aircraft Maintenance Repair and Overhaul (MRO) market, which was badly impacted by grounding of aircraft and airlines shelving most MRO activity.

Industry sources now indicate that the Global MRO sector is looking to record a steady expansion at a rate of 6% over the seven-year period from 2022 to 2029, globally and in India the sector is expected to grow even faster at around 8.9%.

Over the last decade, Southeast Asia has emerged as a key player in the expanding state-of-the-art aviation infrastructure, which came up in several countries like Singapore, Malaysia and Indonesia.

MRO players from Singapore have established themselves as dominant players in the industry over the years and have managed to brace the Covid-19 impact with minimal setbacks. Following the success of Singapore in the industry, players from countries, like Indonesia, Malaysia, and Thailand are trying to replicate the success of Singaporean players and are also developing their MRO capabilities.

Currently Singapore is leading the aircraft MRO market in Southeast Asia. The aviation sector has emerged as the major contributor to the development of the Singaporean economy. Despite its relatively small size, Singapore has been one of the fastest-growing aviation markets in the region over the years, driven by the huge tourist inflow and growing business travel into the country. A lesson that India is waiting to follow with the thrust to the domestic MRO sector.

Despite Indian aviation growing steadily in the last twenty years, India lacks proper MRO facilities for various reasons, the most significant being the high taxes imposed on the provision of MRO services in India. 90% of the Indian MRO work is outsourced to countries like Singapore, UAE, Sri Lanka and others. Indian MROs' are left vying for the remaining 10%.

There are 8 major players in the Indian market viz., AIESL, Air Works, Indamer Private Limited, Deccan Charter, Taj Air, Bird ExecuJet, GMR Aero Technic Limited and Max MRO Private Limited who have the skills to carry out MRO operations on most aircrafts which operate in Indian skies. Together they have managed to ensure timely maintenance and overhaul services for their customers.

Aviation Industry reports identify India entering the Top Ten countries list only recently and India emerged as the fourth largest civil aviation market in the world in 2019. It is set to become the world's third largest by 2024. The steady rise promises a significant expansion scope for MRO



facilities in India. The sector's growth will mainly be fueled by a growing aviation industry. Analysts say "Dependence on foreign MROs is likely to continue until the domestic MRO industry catches up with its foreign counterparts in terms of size and certified breadth of services".

Reports say that the Indian MRO industry size estimated at USD 1.7 billion in 2021 is likely to cross USD 4 billion by 2030. With over a 1,000 aircraft currently on order, the country is likely to become the third-largest buyer of commercial passenger planes in the world, only after the US and China. The industry says that this shall create a demand for 200–300 major maintenance checks annually. Replacing ageing aircraft in the fleets of several airlines also creates scope for MRO to meet redelivery contracts.

Competitive Landscape

At present, India outsources 90 percent MRO services to countries such as Singapore, UAE, and Sri Lanka. An MRO ecosystem in the country is needed to cater to the rising number of civil and defense aircraft and optimize turnaround time. Moreover, with many aircraft parts especially safety-related equipment falling under the Dangerous Goods (DG) category, the need to keep such product maintenance within India boosts demand for MRO services in the country. India will reap many benefits from a competitive MRO sector. Airlines will be able to save on fuel and logistic costs, and conserve foreign exchange. Indian lessors will be able to offer competitive prices on wet leases, supporting the country's efforts to develop aircraft financing and leasing. India is trying to develop this sector by notifying aircraft leasing and aircraft financing in the International Financial Services Centre (IFSC) at GIFT City. Finally, creating an MRO ecosystem will benefit the economy by creating job opportunities. There are 8 major players operating in the Indian MRO Market including AI Engineering Services Ltd, Air Works India (Engineering) Pvt. Ltd, Deccan Charters Limited, Indamer Aviation Pvt. Ltd, Max MRO Pvt Ltd, Taj Air, Bird ExecuJet and GMR Aero Technic Ltd. With these 8 players capturing a major chunk of the market and AIESL having highest of the total revenue generated, the market nature has been concentrated. Most of these players provide line maintenance, heavy maintenance and component overhaul. AIESL is the only player extending full-fledged engine overhaul facility in India. AIESL is the market leader, followed by Air Works which has the second highest share in the market revenue. Air Works has a global presence however provides MRO services only in India.

The prominent players in the aircraft engine MRO market are Lufthansa Technik, Rolls-Royce Holding PLC, Raytheon Technologies Corporation, General Electric Company, and Safran SA. The major engine MRO providers are entering into long-term partnerships or forming joint ventures to grow their engine MRO customers. The regional jet, which is a small aircraft with usually less than 150 seats, is observing heightened demand for short-haul flights within a certain area, country, or continent. Reportedly, regional aviation surpassed 700 billion available seat kilometers of annual air traffic globally. Regional aviation is known to have shown the strongest traffic in the last two decades. It has been speculated that regional airports and smaller passenger aircrafts will be in high demand after the Covid-19 pandemic due to the rise of tier-2 & tier-3 cities, urbanization and migration of the population away from metro cities. On account of these factors, the regional jets segment in the commercial aircraft MRO market will capture a sizeable share of around 10% by 2027.



Engine MRO:

The aircraft engine MRO market size was valued at \$32.04 Billion by 2028 from \$22.15 Billion in 2021; it is expected to grow at a CAGR of 5.7% during 2022-2028.

Asia-Pacific has experienced a significant growth in the total aircraft fleet over the past decade which has increased the demand for engine MRO services. This has resulted in several MRO service providers from the US and Europe to establish their maintenance facilities in this region. Also, in order to reduce the overseas maintenance cost, several airlines have partnered with engine MRO service providers to develop in-house capabilities.

The global & Asia-Pacific Aircraft Engine MRO market growth is driven by the resuming of grounded aircraft after 2020 and expected future delivery of aircraft.

The Indian aerospace industry is one of the fastest growing aerospace markets in the world. With a long history spanning six decades, the country has an excellent pool of resources matching global standards. India's liberalised economy offers sound opportunities for international companies that look to outsource manufacturing as well as maintenance, repair and overhaul (MRO) activities. While forecasters predict that engines will remain the largest and fastest-growing sector of the commercial jet MRO business over the next decade, the market is becoming increasingly competitive and its dynamics more complicated. Aero-engine OEMs have targeted the aftermarket for well over a decade and have captured a large portion of the MRO business. This trend is set to continue and will make life harder for other MRO providers.

The key players of global aircraft engines MRO market are GE Aviation (US), Rolls-Royce (UK), Pratt & Whitney (US), Lufthansa Technik (Germany), Safran Aircraft Engines (Paris), SIA Engineering Company (Singapore), Air France Industries KLM Engineering & Maintenance (France), MTU Aero Engines (Germany), ST Aerospace (Singapore) and Delta TechOps (US).

OEM Domination in Engine MRO:

Aero-engine manufacturers have offered the business model using utilisation-based selling, i.e., availability-based contracts. This has allowed OEMs to expand their core business as manufacturers to MRO service providers. OEM MRO now supports all the operational requirements of the aero-engine. This situation results in shifting risks and uncertainties to the service provider from customers. Many approaches have been conducted to minimise risks and uncertainties, such as enhanced sensor technology application regarding health monitoring and prognosis in real time. This data is then utilised to take the advantages from condition-based philosophy of maintenance. Through this philosophy, OEMs have secured their position in the aftermarket MRO service provision.

INDIAN MILITARY AERO-ENGINES MRO CANVAS:

Hindustan Aeronautics Limited (HAL) is the only real Indian player in the domain of engines, whose engine division has a long history of licensed-production of various imported designs. Considering the fleet replacement programmes, modernization strategies and aircraft upgrade projects of the Indian Air Force coupled with increasing defence expenditure, the Indian military aircraft engines market is poised to grow year-on-year. Some of the major engine procurement programmes in the near future will be for the Avro, An-32, LCA Tejas, AMCA and these entail procurement of



around 3400 to 4000 engines. The Indian Armed Forces are embarked on the largest helicopter procurement programmes and their requirements aim at strengthening the military helicopter assets through the procurement of 1000 plus rotary-wing platforms including attack, utility, multi-role and airlift platforms by the end of 2027.

OPPORTUNITIES AND THREATS:

According to IATA India is expected to become the third-largest aviation market by 2026. Accelerated vaccination drive, along with a higher rate of economic activity, soared India's domestic air passenger traffic in July 2021 on a year-on-year basis. In July 2021, India's domestic air passenger volume by Revenue Passenger Kilometres (RPK), was one of the highest amongst major aviation markets, such as Australia, Brazil, China, Japan, Russia, and the US. The RPK growth in the country increased by 123 per cent in July 2021 compared with that in July 2020. Demand for aircraft repair services and maintenance will also go up.

India's MRO industry is estimated at US\$ 1.7 billion in size in 2021. It is expected to reach US\$ 4.0 billion by 2031 at a CAGR of 8.9 per cent.

Engine maintenance is the most lucrative of the four MRO industry segments (airframe, engine, component, and line) and engines and airframes constitute 50–55 per cent of the work by value.

Potential of the MRO sector

With more than 1,000 aircraft currently on order, India is set to become the third-largest buyer of commercial passenger planes in the world, after the US and China. This translates into demand for 200–300 major maintenance checks (A to D checks) annually, representing a massive opportunity for MRO service providers in India. In June 2020, IndiGo announced its plans to replace its aging A320neos with more fuel-efficient A320neos by end-2022 or early 2023. SpiceJet has more than 200 B737 MAX aircraft on order, while Go Air has over 100 A320neos, which are yet to be delivered. Almost every aircraft needs MRO services before leaving the fleet to meet the redelivery conditions laid out in the leasing contract. In India, airlines operate aircraft built by global players, such as Boeing, Airbus, ATR, Embraer, and Dornier. Moreover, most aircraft are sent abroad for major MRO services, highlighting the long-pending demand for an MRO industry in India. The Indian Air Force (IAF) has signed a contract to purchase 24 phased-out Mirage 2000 fighter aircraft valued at US\$ 31.6 million. The acquisition of these phased-out aircraft would provide the spares and airframes needed to improve the serviceability of Mirage-2000s in the Indian fleet. Further, these spares can be cost-effective and beneficial in case of supply chain issues. The spares and airframe obtained from the phase out aircraft may make the difference between a swift return to active service or an extended MRO. Further, India has cost and talent advantages over its global counterparts. In India, the cost of MRO workforce ranges between US\$ 30-35 per hour, almost 60 per cent lower than that in Western Europe or the US (although comparable with wage rates in China or Indonesia). India also has a large pool of engineering talent, particularly useful in the labour-intensive MRO industry with its high skill requirements. Developed countries face a dwindling availability of high-quality engineering talent, apart from an aging workforce. This provides a highly lucrative opportunity for Indian engineering talent to migrate to the West – a factor to consider in keeping or attracting talent to the MRO industry in India. Multiple players, including Boeing, Airbus, Hindustan Aeronautics Limited (HAL), and Pratt & Whitney, plan to set up repair facilities in India. For instance, Boeing India



has collaborated with Air Works to make India a repair development and sustainment hub. Airbus has signed a Memorandum of Understanding (MoU) with GMR Group to explore collaboration opportunities across aviation services, technologies, and innovation. HAL has signed a MoU with AI Engineering Services Limited (AIESL) to provide MRO services.

New Initiatives:

The government's recent policy for Maintenance Repair & Overhaul Services has focused on leasing of land for MRO through open tenders & abolishing royalty charged by AAI. Beside this government has also announced that land allotment for entities setting up MRO facilities will be done for 30 years instead of the current short-term period of 3 to 5 years. The step will boost the MRO sector with stability & certainty.

As a part of its aim to make INDIA a global MRO –Hub, Ministry is focusing on military & civil convergence. Eight airports namely *Begumpet (Telangana), Bhopal (Madhya Pradesh), Chennai (Tamil Nadu), Chandigarh, Delhi, Juhu (Maharashtra), Kolkata (West Bengal) and Tirupati (Andhra Pradesh)* has been identified to push the MRO activities.

The key advantage that India has is the availability of low-cost MRO manpower, which gives India an added advantage from the rest of the MRO hubs in the world such as USA, Europe, Singapore and others.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has Internal Control System commensurate with the size, scale and complexity of its operations. The company has in place adequate internal financial controls for ensuring efficient conduct of its business. Further, M/s GS Mathur & Associates were appointed as Internal Auditors for the financial year 2021-22.

Cautionary Statement:

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

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

Sd/-

Vikram Dev Dutt

Chairman

DIN: 02055541

Date: 27-12-2022

Place: New Delhi



CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Code of Corporate Governance

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

2. Board of Directors

AI Engineering Services Limited (AIESL) is a Public Sector Undertaking and a wholly owned subsidiary of AI Assets Holding Limited (AIAHL), a Government of India Undertaking. Its directors are appointed by the holding company / administrative ministry. Earlier, AIESL was the wholly-owned subsidiary of Air India Limited (AI), however pursuant to the disinvestment of AI and the decision of Air India Specific Alternative Mechanism (AISAM), the entire shareholding of AIESL was transferred from AI to AIAHL on 12-01-2022 and consequently, AIESL has become a wholly owned subsidiary of AIAHL w.e.f. 12-01-2022. In view of change in holding company, the administrative ministry, i.e., Ministry of Civil Aviation (MoCA), had reconstituted the Board of AIESL by issuing OM dated 31-12-2021 followed by OMs dated 12-01-2022 and 11-02-2022.

Accordingly, the composition of the Board of AIESL as prescribed by MoCA vide its OM dated 11-02-2022 is given below:

a) Composition of Board as on 31st March 2022

| S. No. | Name of Director | Designation |
|---------------|---|--------------------------------------|
| 1. | Shri Vikram Dev Dutt Chairman & Managing Director (CMD), AI Assets Holding Limited | Nominee Director |
| 2. | Shri Vimlendra Anand (V.A.) Patwardhan Jt. Secretary & Financial Adviser (JS&FA), Ministry of Civil Aviation | Nominee Director* |
| 3. | Shri Satyendra Kumar (S.K.) Mishra Jt. Secretary (JS), AI Division, Ministry of Civil Aviation | Nominee Director |
| 4. | Smt. Parama Sen Jt. Secretary (JS), Department of Investment and Public Assets Management (DIPAM) | Nominee Director (Woman Director) |

Shri Rajiv Bansal, Chairman & Ms. Meenakshi Mallik, Nominee Director ceased from the Board of AIESL w.e.f. 12-01-2022 vide OM dated 31-12-2021 & 12-01-2022 issued by MoCA.



Further, MoCA vide its OM dated 12-01-2022, appointed Shri Pranjol Chandra as Nominee Director by reconstituting the Board of AIESL. In furtherance thereof, MoCA vide its OM dated 27-01-2022 appointed Shri Vikram Dev Dutt, CMD-AIAHL as the Nominee Director on the Board of AIESL.

In pursuance of OM dated 11-02-2022 issued by MoCA regarding reconstitution of the Board of AIESL, Shri Pranjol Chandra ceased to be Director on the Board of AIESL and Smt. Parama Sen, Joint Secretary, DIPAM, had been appointed on the Board of AIESL.

Since the reconstitution of the Board by MoCA vide order dated 11-02-2022, did not mention the position of the Chairperson of the Company, therefore, the Board of AIESL vide Resolution by Circulation having reference no. AIESL/HQ/CS/10/06/2021-22 dated 24-02-2022 had nominated Shri Vikram Dev Dutt, as the Chairman on the Board of AIESL and passed the requisite resolution till any further instruction from the MoCA/Holding Company.

The Board placed on record its appreciation for the valuable services rendered by Shri Rajiv Bansal as Chairman & Ms. Meenakshi Mallik as Nominee Director on the Board of the Company.

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

* *In pursuance of the Office Memorandum (OM) issued by the Ministry of Civil Aviation (MoCA) dated 14-12-2022, Shri Rajesh Singh Shrinarayan Sharma (Shri Rajesh Singh), JS&FA, MoCA, has been appointed as Nominee Director of the Company vice Shri Vimlendra Anand (V.A.) Patwardhan w.e.f. 14-12-2022. In furtherance thereof, the Board placed on record its appreciation for the valuable services rendered by Shri V.A. Patwardhan on the Board of the Company.*

b) Appointment & Remuneration of Directors

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

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

The Company does not have a policy of paying performance linked incentives to any of the Directors of the Company. Government Companies have been exempted from formulating policy relating to remuneration of Directors required under section 178 of the Companies Act.

The Company has not introduced any Stock Option Scheme.



c) Meetings of Board and attendance during FY 2021-22:

i) Nine Meetings of the Board were held during the financial year 2021-22 as per details given below:

| S No. | Meeting | Date of Meeting | Board Strength | No. of Directors Present |
|-------|------------------|-----------------|----------------|--------------------------|
| 1. | 67 th | 27-04-2021 | 4 | 4 |
| 2. | 68 st | 25-06-2021 | 4 | 4 |
| 3. | 69 nd | 30-06-2021 | 4 | 4 |
| 4. | 70 th | 28-07-2021 | 4 | 4 |
| 5. | 71 st | 26-08-2021 | 4 | 4 |
| 6. | 72 nd | 09-11-2021 | 4 | 3 |
| 7. | 73 rd | 13-12-2021 | 4 | 4 |
| 8. | 74 th | 06-01-2022 | 4 | 4 |
| 9. | 75 th | 12-01-2022 | 4 | 4 |

ii) Leave of absence was granted in terms of section 167(1)(b) of the Companies Act, 2013.

iii) Details of attendance of the Directors at the Board Meetings held during the FY 2021-22 and in last Annual General Meeting (AGM):

| Directors | Academic Qualification | No. of Board Meetings during 2021-22 | | Attended last AGM (13-12-2021) | Details of other Companies | |
|---|---|--|----------|--------------------------------|---|---|
| | | Held (during their respective tenures) | Attended | | Directorships in companies | Memberships held in Committees |
| Shri Rajiv Bansal, Chairman (from 14-02-2020 to 12-01-2022) | Civil Engineer from IIT Delhi, Diploma in Finance, ICFAI, Hyderabad Exe Masters in International Business, IIFT, Delhi, IAS Officer-1988-Batch (Nagaland cadre) | 9 | 9 | YES | Chairman: 8 [AIL, AIESL, AIXL, AIASL, AAAL, HCI, AI SATS & AIAHL] Director: 3 [AML, AMHL & BYNL] | Chairman: 1 <u>CSR Committee:</u> 1 [AIASL] Member: 3 A. <u>Nomination & Remuneration Committee (NRC)</u> – 1 [AIL] B. <u>Audit Committee</u> – 2 [HCI and AIASL] |
| Shri Vikram Dev Dutt, Chairman (w.e.f. 27-01-2022) | B.Tech. & PGDM, IAS (UT:93) | 0 | N.A. | N.A. | Chairman: 5 [AIAHL, AIESL, AIASL, AAAL & HCI] Director: 1 (PBSPL) | Chairman: 4 A. <u>CSR Committee:</u> 2 (AIESL & AIASL) B. <u>HR Committee:</u> 1 (AAAL) C. <u>Flight Safety Committee:</u> 1 (AAAL) Member: 5 <u>Audit Committee:</u> 5 (AIAHL, AIESL, AIASL, AAAL & HCI) |



| Directors | Academic Qualification | No. of Board Meetings during 2021-22 | | Attended last AGM (13-12-2021) | Details of other Companies | |
|--|--|--|----------|--------------------------------|---|--|
| | | Held (during their respective tenures) | Attended | | Directorships in companies | Memberships held in Committees |
| Shri S.K. Mishra, Director | M. Tech (Applied Geology) M.A. (Public Policy), IRS (IT:1990) | 9 | 9 | YES | Director: 3 [AIAHL, AIESL & AIASL] | Member: 5 A. <u>Audit Committee:</u> 3 [AIAHL, AIESL & AIASL] B. <u>CSR Committee:</u> 2 [AIESL & AIASL] |
| Shri V.A. Patwardhan, Director (From 20-03-2020 to 14-12-2022) | B. Com, IA & AS Officer, 1996 Batch. | 9 | 9 | YES | Director: 6 [AIAHL, AIESL, AIASL, PHL, IREDA & SECI] | Chairman: 4 A. <u>Audit Committee:</u> 2 [AIESL & AIASL] B. <u>Nomination & Remuneration Committee (NRC):</u> 1 [IREDA] C. <u>Stakeholder Relationship Committee:</u> 1 [IREDA] Member: 9 A. <u>Audit Committee:</u> 3 [PHL, SECI & IREDA] B. <u>CSR Committee:</u> 2 [AIESL & AIASL] C. <u>Remuneration Committee:</u> 1 [SECI] D. <u>NPA & Stressed Asset Resolution Committee:</u> 1 [IREDA] E. <u>Risk Management Committee:</u> 2 [IREDA & SECI] |
| Ms. Meenakshi Mallik, Woman Director (From 11-09-2020 to 12-01-2022) | Post Graduate Diploma in Management (MBA) | 9 | 8 | YES | Director: 4 [AIL, AIESL, AI SATS & AAAL] | NIL |



| Directors | Academic Qualification | No. of Board Meetings during 2021-22 | | Attended last AGM (13-12-2021) | Details of other Companies | |
|--|---|--|----------|--------------------------------|--|--|
| | | Held (during their respective tenures) | Attended | | Directorships in companies | Memberships held in Committees |
| Shri Pranjol Chandra, Director (From 12-01-2022 to 11-02-2022) | B.E. (Mechanical) | 1 | 1 | N.A. | Director: 2 [AAAL & HCI] | Member: 2 A. <u>Audit Committee:</u> 2 [AAAL & HCI] B. <u>Flight Safety Committee:</u> 1 [AAAL] C. <u>HR Committee:</u> 1 [AAAL] |
| Smt. Parama Sen, Woman Director (w.e.f. 11-02-2022) | MSC Physics, IA&AS (1994) | 0 | N.A. | N.A. | Director: 4 [AIAHL, AIESL, AIASL & NFHCL] | Member: 4 A. <u>Audit Committee:</u> 2 [AIESL & AIASL] B. <u>CSR Committee:</u> 2 (AIESL & AIASL) |
| Shri Rajesh Singh Shrinarayan Sharma (Shri Rajesh Singh) (w.e.f. 14-12-2022) | B.SC (Geology); M.Sc (Geology), IIT; PG Diploma in Public Policy Management | N.A. | N.A. | N.A. | Director: 6 [AIESL, AIASL, PHL, NIEI, NICS I & DIC] | Chairman: 1 <u>Audit Committee:</u> 1 [AIESL] Member: 1 <u>CSR Committee:</u> 1 [AIESL] |

Notes:

- The number of Directorships is within the maximum limit of: -20 Companies (out of which maximum 10 public companies) under the Companies Act, 2013.
- Directors are not related to each other.
- Directors do not have any pecuniary relationships or transactions with the Company.
- The number of committee memberships of directors is within the maximum limit of ten including the permitted limit of five chairmanships under the DPE Corporate Governance Guidelines, 2010 (DPE Guidelines). Only Audit Committee is to be counted for the said limit.
- Full names of Companies referred:
 - AIL – Air India Limited
 - AIESL – AI Engineering Services Limited
 - AIXL – Air India Express Limited
 - AIASL – AI Airport Services Limited
 - AAAL – Alliance Air Aviation Limited
 - HCI – Hotel Corporation of India Limited



- g) AI SATS – Air India SATS Airport Services Private Limited
- h) AML – Air Mauritius Limited
- i) AMHL – Air Mauritius Holdings Limited
- j) BYNL – Bharat Yantra Nigam Limited
- k) PBSPL – Port Blair Smart Projects Limited
- l) NFHCL – National Financial Holdings Company Limited
- m) PHL – Pawan Hans Limited
- n) SECI – Solar Energy Corporation of India Limited
- o) IREDA – Indian Renewable Energy Development Agency Limited
- p) NIEI – National Internet Exchange of India
- q) NICS – National Informatics Centre Services Incorporated
- r) DIC – Digital India Corporation

3. Board Procedures:

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

4. Code of Conduct:

In terms of requirements of DPE guidelines on Corporate Governance for CPSEs, the Board has adopted Code of Conduct for the Directors and Senior Management. There is a system of affirming compliance with the Code by the Board Members and Senior Management Personnel of the Company. A declaration of compliance signed by Chief Executive Officer of the Company is enclosed as '**Annexure – B-1**' to this Report.

5. 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 Audit Committee was originally constituted in March 2016 with the approval of the Board of Directors adopting the terms of reference and reconstituted the same from time to time when there is any change in the Directors nominated by the holding company / Administrative Ministry. Further, pursuant to the reconstitution of the Board



by the Ministry of Civil Aviation (MoCA) vide its OM dated 31-12-2021 followed by OMs dated 12-01-2022 & 11-02-2022, the Audit Committee was also reconstituted by the Board on 02-03-2022 by passing a Circular Resolution.

Thereafter, in pursuance of the appointment of Shri RajeshSingh Shrinarayan Sharma (Shri Rajesh Singh), JS&FA, MoCA, on the Board of AIESL vice Shri Vimlendra Anand (V.A.) Patwardhan w.e.f. 14-12-2022, the Audit Committee has been reconstituted by the Board on 16-12-2022 by passing the circular resolution dated 15-12-2022.

a) Composition of Committee:

As on 31-03-2022, the following were the Members of the Audit Committee, in ex officio capacity:

| Particulars of Directors | Position held in the Committee |
|--|---------------------------------------|
| Shri Vimlendra Anand Patwardhan, JS&FA, MoCA | Chairman* |
| Shri Vikram Dev Dutt CMD, AIAHL | Member |
| Shri Satyendra Kumar Mishra JS, AI Division, MoCA | Member |
| Smt. Parama Sen JS, DIPAM | Member |

* *The Audit Committee has been reconstituted by the Board by passing the circular resolution in pursuance of the appointment of Shri RajeshSingh Shrinarayan Sharma (Shri Rajesh Singh), JS&FA, MoCA, on the Board of AIESL vice Shri Vimlendra Anand (V.A.) Patwardhan w.e.f. 14-12-2022, therefore, the Chairman of the Audit Committee has been changed from Shri V.A. Patwardhan to Shri Rajesh Singh, in his ex-officio capacity.*

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

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



c) Meetings of committee:

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

| S No. | Meeting Number | Date of the Meeting | No. of Directors present |
|-------|------------------|---------------------|--------------------------|
| 1 | 22 nd | 27-04-2021 | 3 |
| 2 | 23 rd | 25-06-2021 | 3 |
| 3 | 24 th | 30-06-2021 | 3 |
| 4 | 25 th | 26-08-2021 | 3 |
| 5 | 26 th | 09-11-2021 | 2 |
| 6 | 27 th | 13-12-2021 | 3 |
| 7 | 28 th | 06-01-2022 | 3 |

Corporate Social Responsibility (CSR) Committee

In compliance with the requirements of Companies Act 2013, the Board originally constituted a CSR Committee on 08-11-2019. However, subsequent to the reconstitution of the Board by the Ministry of Civil Aviation (MoCA) by its OM dated 31-12-2021 followed by OMs 12-01-2022 & 11-02-2022, AIESL Board also re-constituted the Corporate Social Responsibility (CSR) Committee on 02-03-2022 (by passing a Circular Resolution), in compliance with the provisions of Section 135 of the Companies Act, 2013, the Rules made thereunder and the guidelines formulated by the Department of Public Enterprises (DPE).

Thereafter, in pursuance of the appointment of Shri RajeshSingh Shrinarayan Sharma (Shri Rajesh Singh), JS&FA, MoCA, on the Board of AIESL vice Shri Vimlendra Anand (V.A.) Patwardhan w.e.f. 14-12-2022, the CSR Committee has been reconstituted by the Board on 16-12-2022 by passing the circular resolution dated 15-12-2022.

As on 31-03-2022, the CSR Committee consisted of following members, in ex officio capacity:

| Particulars of Directors | Position held in the Committee |
|--|--------------------------------|
| Shri Vikram Dev Dutt CMD, AIAHL | Chairman |
| Shri Satyendra Kumar Mishra JS, AI Division, MoCA | Member |
| Shri Vimlendra Anand Patwardhan JS&FA, MOCA | Member* |
| Smt. Parama Sen JS, DIPAM | Member |

There was no CSR Committee meeting held during the FY 2021-22.

* In pursuance of the reconstitution of the CSR Committee by the Board on 16-12-2022 by passing the circular resolution dated 15-12-2022, the Member of the CSR Committee has been changed from Shri Vimlendra Anand Patwardhan to Shri RajeshSingh Shrinarayan Sharma (Shri Rajesh Singh), in his ex-officio capacity.



6. General Meetings during the last three years

The details of General meetings of the Company, viz. Annual General Meeting (AGM) & Extra-ordinary General Meeting (EGM), held during the last three financial years are given below:

| AGM / EGM | Date and time of the Meeting | Venue of the meeting | Special Resolution |
|--------------------------------|------------------------------|--|--------------------|
| 04 th EGM | 14-01-2022 at 1500 Hrs | Regd. Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001 | Yes |
| 16 th AGM | 13-12-2021 at 1430 Hrs | Regd. Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001 | Yes |
| 15 th Adjourned AGM | 23-02-2021 at 1500 Hrs | Regd. Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001 | No |
| 15 th AGM | 29-12-2020 at 1630 Hrs | Regd. Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001 | No |
| EGM | 13-07-2020 at 1500Hrs | Regd. Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001 | Yes |
| 14 th AGM | 21-11-2019 at 1415 Hrs | Regd. Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001 | No |

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

7. Disclosures and Statutory Compliances: -

Adequate Disclosures pertaining to Director's interest, related party transactions, maintenance of statutory registers have been taken and placed periodically before the Board of Directors to take informed decisions, with the Board following a clear policy of specific delegation and authorization of designated officers to handle the business matters. MCA Filings with respect to disclosures, intimations, allotments and appointments have been made in a time bound manner with no pending matters. The Company, based on self-evaluation, falls under 'Excellent' grade for the compliance of DPE Corporate Governance Guidelines for both the financial years 2020-21 and 2021-2022. The DPE has also awarded 'Excellent' grading to AIESL for compliance of DPE Corporate Governance Guidelines during 2020-21.

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

Sd/-

Vikram Dev Dutt

Chairman

DIN: 02055541

Date : 27-12-2022

Place : New Delhi



'ANNEXURE-B-1'

CODE OF CONDUCT

DECLARATION

Pursuant to DPE guidelines on Corporate Governance for CPSEs, all the Board Members & Senior Management Personnel have affirmed compliance with the Code of Conduct, as adopted by the Board of Directors, for the year ended 31st March, 2022.

**Sd/-
(Sharad Agarwal)
Chief Executive Officer
AI Engineering Services Limited**

Date : 27-12-2022

Place : New Delhi



'ANNEXURE-C'

FORM NO. MGT 9 - EXTRACT OF ANNUAL RETURN

As on financial year ended on 31-03-2022

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

I. REGISTRATION & OTHER DETAILS:

| | | |
|----|--|--|
| 1. | CIN | U74210DL2004GOI125114 |
| 2. | Registration Date | 11-03-2004 |
| 3. | Name of the Company | AI ENGINEERING SERVICES LIMITED (AIESL) <i>(formerly known as Air-India Engineering Services Limited)</i> |
| 4. | Category/Sub-category of the Company | Company Limited by shares/Union Government Company |
| 5. | Address of the Registered office & contact details | Airlines House, 113 Gurudwara Rakabganj Road, New Delhi –110001, Ph. No : 011-23422000, 011-24600748 |
| 6. | Whether listed company | No |
| 7. | Name, Address & contact details of the Registrar & Transfer Agent, if any. | M/s Link Intime India Pvt Ltd C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083 |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated):

| Sr No | Name and Description of main products / services | NIC Code of the Product / service | % to total turnover of the company |
|-------|--|-----------------------------------|------------------------------------|
| 1 | Technical Handling, MRO and Other Services | 9987 | 100% |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:

| Sr. No. | Name and Address of the Company | CIN/GIN | Holding / Subsidiary / Associate | % of Shares | Applicable Section |
|---------|---|-----------------------|----------------------------------|-------------|--------------------|
| 1 | AI Assets Holding Limited Airlines House, 113, Gurudwara Rakabganj Road, New Delhi, 110 001. | U74999DL2018GOI328865 | Holding | 100% | 2 (46) |



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

A) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year [As on 01-04-2021] | | | | No. of Shares held at the end of the year [As on 31-03-2022] | | | | % Change during the year |
|---|--|----------|-------------|------------------|--|----------|-------------|------------------|--------------------------|
| | Demat | Physical | Total | % of Total Share | Demat | Physical | Total | % of Total Share | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/ HUF | - | - | - | - | - | - | - | - | - |
| b) Central Govt | - | - | - | - | - | - | - | - | - |
| c) State Govt(s) | - | - | - | - | - | - | - | - | - |
| d) Bodies Corp.* | 166,666,491 | 9 | 166,666,500 | 100 | 166,666,500 | - | 166,666,500 | 100 | 0.00 |
| e) Banks / FI | - | - | - | - | - | - | - | - | - |
| f) Any other | - | - | - | - | - | - | - | - | - |
| Total shareholding of Promoter (A) | 166,666,491 | 9 | 166,666,500 | 100 | 166,666,500 | - | 166,666,500 | 100 | 0.00 |
| B. Public Shareholding | Not Applicable | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds/UTI | - | - | - | - | - | - | - | - | - |
| b) Banks / FI | - | - | - | - | - | - | - | - | - |
| c) Central Govt. | - | - | - | - | - | - | - | - | - |
| d) State Govt.(s) | - | - | - | - | - | - | - | - | - |
| e) Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| f) Insurance Companies | - | - | - | - | - | - | - | - | - |
| g) FIIs | - | - | - | - | - | - | - | - | - |
| h) Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| i) Others (specify) Foreign Banks | - | - | - | - | - | - | - | - | - |
| Sub-total (B)(1):- | - | - | - | - | - | - | - | - | - |
| 2. Non-Institutions | Not Applicable | | | | | | | | |
| a) Bodies Corp. (Market Maker + LLP) | | | | | | | | | |
| i) 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 | - | - | - | - | - | - | - | - | - |



| Category of Shareholders | No. of Shares held at the beginning of the year [As on 01-04-2021] | | | | No. of Shares held at the end of the year [As on 31-03-2022] | | | | % Change during the year |
|---|--|----------|--------------------|------------------|--|----------|--------------------|------------------|--------------------------|
| | Demat | Physical | Total | % of Total Share | Demat | Physical | Total | % of Total Share | |
| vi) Overseas Corporate Bodies | - | - | - | - | - | - | - | - | - |
| vi) Foreign Nationals | - | - | - | - | - | - | - | - | - |
| vii) Clearing Members | - | - | - | - | - | - | - | - | - |
| viii) Trusts | - | - | - | - | - | - | - | - | - |
| ix) Foreign Bodies - D R | - | - | - | - | - | - | - | - | - |
| Sub-total (B)(2): - | - | - | - | - | - | - | - | - | - |
| Total Public Shareholding (B) = (B) (1) + (B)(2) | - | - | - | - | - | - | - | - | - |
| C. Shares held by Custodian for GDRs & ADRs | - | - | - | - | - | - | - | - | - |
| Grand Total (A+B+C) | 166,666,491 | 9 | 166,666,500 | 100 | 166,666,500 | - | 166,666,500 | 100 | 0.00 |

* **Bodies Corporate: 100% Shareholding is with Body Corporate i.e., Air India Limited along with its Nominees till 12-01-2022 and thereafter with AI Assets Holding Limited (a Govt. of India Undertaking) along with its Nominees w.e.f.12-01-2022.**

B) Shareholding of Promoter-

| Sr No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in Shareholding during the year |
|--------|---|---|----------------------------------|--|-------------------------------------|----------------------------------|--|--|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | No. of Share | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| 1 | Air India Limited along with its nominees | 166,666,500 | 100 | NIL | - | - | - | 100 (up to 12-01-2022) |
| 2 | AI Assets Holding Limited along with its nominees | - | - | NIL | 166,666,500 | 100 | NIL | 100 (w.e.f. 12-01-2022) |

Shareholding of Promoters: The Company is wholly-owned subsidiary of Air India Limited – with 166,666,500 Equity Shares of Rs.10/- each till 12-01-2022. Thereafter, the entire shareholding of AI Engineering Services Limited was transferred by Air India Limited to AI Assets Holding Limited on 12-01-2022, and the Entire Shareholding held by Indian Promoters.

C) Change in Promoters' Shareholding (please specify, if there is no change): Pursuant to the disinvestment of Air India Limited, the entire shareholding of AI Engineering Services Limited was transferred by Air India Limited to AI Assets Holding Limited on 12-01-2022



| Sr. No. | Particulars | Shareholding at the beginning of the year | | Cumulative Shareholding at end of the year | |
|---------|-------------------------------------|---|----------------------------------|--|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1. | At the beginning of the year | | | | |
| | Air India Limited | 166,666,500 | 100% | - | - |
| | AI Assets Holding Limited | - | - | - | - |
| 2. | At the end of the year | | | | |
| | Air India Limited | - | - | - | - |
| | AI Assets Holding Limited | - | - | 166,666,500 | 100% |

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

| Sr. No. | For Each of the Top 10 Shareholders | Shareholding at the beginning of the year | | Cumulative Shareholding at end of the year | |
|---------|-------------------------------------|---|----------------------------------|--|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | NOT APPLICABLE | | | | |
| 2 | | | | | |

E) Shareholding of Directors and Key Managerial Personnel#

| S. No. | Shareholding of each Directors and each Key Managerial Personnel | Shareholding at the beginning of the year | | Cumulative Shareholding at the end of year | |
|--------|---|---|----------------------------------|--|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1. | NIL | | | | |
| 2. | [Note: Equity Shares are held by Nominees of Holding Company (i.e., Air India Limited till 12-01-2022 and AI Assets Holding Limited w.e.f. 12-01-2022) only, which includes directors also] | | | | |
| | Total | | | | |

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

(In Rs Crore)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | - | - | - | - |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i+ii+iii) | - | - | - | - |
| Change in Indebtedness during the financial year | | | | |
| * Addition | - | - | - | - |
| * Reduction | - | - | - | - |



| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|----------------------------------|-----------------|----------|--------------------|
| Net Change | - | - | - | - |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | - | - | - | - |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i+ii+iii) | - | - | - | - |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Figures In Rs.)

| Sr No | Particulars of Remuneration | Name of MD/WTD/ Manager | | | | | | Total Amount |
|-------|--|-------------------------|---|---|---|---|---|--------------|
| | There were no Managing, Whole Time Directors in the Company during the year 2021-22 except CEO. The details of CEO have been provided under KMP. | | | | | | | NIL |
| 1 | Gross salary | - | - | - | - | - | - | - |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | | | | | | | |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | | | | | | | |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | | | | | | | |
| 2 | Stock Option | - | - | - | - | - | - | - |
| 3 | Sweat Equity | - | - | - | - | - | - | - |
| 4 | Commission as % of profit others specify. | - | - | - | - | - | - | - |
| 5 | Others: (PF, DCS, House Perks tax etc) | - | - | - | - | - | - | - |
| | Total (A) | - | - | - | - | - | - | - |
| | Ceiling as per the Act | | | | | | | |

B. Remuneration to other directors – Not Applicable

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



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

(Figures in Rs.)

| Sr. No. | Particulars of Remuneration | Key Managerial Personnel | | | | | | | Total |
|---------|---|---|---|--|--|---|--|---|----------------|
| | | CEO | | | | CS | CFO | | |
| | | Shri Subramanian Senthilkumar (from 01.04.2021 to 31.05.2021) | Shri Kumaravel Palani (From 01.06.2021 to 30.06.2021) | Shri Chandrashekhar Balkrishna Karkhanis (from 01.07.2021 to 30.07.2021) | Shri Jose Mathew (from 30.07.2021 to 31.03.2022) | Ms. Sakshi Mehta (09.11.2021 to 31.03.2022) | Shri Kapil Aseri (from 01.04.2021 to 09.11.2021) | Shri Gopal Krishan Valecha (09.11.2021 to 31.03.2022) | |
| 1 | Gross salary | | | | | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 577710 | 242193 | 278671 | 3061290 | 340800 | 1576426 | 852000 | 6929090 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 8100 | - | - | - | - | - | - | 8100 |
| | (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 | 585810 | 242193 | 278671 | 3061290 | 340800 | 1576426 | 852000 | 6937190 |

* Shri Gagan Batra was holding the position of CS in AIESL till 09-11-2021 in addition to his duties in erstwhile holding company, i.e., Air India (AI). NIL remuneration had been paid to him from AIESL.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

| Type | Section of Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------|--------------------------|-------------------|---|------------------------------|------------------------------------|
| A. COMPANY | | | | | |
| NIL | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |



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

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

**Sd/-
Vikram Dev Dutt
Chairman
DIN: 02055541**

**Date: 27-12-2022
Place: New Delhi**



'ANNEXURE – D'

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, 2022, which were not at arm's length basis except the following:

- i) The Board of the Company in its meeting held on 07-12-2020 had given its approval to the decision of administrative ministry to take over the MRO at Nagpur from Air India Limited (the then holding company) at the book value.
- ii) The Board of the Company in its meeting held on 06-01-2022 had given its approval for the purchase of one A320 Classic aircraft fitted with two V2500 Engines, APU, Landing Gears and other components, bearing Registration no. VT-ESF, from Air India for a total amount of Rs.27.50 lakhs, plus applicable GST. However, the said aircraft was delivered to AIESL after the close of the financial year 2021-22.

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 2021-22 were on an arm's length basis, in the ordinary course of business which were duly approved in 72nd Board meeting held on 09-11-2021. The details of contracts /arrangements / transactions at arm's length basis are as follows:

| Name of Related Party & Nature of Relationship | Nature of transactions | Duration of Transaction | Salient terms of transaction | Amount (In Millions) |
|--|--------------------------------------|--|------------------------------|----------------------|
| Air India Ltd (AIL) Holding company till 12th January 2022 | Revenue from operation | 1 st April 2021 – 12 th Jan. 2022 | Income | 8739.9 |
| | Interest on dues to AI | | Expenditure | 955.26 |
| | Rent Premises | | 912.18 | |
| | Electricity & Heating Charges | | 201.07 | |
| | Cost of goods Sold | | 9.09 | |
| | Salaries - Staff / Hire of Man power | | -285.17 | |
| | Staff Medical Expenses | | 163.16 | |
| | Maintenance of IT Equipment | | 31.63 | |
| | Salaries - Casual Labour | | 4.17 | |
| | Other Expenses | | 202.45 | |
| | Total Expenditure | | 2193.85 | |



| Name of Related Party & Nature of Relationship | Nature of transactions | Duration of Transaction | Salient terms of transaction | Amount (In Millions) |
|--|-------------------------------|--|------------------------------|--|
| AI Assets Holding Ltd. (AIAHL) Holding Company w.e.f. 12th January 2022 | Revenue from operation | 12 th Jan. 2022 – 31 st March 2022 | Income | - |
| | Total Expenditure | | Expenditure | 407.27 |
| Alliance Air Aviation Limited (AAAL) | Revenue from operation | 1 st April 2021 – 31 st March 2022 | Income | 506.35 |
| | Other Income (Interest) | | | 134.93 |
| | Total Expenditure | | Expenditure | 5.8 |
| AI Airport Services Limited (AIASL) | Revenue from Operation | 1 st April 2021 – 31 st March 2022 | Income | 14.12 |
| | Handling Charges | | Expenditure | 238.34 |
| | Manpower Cost | | | 2.99 |
| | Interest on dues AIATSL | | | 68.33 |
| | Total Expenditure | | | 309.66 |
| Hotel Corporation of India Limited (HCI) (Centaur Hotels) | Hotel Expenses- Staff on Duty | 1 st April 2021 – 31 st March 2022 | Expenditure | 13.45 |
| Air India Express Limited (AIXL) Group company till 12 th Jan 2022 | Revenue from operation | 1 st April 2021 – 12 th Jan. 2022 | Income | 708.27 |
| | Other Income (Interest) | | | 30.5 |
| | Total Expenditure | | Expenditure | 3.8 |
| Air India SATS Airport Services Private Limited (AISATS) Group company till 12 th January 2022 | Revenue from operation | 1 st April 2021 – 12 th Jan. 2022 | Income | 0.2 |
| | Handling Charges | | Expenditure | 81.72 |
| | Hire of Manpower on contract | | | 18.72 |
| | Hire / Lease of Equipment | | | 5.76 |
| | Other Expense | | | 5.65 |
| | Total Expenditure | | | 111.85 |
| Total Amount (in Millions) | | | | 13179.94 Equivalent to Rs.1318crore |

Note:

- The details of “Related Party Disclosures” as per accounting standards are being disclosed in Notes to the accounts in the Financial Statements.

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

Date: 27-12-2022
Place: New Delhi

Sd/-
Vikram Dev Dutt
Chairman
DIN: 02055541



SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2022

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

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

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **AI Engineering Services Limited** (CIN: U74210DL2004GOI125114) (hereinafter called the Company or AIESL). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the **AI Engineering Services Limited's** books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorised representatives during the conduct of secretarial audit and as per the explanations given to me and the representations made by the Management, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2022 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

A. I have examined the books, papers, minute books, forms and returns filed and other records made available to me and maintained by the company for the financial year ended on 31st March, 2022 according to the applicable provisions of:

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

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

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

b) Company has not constituted Remuneration and Nomination Committee of the Board pursuant to 178 of Companies Act, 2013 read with Rule 6 of Companies



(Meetings of Board and its Power) Rules, 2014 as it meets the prescribe criteria as mentioned in Rule 6.

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

- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (Not applicable to the company)
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011; (Not applicable to the company)
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; (Not applicable to the company)
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the company)
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; (Not applicable to the company)
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the company)
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (Not applicable to the company)
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the company) and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the company)
- (vi) In aviation sector, following laws are specifically applicable to the Company:
 - Aircraft Act, 1934
 - Civil Aviation Requirements issued by DGCA



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

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

- a) Secretarial Standards issued by The Institute of Company Secretaries of India.
- b) Guidelines on Corporate Governance for Central Public Sector Enterprises as stipulated in the O.M. No. 18(8)/2005-GM dated 14th May, 2010 of the Ministry of Heavy Industries and Public Enterprises, Government of India.
- c) Being unlisted company, company was not require to enter into any listing agreements with Stock exchange(s).

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

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

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

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

I further report that:

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

Adequate notice is given to all directors to schedule the Board Meetings at least seven days in advance and where the Board meetings are called at shorter notice, presence of at least one Nominee director is ensured, agenda and detailed notes on agenda were sent and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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



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

I further report that during the audit period, considering the decision of Government of India, 100% shareholding of the company has been transferred from the then Air India Limited (AIL) to AI Assets Holding Limited (AIAHL) and the Board of company has also been reconstituted and shares of the company has transferred to AIAHL w.e.f. 12th January, 2022. Consequently, AIAHL has become the new Parent company / Holding company of AI Engineering Services Limited.

**For J P Saini & Associates
Company Secretaries**

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

Date: Nov. 17, 2022

Place: New Delhi

UDIN: F003671D001816108

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

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



'Annexure A'

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

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

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

**For J P Saini & Associates
Company Secretaries**

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

**Date: Nov. 17, 2022
Place: New Delhi**



MANAGEMENT REPLY TO OBSERVATIONS OF SECRETARIAL AUDITOR FOR FY 2021-22

| | Audit Observations | Management Reply |
|----------|--|---|
| A | <p>Company has not appointed Independent Directors pursuant to sub-section 4 & 5 of section 149 of Companies Act, 2013, hence no meeting of independent directors could be held during the period under audit. Since, the company has not appointed independent directors, the company has not complied with the provisions of section 177(2) and 178 of Companies Act, 2013 read with Rule 6 of Companies (Meetings of Board and its Power) Rules, 2014 as regard the appointment of Independent Directors in composition of the Audit Committee.</p> | <p>AIESL being a wholly owned subsidiary of AI Assets Holding Limited is exempted from the requirement of appointing Independent Director under the Companies Act, 2013, vide MCA Notification dated 05th July, 2017.</p> |
| B | <p>Company has not constituted Remuneration and Nomination Committee of the Board pursuant to 178 of Companies Act, 2013 read with Rule 6 of Companies (Meetings of Board and its Power) Rules, 2014 as it meets the prescribe criteria as mentioned in Rule 6.</p> <p>However, appointment of independent directors in public companies which are wholly-owned subsidiaries of unlisted public companies are not require to appoint independent directors, vide notification of MCA, Companies (Appointment and Qualification of Directors) Amendment Rules, 2017 dated July 5, 2017.</p> | <p>AIESL being a wholly owned subsidiary of AI Assets Holding Limited is exempted from the requirement of appointing Independent Director and constitution of Nomination and Remuneration Committee under the Companies Act, 2013, vide MCA Notifications dated 05th July, 2017 and 13th July, 2017 respectively.</p> |



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AI ENGINEERING SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2022

The preparation of financial statements of AI ENGINEERING SERVICES LIMITED for the year ended 31 March 2022 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 20 October 2022.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of AI ENGINEERING SERVICES LIMITED for the year ended 31 March 2022 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. Comment on Cash Flow

Net Cash Flow (used in) / from Operating Activities - ₹ 1111.65 crore

Net Cash Flow used in Investing Activities - ₹ (702.67) crore

The head Net Cash Flow used in Investing Activities includes ₹ 703.08 crore as cash outflow for acquisition of fixed assets. However, the assets amounting to ₹ 674 crore were transferred from the then holding company (Air India Limited) on the basis of book transfer without actual payment of cash. Thus, the portion of assets for which payment is not made should not have been included under cash flow from Investing Activities. Similarly, the corresponding impact of ₹ 674 crore is shown under Cash Flow from Operating Activities which should also not have been considered.

This has resulted into overstatement of Net Cash Flow used in Investing Activities and Net Cash Flow generated from Operating Activities by ₹ 674 crore and has also resulted in non-compliance of Ind AS-7 on 'Statement of Cash Flows'.

B. Comment on Auditors' Report

As per point no. 3(i)(b) of Companies (Auditor Report), 2020, the statutory auditor has to state, *"Whether these Property, Plant and Equipment have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and*



if so, whether the same have been properly dealt with in the books of account". The Statutory Auditor in Annexure-A to the Independent Auditor's Report has stated that physical verification of tangible assets has been carried out, but consequential effect has not been given in books of accounts. However, the fact that physical verification of Assets at Nagpur MRO, Trivandrum MRO, Mumbai Base (Western Region), Hyderabad Base (Southern Region) and Kolkata Base (Eastern Region) have not been carried out is neither mentioned by the company in financial statements nor by the statutory auditor. Hence, the statutory auditor's report is deficient to that extent.

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

**Sd/-
(Atoorva Sinha)
Principal Director of Audit (Infrastructure), New Delhi**

**Place: New Delhi
Date: 30-12-2022**



MANAGEMENT REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA (C&AG) UNDER SECTION 143(6) (B) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AI ENGINEERING SERVICES LIMITED FOR THE YEAR ENDED 31st MARCH 2022.

| COMMENTS OF C&AG | MANAGEMENT REPLIES |
|---|---|
| <p>A. Comment on Cash Flow</p> <p>Net Cash Flow (used in) / from Operating Activities - ₹ 1111.65 crore</p> <p>Net Cash Flow used in Investing Activities - ₹ (702.67) crore</p> <p>The head Net Cash Flow used in Investing Activities includes ₹ 703.08 crore as cash outflow for acquisition of fixed assets. However, the assets amounting to ₹ 674 crore were transferred from the then holding company (Air India Limited) on the basis of book transfer without actual payment of cash. Thus, the portion of assets for which payment is not made should not have been included under cash flow from Investing Activities. Similarly, the corresponding impact of ₹ 674 crore is shown under Cash Flow from Operating Activities which should also not have been considered.</p> <p>This has resulted into overstatement of Net Cash Flow used in Investing Activities and Net Cash Flow generated from Operating Activities by ₹ 674 crore and has also resulted in non-compliance of Ind AS-7 on 'Statement of Cash Flows'.</p> | <p>As stated in the provisional comments that Para 16 of the IndAS – 7, cash flows arising from investing activities <i>includes</i>..... it means that all the points given in the para 16 is not limited to the examples provided in that para. Para 16 of the IndAS – 7 “Statement of Cash Flow” also states that Only expenditures that result in a recognized asset in the balance sheet are eligible for classification as investing activities.</p> <p>Further, Para 11 of the IndAS – 7 “Cash Flow Statement” states that “An entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities.”</p> <p>Furthermore, refer para 12 of the IndAS – 7 in which it has been stated that when the installment paid in respect of an item of Property, Plant and Equipment acquired on deferred payment basis includes interest, the interest element is classified under financing activities and the loan element is classified under investing activities.</p> <p>MRO Nagpur amounting to Rs. 674 crore were transferred from the then Air India Limited i.e. the then holding company to the AIESL and correspondingly created liability which have been transferred to the AIAHL. Hence in line with IndAS 7 as discussed above the same can be shown as investing activity.</p> |



| COMMENTS OF C&AG | MANAGEMENT REPLIES |
|---|---|
| | <p>Further, MRO Nagpur amounting to Rs. 674 crore were transferred from the then Air India Limited. The above resulted in overall increase in payables and consequently in investing activities. Alternatively, the transaction of Rs. 674 crore could have been excluded from both the heads. This would have made the users of the financial statements unclear about the reasons for not including the significant addition to the fixed assets during the period, as can be observed from the face as well as notes to accounts. The addition to Rs. 674 crore under the heads PPE is significant considering the fact that WDV of existing PPE and CWIP as on 31.03.2021 was Rs 59.76 crore only.</p> |
| <p>B. Comment on Auditors' Report.</p> <p>As per point no. 3(i)(b) of Companies (Auditor Report), 2020, the statutory auditor has to state, <i>“Whether these Property, Plant and Equipment have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account”</i>. The Statutory Auditor in Annexure-A to the Independent Auditor's Report has stated that physical verification of tangible assets has been carried out, but consequential effect has not been given in books of accounts. However, the fact that physical verification of Assets at Nagpur MRO, Trivandrum MRO, Mumbai Base (Western Region), Hyderabad Base (Southern Region) and Kolkata Base (Eastern Region) have not been carried out is neither mentioned by the company in financial statements nor by the statutory auditor. Hence, the statutory auditor's report is deficient to that extent.</p> | <p><i>“As per the policy of the company, for the physical verification of PPE, the company has appointed a professional firm a chartered Accountant including assets tagging of the PPE (Delhi) in a phase manner.....”</i></p> <p>Reference may also be drawn to para no. 8 of emphasis of matter where it is stated</p> <p><i>Company has appointed a professional firm of Chartered Accountant for Physical verification of PPE, including for the assets tagging of the PPE (Delhi) in a phase manner. Discrepancies and excess will be adjusted / accounted after taking approval from the competent authority. (Refer note no. 30(a) to notes to accounts.)</i></p> <p>Unquote</p> <p>From the above it is Clear that the fact regarding non-physical verification of Assets is in process and not yet completed.</p> <p>Further the assets from Nagpur have been transferred from Air India during the current year only and the same has not be verified during the current year.</p> |



| COMMENTS OF C&AG | MANAGEMENT REPLIES |
|------------------|--|
| | <p>In addition to the above under note 2, following has been clearly disclosed as footnote 2.1.</p> <p>Quote</p> <p><i>“The above property, plant and equipment includes assets of MRO Nagpur, which includes.....</i></p> <p><i>Amounts to Rs 6740 million.... without any physical handover-take over.”</i></p> <p>The fact that the physical verification of assets has not been carried out, has been included in our previous reports and was even briefed to Audit Committee of Board in our meetings for approval of accounts.</p> <p>Management has explained that due to Covid -19, physical verification could not be carried out in last two years.</p> |



INDEPENDENT AUDITOR'S REPORT

To the Members of

AI Engineering Services Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of AI Engineering Services Limited (formerly known as Air India Engineering Services Ltd.) (“the Company”), which comprise the balance sheet as at 31st March 2022, the statement of Profit and Loss, the statement of changes in equity and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the “standalone financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by The Companies Act, 2013 (“the Act”) in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules 2015, as amended (Ind AS) and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st, 2022, and profits, changes in equity and other comprehensive income and its cash flows for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

1. The Company has written a letter to Department of Public Enterprise dated 01.09.2020 for exemption of Section 149 (4), Section 177 and Section 178 of The Companies Act 2013, relating to appointment of Independent Directors, Constitution of Audit Committee and Constitution of Nomination and Remuneration Committee respectively. Reply is awaited from Department of Public Enterprise.



2. A) As per para 9 of Ind-AS 2 on *Inventories*
Inventories shall be measured at cost or net realizable value.
The Company has valued the inventories during the year at weighted average cost. Valuation of inventories has not been done as per Ind-AS 2 at year end. Hence, we are unable to comment on the impact of the same.
B) Inventory has not been physically verified by management.
3. Company has not deducted Income tax at source while accounting for provision for expenses. The impact of such non-compliance cannot be ascertained.
4. Company has calculated Interest Payable/Receivable on average balance of Inter Companies. The Company has not calculated Interest as per MSA with various Inter Companies.
5. Company has not complied with Ind AS 36 on *Impairment of assets*.
6. A) The reconciliation and matching of certain unmatched receivables/ recoverable from staff and payables including certain control ledger is in the process. (Refer note no. 29(iv) to notes to accounts.)
B) Trade receivable, deposits received, deposits paid and trade payable are subject to confirmations. (Refer note no. 29(i) to notes to accounts.)
C) The Company is in process of reconciliation of revenue and tax deducted at source as accounted in financials and as per 26 AS.
D) Good & Service Tax (GST) and other statutory dues are in the process of reconciliation with the returns filed and statutory records maintained by the company. (Refer note no. 29(iii) to notes to accounts.)
7. The then Air India Limited on account of AIESL use to pay under self-contributory Superannuation Pension scheme and recover from the company and an amount of ₹104.08 million debit balances is appearing in the books of the company, which is under reconciliation. (Refer note no. 29(ii) to notes to accounts.)
8. Company has appointed a professional firm of Chartered Accountant for Physical verification of PPE, including for the assets tagging of the PPE (Delhi) in a phase manner. Discrepancies and excess will be adjusted / accounted after taking approval from the competent authority. (Refer note no. 30(a) to notes to accounts.)
9. Prior period expenses to the tune of Rs. 71.45 million has been booked in current year. The books of 2020-2021 has been restated and consequential adjustments / disclosure has been made. (Refer Note No. 28 to notes to accounts.)

Our Opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were



addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

| S. No. | Key audit matter | Auditor's response |
|--------|---|---|
| 1. | <p>1) In view of the NITI Aayog recommendations on the disinvestment of the then 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 then Air India group in its meeting held on June 28, 2017.</p> <p>2) CCEA also constituted the Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment.</p> <p>3) An ex-facto approval was given by Union Cabinet in Feb 2019 for formation of SPV under the name and style now known as AI Assets Holding Limited (AIAHL) for the warehousing of accumulated working capital loan not backed by any asset along with four subsidiaries AIASL, AAAL, AIESL, HCI, non-core assets, paintings & artifacts and other non-operational assets.</p> <p>4) As per the decision of AISAM for transferring of the investments in subsidiaries, the shares of the company (AIESL) were being transferred from the then Air India Limited to AIAHL at book value. Accordingly, the share purchase agreement (SPA) between the then AIL and AIAHL for the transfer of the shares of AIESL was executed on 10th January, 2022.</p> <p>5) As per the decision of Government of India and as per SPA, 100% shareholding of the company has been transferred from the then AIL to AIAHL and the Board of the company has also been reconstituted and shares of the company has been transferred to AIAHL w.e.f 12th January, 2022. Consequently, AI Assets Holding Limited (AIAHL) has become the new Parent Company / Holding Company of AI Engineering Services Limited.</p> | <ul style="list-style-type: none"> • We have obtained share purchase agreement executed on 10th January 2022 between Air India Limited and AI Assets Holding Limited. • Air India has transferred 16,66,66,500 equity shares of company to AI Assets Holding Limited vide share purchase agreement executed on 10th January 2022 between Air India Limited and AI Assets Holding Limited. • The then Air India has transferred Nagpur MRO facility to AI Asset Holding Company to the tune of Rs. 674,00,19,040.85. AI Asset Holding Company has transferred the captioned assets to Company. Company has taken Rs. 674,00,19,040.85 as addition to gross block during 2021-2022 and depreciation has been charged on it taking balance useful life of assets in the books of the then Air India. • Inventory to the tune of Rs. 70,97,88,045.11/- has been transferred by Air India to the AI Asset Holding Company. Same is held in books of AI Asset Holding Company on behalf of AI Engineering Services Ltd. <p><i>Refer note no. 26 to notes to accounts.</i></p> |



| S. No. | Key audit matter | Auditor's response |
|--------|--|--|
| | 6) Furthermore, in line with the Government of India decision the outstanding recoveries of AIESL in the books of the then AIL as on the disinvestment date has been transferred from the then AIL to AIAHL for amounting to Rs. 21,175.63 million. | |
| 2. | The Government of India vide letter dated 16 th February, 2022 has approved medical benefit facility to the eligible permanent retired/retiring employees of Air India Limited including eligible permanent employees of AIESL post disinvestment. As per the scheme, all the expenditure under this scheme will be borne by M/o Civil Aviation through Budgetary provisions. | <ul style="list-style-type: none"> • Letter dated 16th February 2022 from Ministry of Civil Aviation stating in the wake of disinvestment of Air India, Government has decided that Medical benefits would be made available to retired and retiring AI beneficiaries (including eligible permanent employees of AIESL) by the Government was obtained from management. • In financial year 2021-2022, medical expenses on actuarial basis has not been provided in the books for eligible employees. • Medical Liability included in provisions for employee benefits in balance sheet are overstated to the extent of Rs. 233.42 Cr. in Balance Sheet as on 31.03.2022. <p><i>Refer note no. 33(b)(ii) to notes to accounts.</i></p> |

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

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

Our opinion on the standalone 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

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

Management Responsibilities for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation of these standalone financial statements that give a true and



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

In preparing the standalone 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.

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the **Annexure-A** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:



- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of Changes in Equity and the Statement of Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.
- (e) The company, being a government company, is exempt from the provisions of section 164 (2) of the Companies Act, 2013 vide Notification no GSR 463 (E) dated 05-06-2015 from Ministry of Corporate Affairs.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “**Annexure B**”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls over financial reporting.
- (g) 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. GSR 463 (E) dated June 5, 2015.
- (h) We have not come across any qualification, reservation or adverse remarks relating maintenance of accounts and other matters connected therewith hence we are not making any comment under this para except few observations stated in *emphasis of matter* para and in *Annexure B* of this report.
- (i) 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, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – *Refer Note 27 to notes to standalone financial statements*;
 - ii. The Company does not foresee any material losses on long term contracts and has not entered into derivative contracts; hence no provision for the same has been made.
 - iii. There is no amount required to be transferred to the Investor Education and Protection Fund by the Company.



- iv. a) The management has represented, that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entities, including, foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise , that the intermediary shall
- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever (“Ultimate Intermediaries “) by or on behalf of the Funding Party or
 - provide any guarantee, security or the like from or on behalf of the Ultimate Beneficiaries; and
- b) The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities including foreign entities (“Funding Parties “) with the understanding, whether recorded in writing or otherwise , that the company shall
- directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever (“Ultimate Intermediaries “) by or on behalf of the Funding Party or
 - provide any guarantee, security or the like from or on behalf of the Ultimate Beneficiaries;
- c) Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub clause iv (a) and iv (b) contain any material mis-statement.
- v) The Company has not declared any dividend during the year; hence this para is not applicable.
- (j) As required by section 143(5) of the Act and in pursuance of directions issued by the Office of the Comptroller and Auditor General of India for the year ended March 31st , 2022, we report that:
- a) Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.
- Yes, the company has the system in place to process all the accounting transactions through IT system except as stated below:-
- The Company has SAP for maintenance of accounts. Most of the entries passed do not contain supporting attached with it. The system needs to be strengthened regarding the same.



- Account codes created may be used by end users appropriately. Booking of entries in correct heads may be ensured to avoid rectification entries.
 - The Company has no system of calculation of Interest on outstanding of Inter Company balances. The same has been done manually.
- b) Whether there is any restructuring of an existing loan or cases of waiver/write off of debts /loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated. Whether such cases are properly accounted for? (In case, lender is a Government company, then this direction is also applicable for statutory auditor of lender company).

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

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

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

For and on behalf of

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

**Sd/-
CA Pratibha Sharma
Partner
Membership No. 400755
UDIN- 22400755BAKAUC1412**

**Place: Mumbai
Date: 20-10-2022**



Annexure – A to the Independent Auditor’s Report

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

- i (a) i) The Company is in the process of updating its records showing full particulars including quantitative details and situations of tangible assets.
- ii) Company does not owe any intangible assets; hence para relating to it are not applicable.
- (b) As explained to us, the Company has a program of physical verification of tangible assets once in two years. Physical verification of tangible assets has been carried out by a professional firm of Chartered Accountants.
- (c) According to the information and explanations given to us, physical verification of tangible assets has been carried out, but consequential effect has not been given in books of accounts. *Refer note no.30 (a) to notes to accounts.*
- (d) The title deeds pertaining to the immovable properties (except properties which are leased by the company with duly executed lease agreements in the company’s favour) disclosed in the financial statements are not held in the name of the company.
- (e) The Details of the title deeds pertaining to the immovable properties which are not held on the name of the company are as follows:

| Description of property | Gross carrying value | Held in name of | Whether promoter, director or their relative or employee | Period held – indicate range, where appropriate | Reason for not being held in name of company* |
|-------------------------|----------------------|-----------------|--|---|---|
| PPE | | | | | |
| a) Land | 180.00 | Air India Ltd. | No | 08.04.2022 | Refer Note no. 2.1 of financial Statements |
| b) Building | 2634.45 | Air India Ltd. | No | 08.04.2022 | Refer Note no. 2.1 of financial Statements |
| c) Jet 9D Test House | 10.42 | Air India Ltd. | No | 01.04.2019 | Refer Note no. 2.2 of financial Statements |

- (f) According to the information and explanations given to us and on the basis of our examination of the records of the Company, no revaluation of property, plant and equipment (including the right of use assets) or intangible assets or both has been done by the company during the year.
- (g) According to the information and explanations given to us and on the basis of our examination of the records of the Company, no proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.



- ii a) As per information and explanations given to us, the exercise of physical verification of inventory is conducted on once in two years. But physical verification has not been conducted by the management. Hence, we are unable to comment on the appropriateness of coverage and procedure of such verification by the management. We are also unable to comment on any discrepancies of 10% or more, if found, in the aggregate for each class of inventory and its consequential effect in the books of account.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company has not been sanctioned any working capital limits from banks or financial institutions on the basis of security of current assets during the year. Accordingly, the provisions of clause 3(ii)(b) of the order is not applicable to the Company.
- (iii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company has not made investments, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties during the year. Accordingly, the provisions of clause 3(iii)(a) to (f) of the order is not applicable to the Company.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company has not given any loans to director and any other party and the company has not made investments, given any guarantees and security. Accordingly, the provisions of clause 3(iv) of the order is not applicable to the Company.
- (v) Company has not accepted any deposits or amounts which are deemed to be deposits from the public within the meaning of provisions of sections 73 to 76 of the Companies Act and the rules made thereunder, to the extent applicable. Accordingly, the provisions of clause 3(v) of the order is not applicable to the Company.
- (vi) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under subsection (1) of section 148 of the Companies Act 2013. Accordingly, the provisions of clause 3(vi) of the order is not applicable to the Company.
- (vii) (a) On the basis of our examination of the books of accounts, and records of the company, we have observed that the Company was regular in depositing undisputed statutory dues including employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities except TDS, GST and Provident Fund . Company has cleared all such undisputed dues by year end. Arrears of outstanding statutory dues as on the last day of the financial year 31st March 2022 of more than six months from the date they became payable are as below:

| Nature of Statutory Dues | Amount Outstanding for more than 6 months as on 31st March 2022 (Rs. In millions) |
|---------------------------------|---|
| Goods and Service Tax | 131.8 |
| PF | 0.3 |
| TDS | 7.3 |
| Professional tax | 0.1 |



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

- (b) According to information and explanations given to us, there are statutory dues which have not been deposited by Company on account of dispute.

| S. No. | AY | TDS/Income Tax | Date of Demand Notice | Date of service of demand notice | Demand Amount |
|--------|---------|----------------|-----------------------|----------------------------------|---------------|
| 1 | 2015-16 | TDS | 10-02-2022 | 21-03-2022 | 4,85,129 |
| 2 | 2015-16 | TDS | 17-03-2020 | 19-03-2020 | 2,79,27,703 |
| 3 | 2015-16 | Income Tax | 28-12-2017 | 03-01-2018 | - |
| 4 | 2016-17 | TDS | 17-03-2020 | 19-03-2020 | 4,31,39,528 |
| 5 | 2017-18 | TDS | 17-03-2020 | 19-03-2020 | 6,22,86,454 |
| 6 | 2017-18 | Income Tax | 27-12-2019 | 27-12-2019 | - |
| 8 | 2018-19 | TDS | 17-03-2020 | 19-03-2020 | 18,45,77,891 |
| 10 | 2018-19 | Income Tax | 12-07-2021 | 12-07-2021 | - |
| 11 | 2019-20 | TDS | 17-03-2020 | 19-03-2020 | 32,37,74,500 |
| | | Total | | | 64,21,91,205* |

* Interest u/s 220(2) on the above demand as on 31st March, 2022 will be ₹ 160.43 million.

- (viii) There were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).

However, prior period expenses to the tune of Rs. 714.5 million has been booked in current year. (Refer note no. 28 to notes to accounts).

- (ix) (a) The Company has not taken any loans or other borrowings from any lender. Hence reporting under clause 3(ix)(a) of the Order is not applicable.
- (b) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- (c) The Company has not taken any term loan during the year and there are no outstanding term loans at the beginning of the year and hence, reporting under clause 3(ix)(c) of the Order is not applicable.
- (d) On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.
- (e) Company does not have any subsidiary, reporting under clause 3(ix)(e) of the Order is not applicable.
- (f) The Company has not raised any loans during the year and hence reporting on clause 3(ix)(f) of the Order is not applicable.



- (x) (a) No money has been raised by way of initial public offer or further public offer (including debt instruments) during the year by the Company. Accordingly, the provisions of clause 3(x) (a) of the order is not applicable to the Company.
- (b) The company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year. Accordingly, the provisions of clause 3(x) (b) of the order is not applicable to the Company.
- (xi) (a) Based on 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 has been noticed or reported during the year. Accordingly, the provisions of clause 3(xi) (a) of the order is not applicable to the Company.
- (b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by cost auditor/ secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) We have taken into consideration the whistle blower complaints received by the Company during the year while determining the nature, timing and extent of audit procedures.
- (xii) The Company is not a nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(a),(b) and (c) of the Order is not applicable to the Company.
- (xiii) Transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) (a) Company does not have an internal audit system commensurate with the size and nature of its business.
- (b) The internal audit reports for the period under audit were considered by us. Compliance of the internal audit reports was pending till the finalization of audit reports and hence any consequential impact, if any, on the financial statements has not been taken into account.
- (xv) The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.
- (xvi) (a) The provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause 3(xvi) (a) of the Order is not applicable to the Company.
- (b) The Company has not conducted any Non-Banking Financial or Housing Finance activities without obtaining a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.



- (c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi)(c) of the Order is not applicable to the Company.
- (d) As represented by the management, the Group does not have more than one Core Investment Company (CIC) as part of the Group as per the definition of Group contained in the Core Investment Companies (Reserve Bank) Directions, 2016.
- (xvii) The Company has not incurred cash losses in the current year and in the immediately preceding financial year.
- (xviii) There has been no resignation of the statutory auditors during the year and accordingly requirement to report on Clause 3(xviii) of the Order is not applicable to the Company.
- (xix) On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) (a) The Company is not required to transfer amounts to a fund specified in Schedule VII of the Companies Act in compliance with second proviso to sub section (5) of section 135 of the Act. Accordingly, requirement to report on Clause 3(xx) (a) and (b) of the Order is not applicable to the Company
- (xxi) The Company is not required to prepare consolidated financial statements. Accordingly, requirement to report on Clause 3(xxi) of the Order is not applicable to the Company.

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

**Sd/-
CA Pratibha Sharma
Partner
Membership No. 400755
UDIN- 22400755BAKAUC1412**

Place: Mumbai

Date: 20-10-2022



Annexure - B to the Independent Auditor's Report

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

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of AI Engineering Services Limited (“the Company”) as of March 31st, 2022 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

According to the information and explanations given to us and based on our audit, the following weaknesses have been identified as at March 31, 2022:

- i) The Company did not have an effective system for timely accounting of entries, to prevent duplicate / rectification accounting entries.
- ii) There should be maker checker process to have better control process.
- iii) In SAP most of the entries and entries pertaining to expenses borne by other group companies and then reimbursed by the Company had no supporting's to check the validity of entry.
- iv) The Company did not have effective system of reconciliation of balance with other parties.
- v) The Company has internal audit in place. Compliance of internal audit report is still pending and hence we are unable to comment on any consequential effect in the books. We suggest that internal audit reports along with compliance may be placed before Audit Committee of Board.

MATERIAL WEAKNESS

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of



the company's annual or interim financial statements will not be prevented or detected on a timely basis.

OPINION

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2022 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of March 31st, 2022 standalone financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone financial statements of the Company.

For and on behalf of

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

**Sd/-
CA Pratibha Sharma
Partner
Membership No. 400755
UDIN- 22400755BAKAUC1412**

**Place: Mumbai
Date: 20-10-2022**



Compliance Certificate

We have conducted the audit of accounts of AI Engineering Services Limited for the year ended 31st March, 2022 in accordance with the directions issued by the Comptroller & Auditor General of India under section 143 (5) of the Companies Act, 2013 and certify that we have complied with all the Directions issued to us.

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

**Sd/-
(Pratibha Sharma)
Partner
M. No. - 400755**

**Place: Mumbai
Date : 20-10-2022**



MANAGEMENT REPLIES ON STATUTORY AUDITORS' REPORT FOR THE FY 2021-22

| Audit Observation | Management Replies |
|--|---|
| <u>Emphasis of Matter</u> | |
| <p>1. The Company has written a letter to Department of Public Enterprise dated 01.09.2020 for exemption of Section 149 (4), Section 177 and Section 178 of The Companies Act 2013, relating to appointment of Independent Directors, Constitution of Audit Committee and Constitution of Nomination and Remuneration Committee respectively. Reply is still awaited from Department of Public Enterprise.</p> | <p>The Exemption has been granted by Ministry of Corporate Affairs for appointment of Independent Director for a wholly owned subsidiary vide Notification no. 839 ('E) Dated 05th July, 2017.</p> <p>Further, a letter has been written to the Department of Public Enterprise dated 01.09.2020 for exemption of Section 149 (4), Section 177 and Section 178 of The Companies Act 2013, relating to appointment of Independent Directors, Constitution of Audit Committee and Constitution of Nomination and Remuneration Committee respectively. Reply is still awaited from Department of Public Enterprise.</p> |
| <p>2. B) Inventory has not been physically verified by management.</p> <p>A) As per para 9 of Ind-AS 2 on <i>Inventories</i> Inventories shall be measured at cost or net realizable value.</p> <p>The Company has valued the inventories during the year at weighted average cost. Valuation of inventories has not been done as per Ind-AS 2 at year end. Hence, we are unable to comment on the impact of the same.</p> | <p>In the current financial year 2022-23 substantial efforts will be made in this regard and by engaging independent outside expert and inside technical as well as finance personnel to complete the physical verification.</p> <p>Required action for compliance of the subject issue can be taken after physical verification and evaluation of the inventory items condition.</p> |
| <p>3. Company has not deducted Income tax at source while accounting for provision for expenses. The impact of such non-compliance cannot be ascertained.</p> | <p>Provisions have been made based on estimation and actual invoice may be different and company has the policy to release the payment after thorough vetting of the documents and on approval from competent authority. Hence depositing TDS on provision means releasing payment to that extent in the form of TDS thus deduction of TDS will not be accurate. However, TDS at the applicable rates is deducted at the time of processing of invoices.</p> |
| <p>4. Company has calculated Interest Payable/Receivable on average balance of Inter Companies. The Company has not calculated Interest as per MSA with various Inter Companies.</p> | <p>As per the decision taken by the top management of group of companies, interest has been levied based on average of opening and closing balance. This practice is consistently followed by the group companies. Necessary amendment in the MSA have been carried and communicated to the respective companies.</p> |
| <p>5. Company has not complied with Ind AS 36 on <i>Impairment of assets</i>.</p> | <p>Fixed asset acquired during the year include Rs. 542 crores for MRO Nagpur from Air-India. Required testing of impairment for MRO Nagpur assets will be carried out during Current Year and required action if any will be taken during the current year.</p> |



| | |
|---|--|
| <p>6. A) The reconciliation and matching of certain unmatched receivables/ recoverable from staff and payables including certain control ledger is in the process.</p> <p>B) Trade receivable, deposits received, deposits paid and trade payable are subject to confirmations. (<i>Refer note no. 29(i) to notes to accounts.</i>)</p> <p>C) The Company is in process of reconciliation of revenue and tax deducted at source as accounted in financials and as per 26 AS.</p> <p>D) Good & Service Tax (GST) and other statutory dues are in the process of reconciliation with the returns filed and statutory records maintained by the company.</p> | <p>A) Action for reconciliation and carrying out suitable adjustment will be taken up in Q3 and Q4 of FY 2022-23. The issue particularly is related to the debit balance of Rs. 10.41 crores appearing under self-contributory superannuation pension scheme. During the current year this amount is likely to be absorbed either by AIESL or AIAHL. Efforts will also be made to pass on this amount to Air India as this debit balance is appearing in the books of AIESL for >3 years on account of inter-company transfers from Air India. This point is specifically reported vide item no. 7. of Emphasis of Matter.</p> <p>B) As brought out in Note 29 (i), the reconciliation with vendors and customers is in progress. Substantial progress in reconciliation and confirmation of the balances will be made during the current year.</p> <p>C) Significant progress regarding reconciliation of TDS has taken place since last meeting Reconciliation of details appearing in AS26 Vs/ Books Vs ITRs filed has been completed up to March 2022. Required adjustments relating to the subject will be carried out in books of account during Q2 /Q3 accounts after necessary verification of the same.</p> <p>D) Action for reconciliation is in progress and significant progress is expected by Q3.</p> |
| <p>7. The then Air India Limited on account of AIESL use to pay under self-contributory Superannuation Pension scheme and recover from the company and an amount of ₹104.08 million debit balances is appearing in the books of the company, which is under reconciliation. (<i>Refer note no. 29(ii) to notes to accounts.</i>)</p> | <p>As explained at point no. 6(A) above.</p> |
| <p>8. Company has appointed a professional firm of Chartered Accountant for Physical verification of PPE, including for the assets tagging of the PPE (Delhi) in a phase manner. Discrepancies and excess will be adjusted / accounted after taking approval from the competent authority. (<i>Refer note no. 30(a) to notes to accounts.</i>)</p> | <p>As already mentioned at point no. 2 above, substantial efforts in this regard are required to be made during the current year as well subsequent years. Required efforts accordingly will be made by engaging outside and inside technical as well as finance personnel and outside experts.</p> |
| <p>9. Prior period expenses to the tune of Rs. 71.45 million has been booked in current year. The books of 2020-2021 has been restated and consequential adjustments / disclosure has been made. (<i>Refer Note No. 28 to notes to accounts.</i>)</p> | <p>This is due to account of rental expenses payable to Airport Authority of India pertaining to earlier years</p> |



Audit Observations - Key Audit Matters

Key Audit Matters: -

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

| Key audit matter | Auditor's response | Management Replies |
|--|--|---|
| <p>1. <u>Credit Impairment</u></p> <p>Ind AS requires the company to recognize the expected credit losses (ECL) on financial assets consisting mainly debtors which involves significant judgment and estimates to be made by the company.</p> | <p><u>Principle audit procedures</u></p> <ul style="list-style-type: none"> As per Ind AS, the shift is from 'Incurred Loss' approach to 'Expected Loss' approach while computing provision for losses on loans and advances. We have relied on the ECL calculations which were done by an expert/ outside agency. The accuracy and completeness of critical data was reviewed. System of Computation of ECL was found satisfactory. <i>Refer accounting policy No 11(A) (v)</i> | <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> |
| <p>2. (1) In view of the NITI Aayog recommendations on the disinvestment of the then 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 then Air India group in its meeting held on June 28, 2017.</p> <p>2) CCEA also constituted the Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment.</p> <p>3) An ex-facto approval was given by Union Cabinet in Feb 2019 for formation of SPV under the name and style now known as AI Assets Holding Limited (AIAHL) for the warehousing of accumulated working capital loan not backed by any asset along with four subsidiaries AIASL, AAAL, AIESL, HCI, non-core assets, paintings & artifacts and other non- operational assets.</p> | <ul style="list-style-type: none"> We have obtained share purchase agreement executed on 10th January 2022 between Air India Limited and AI Assets Holding Limited. Air India has transferred 16,66,66,500 equity shares of company to AI Assets Holding Limited vide share purchase agreement executed on 10th January 2022 between Air India Limited and AI Assets Holding Limited. The then Air India has transferred Nagpur MRO facility to AI Asset Holding Company to the tune of Rs. 674,00,19,040.85. AI Asset Holding Company has transferred the captioned assets to Company. Company has taken 674,00,19,040.85 as addition to gross block during 2021-2022 and depreciation has been charged on it taking balance useful life of assets in the books of the then Air India. | <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> |



| | | |
|---|--|--|
| <p>4) As per the decision of AISAM for transferring of the investments in subsidiaries, the shares of the company (AIESL) were being transferred from the then Air India Limited to AIAHL at book value. Accordingly, the share purchase agreement (SPA) between the then AIL and AIAHL for the transfer of the shares of AIESL was executed on 10th January, 2022.</p> <p>5) As per the decision of Government of India and as per SPA, 100% shareholding of the company has been transferred from the then AIL to AIAHL and the Board of the company has also been reconstituted and shares of the company has been transferred to AIAHL w.e.f 12th January, 2022. Consequently, AI Assets Holding Limited (AIAHL) has become the new Parent Company / Holding Company of AI Engineering Services Limited.</p> <p>6) Furthermore, in line with the Government of India decision the outstanding recoveries of AIESL in the books of the then AIL as on the disinvestment date has been transferred from the then AIL to AIAHL for amounting to ₹ 21,175.63 million.</p> | <ul style="list-style-type: none"> Inventory to the tune of Rs. 70,97,88,045.11/- has been transferred by Air India to the AI Asset Holding Company. Same is held in books of AI Asset Holding Company on behalf of AI Engineering Services Ltd. | <p>This is a statement of fact.</p> |
| <p>3. The Government of India vide letter dated 16th February, 2022 has approved medical benefit facility to the eligible permanent retired/retiring employees of Air India Limited including eligible permanent employees of AIESL post disinvestment. As per the scheme, all the expenditure under this scheme will be borne by M/o Civil Aviation through Budgetary provisions.</p> | <ul style="list-style-type: none"> Letter dated 16th February 2022 from Ministry of Civil Aviation stating in the wake of disinvestment of Air India, Government has decided that Medical benefits would be made available to retired and retiring AI beneficiaries (including eligible permanent employees of AIESL) by the Government was obtained from management. In financial year 2021-2022, medical expenses on actuarial basis has not been provided in the books for eligible employees. Medical Liability included in provisions for employee benefits in balance sheet are overstated to the extent of Rs. 233.42 Cr. in Balance Sheet as on 31.03.2022. <i>Refer note no. 33(b)(ii)</i> | <p>Based on the decision and after due deliberation Rs. 233.42 crores are required to be written back or surrender to AIAHL.</p> |



| Report on Other Legal and Regulatory Requirements: - | |
|--|---|
| 1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-A a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable. | This is a statement of fact. |
| <p>2. As required by Section 143(3) of the Act, we report that:</p> <p>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.</p> <p>(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.</p> <p>(c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of Changes in Equity and the Statement of Cash Flow Statement dealt with by this Report are in agreement with the books of account.</p> <p>(d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.</p> <p>(e) We have not come across any observation on the financial transactions or matters which have any adverse impact on the functioning of the Company.</p> <p>(f) The company, being a government company, is exempt from the provisions of section 164 (2) of the Companies Act, 2013 vide Notification no GSR 463 (E) dated 05-06-2015 from Ministry of Corporate Affairs.</p> <p>(g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.</p> <p>(h) 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. GSR 463 (E) dated June 5, 2015.</p> <p>(i) We have not come across any qualification, reservation or adverse remarks relating maintenance of accounts and other matters connected therewith hence we are not making any comment under this para. Management attention is drawn on certain observations stated in emphasis of matter para above.</p> <p>(j) 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, as amended, in our opinion and to the best of our information and according to the explanations given to us:</p> <p>i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – <i>Refer Note 27 to notes to standalone financial statements</i>;</p> | <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> |



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| <p>ii. The Company does not foresee any material losses on long term contracts including derivatives contracts; hence no provision for the same has been made.</p> <p>iii. There is no amount required to be transferred to the Investor Education and Protection Fund by the Company.</p> <p>iv. a) The management has represented, that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entities, including, foreign entities (“Intermediaries“), with the understanding, whether recorded in writing or otherwise , that the intermediary shall</p> <ul style="list-style-type: none"> • directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever (“Ultimate Intermediaries “) by or on behalf of the Funding Party or • provide any guarantee, security or the like from or on behalf of the Ultimate Beneficiaries; and <p>b) The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities including foreign entities (“Funding Parties “) with the understanding , whether recorded in writing or otherwise , that the company shall</p> <ul style="list-style-type: none"> • directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever (“Ultimate Intermediaries”) by or on behalf of the Funding Party or • provide any guarantee, security or the like from or on behalf of the Ultimate Beneficiaries; <p>c) Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub clause iv (a) and iv (b) contain any material mis-statement.</p> <p>V. The Company has not declared any dividend during the year; hence this para is not applicable.</p> | <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> |
| <p>3. As required by section 143(5) of the Act and in pursuance of directions issued by the Office of the Comptroller and Auditor General of India for the year ended March 31st, 2022, we report that:</p> <p>a) Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.</p> <p>Yes, the company has the system in place to process all the accounting transactions through IT system except as stated below:-</p> <ul style="list-style-type: none"> • The Company has SAP for maintenance of accounts. Most of the entries passed do not contain supporting attached with it. The system needs to be strengthened regarding the same. | <p>Supporting documents for the entries passed at outstation are attached. However, the same are available in hard copy and have been produced to the auditors. Further efforts will be made to attach the same for Delhi also.</p> |



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| <ul style="list-style-type: none"> • Account codes created may be used by end users appropriately. Booking of entries in correct heads may be ensured to avoid rectification entries. • The company uses the information systems partially for maintenance and processing of payroll. • The Company has no system of calculation of Interest on outstanding of Inter Company balances. The same has been done manually. <p>b) Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts /loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated. Whether such cases are properly accounted for? (In case, lender is a Government company, then this direction is also applicable for statutory auditor of lender company).</p> <p>On the basis of information and explanation given to us, company has not availed any loans. Hence there is no restructuring, waiver / write off of debts/ loans/ interest etc. made by the lender to the company during the year.</p> <p>c) Whether funds received/receivable for specific schemes from central/ state government or its agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.</p> <p>On the basis of information and explanation given to us, no funds have been received /receivable for specific schemes from central / state agencies.</p> | <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> |
| <p>Audit Observation</p> | |
| <p>Annexure – A to the Independent Auditor's Report</p> | |
| <p>Referred to point no. 1 under “Report on Other Legal and Regulatory Requirements” mentioned above</p> | |
| <p>(i) (a) i) The Company is in the process of updating its records showing full particulars including quantitative details and situations of tangible assets.</p> <p>ii) Company does not owe any intangible assets, hence para relating to it are not applicable.</p> <p>(b) As explained to us, the Company has a programme of physical verification of tangible assets once in two years. Physical verification of tangible assets has been carried out by a professional firm of Chartered Accountants.</p> <p>(c) According to the information and explanations given to us, physical verification of tangible assets has been carried out, but consequential effect has not been given in books of accounts. <i>Refer note no.30(a) to notes to accounts.</i></p> <p>(d) The title deeds pertaining to the immovable properties (except properties which are leased by the company with duly executed lease agreements in the company's favour) disclosed in the financial statements are not held in the name of the company.</p> | <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>This is a statement of fact.</p> <p>substantial efforts for physical verification of tangible assets are required to be made during the current year as well subsequent years. Required efforts accordingly will be made by engaging outside and inside technical as well as finance personnel and outside experts</p> <p>This is a statement of fact. The said properties at point no. 1 and 2 are assets of MRO Nagpur, which has been book</p> |



| Description of property | Gross carrying value | Held in name of | Whether promoter, director or their relative or employee | Period held – indicate range, where appropriate | Reason for not being held in name of company* | |
|---|----------------------|-----------------|--|---|---|---|
| PPE | | | | | | |
| (1) Land | 180.00 | Air India Ltd. | No | 8.4.2022 | Refer Note no. 2.1 of financial Statements | transferred from the then holding company (Air India Limited) at book value as on 31st March, 2021. |
| (2) Building | 2634.45 | Air India Ltd. | No | 8.4.2022 | Refer Note no. 2.1 of financial Statements | Further, properties mentioned at point no. 3 'Jet 9D Test House' has been constructed by the then Air India Limited at Mumbai and book transferred to AIESL as on 1.04.2019 at carrying value of Rs. 10.42 million. |
| (3) Jet 9D Test House | 10.42 | Air India Ltd. | No | 8.4.2022 | Refer Note no. 2.2 of financial Statements | |
| <p>(f) According to the information and explanations given to us and on the basis of our examination of the records of the Company, no revaluation of property, plant and equipment (including the right of use assets) or intangible assets or both has been done by the company of its during the year.</p> <p>(g) According to the information and explanations given to us and on the basis of our examination of the records of the Company, no proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.</p> | | | | | | <p>This is a statement of fact</p> <p>This is a statement of fact</p> |
| <p>(ii) a) As per information and explanations given to us, the exercise of physical verification of inventory is conducted on once in two years. But physical verification has not been conducted by the management. Hence, we are unable to comment on the appropriateness of coverage and procedure of such verification by the management. We are also unable to comment on any discrepancies of 10% or more, if found, in the aggregate for each class of inventory and its consequential effect in the books of account.</p> <p>b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company has not been sanctioned any working capital limits from banks or financial institutions on the basis of security of current assets during the year. Accordingly, the provisions of clause 3(ii)(b) of the order is not applicable to the Company.</p> | | | | | | <p>This is indeed a weak area of action of AIESL and substantial efforts in this regard are required to be made during the current year as well subsequent years. Required efforts accordingly will be made by engaging outside and inside technical as well as finance personnel and outside experts.</p> <p>This is a statement of fact</p> |
| <p>(iii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company has not made investments, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties during the year. Accordingly, the provisions of clause 3(iii)(a) to (f) of the order is not applicable to the Company.</p> | | | | | | <p>This is a statement of fact</p> |
| <p>(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company has not given any loans to director and any other party and the company has not made investments, given any guarantees and security. Accordingly, the provisions of clause 3(iv) of the order is not applicable to the Company.</p> | | | | | | <p>This is a statement of fact</p> |



| <p>(v) Company has not accepted any deposits or amounts which are deemed to be deposits from the public within the meaning of provisions of sections 73 to 76 of the Companies Act and the rules made thereunder, to the extent applicable. Accordingly, the provisions of clause 3(v) of the order is not applicable to the Company.</p> | <p>This is a statement of fact</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|-----------------------|----------------------------------|----------------------------------|---------------|-----|---------|------------------|------------|---|----------|----------------|---------|--|------------|--|-------------|------------------|----------|------------------|------------|------------|---|---|---------|-----|------------|------------|-------------|---|---------|-----|------------|------------|-------------|---|---------|------------|------------|------------|---|---|---------|-----|------------|------------|--------------|---|---------|------------|------------|------------|---|---|---------|-----|------------|------------|--------------|--|--|--------------|--|--|----------------------|--|
| <p>(vi) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under subsection (1) of section 148 of the Companies Act 2013. Accordingly, the provisions of clause 3(vi) of the order is not applicable to the Company.</p> | <p>This is a statement of fact</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>(vii)(a) On the basis of our examination of the books of accounts, and records of the company, we have observed that the Company was regular in depositing undisputed statutory dues including employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities except TDS , GST and Provident Fund . Company has cleared all such undisputed dues by year end. Arrears of outstanding statutory dues as on the last day of the financial year 31st March 2022 of more than six months from the date they became payable are as below:</p> <table border="1" data-bbox="227 871 1096 1123"> <thead> <tr> <th>Nature of Statutory Dues</th> <th>Amount Outstanding for more than 6 months as on 31st March 2022 (Rs. in millions)</th> </tr> </thead> <tbody> <tr> <td>Goods and Service Tax</td> <td>131.8</td> </tr> <tr> <td>PF</td> <td>0.3</td> </tr> <tr> <td>TDS</td> <td>7.3</td> </tr> <tr> <td>Professional tax</td> <td>0.1</td> </tr> </tbody> </table> <p>Statutory dues, if any, in respect of foreign business area not covered during the audit, since the record are maintained at the respective business areas which were not available for verification, we are unable to comment whether the dues have been deposited on a time basis.</p> <p>(b) According to information and explanations given to us, there are statutory dues which have not been deposited by Company on account of dispute.</p> | Nature of Statutory Dues | Amount Outstanding for more than 6 months as on 31 st March 2022 (Rs. in millions) | Goods and Service Tax | 131.8 | PF | 0.3 | TDS | 7.3 | Professional tax | 0.1 | <table border="1" data-bbox="1120 525 1485 1312"> <thead> <tr> <th>Dues</th> <th>Rs in Millions</th> </tr> </thead> <tbody> <tr> <td>GST</td> <td>Provision for Interest on delayed payment of GST to the extent of Rs. 16.87 crores (including less than 6 months) existed as on 31.03.2022. So far Rs. 70 lakhs have been paid till date and balance amount is also being paid as and when demanded by the department since there is no compounding of interest.</td> </tr> <tr> <td>PF</td> <td>This is pertaining to some employees for which UAN number yet to be created.</td> </tr> <tr> <td>TDS</td> <td>Amount deposited</td> </tr> <tr> <td>Prof Tax</td> <td>Amount deposited</td> </tr> </tbody> </table> | Dues | Rs in Millions | GST | Provision for Interest on delayed payment of GST to the extent of Rs. 16.87 crores (including less than 6 months) existed as on 31.03.2022. So far Rs. 70 lakhs have been paid till date and balance amount is also being paid as and when demanded by the department since there is no compounding of interest. | PF | This is pertaining to some employees for which UAN number yet to be created. | TDS | Amount deposited | Prof Tax | Amount deposited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nature of Statutory Dues | Amount Outstanding for more than 6 months as on 31 st March 2022 (Rs. in millions) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Goods and Service Tax | 131.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PF | 0.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TDS | 7.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Professional tax | 0.1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dues | Rs in Millions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GST | Provision for Interest on delayed payment of GST to the extent of Rs. 16.87 crores (including less than 6 months) existed as on 31.03.2022. So far Rs. 70 lakhs have been paid till date and balance amount is also being paid as and when demanded by the department since there is no compounding of interest. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PF | This is pertaining to some employees for which UAN number yet to be created. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TDS | Amount deposited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Prof Tax | Amount deposited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1" data-bbox="146 1375 1096 1816"> <thead> <tr> <th>S. No</th> <th>AY</th> <th>TDS/ Income Tax</th> <th>Date of Demand Notice</th> <th>Date of service of demand notice</th> <th>Demand Amount</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2015-16</td> <td>TDS</td> <td>10-02-2022</td> <td>21-03-2022</td> <td>4,85,129</td> </tr> <tr> <td>2</td> <td>2015-16</td> <td>TDS</td> <td>17-03-2020</td> <td>19-03-2020</td> <td>2,79,27,703</td> </tr> <tr> <td>3</td> <td>2015-16</td> <td>Income Tax</td> <td>28-12-2017</td> <td>03-01-2018</td> <td>-</td> </tr> <tr> <td>4</td> <td>2016-17</td> <td>TDS</td> <td>17-03-2020</td> <td>19-03-2020</td> <td>4,31,39,528</td> </tr> <tr> <td>5</td> <td>2017-18</td> <td>TDS</td> <td>17-03-2020</td> <td>19-03-2020</td> <td>6,22,86,454</td> </tr> <tr> <td>6</td> <td>2017-18</td> <td>Income Tax</td> <td>27-12-2019</td> <td>27-12-2019</td> <td>-</td> </tr> <tr> <td>7</td> <td>2018-19</td> <td>TDS</td> <td>17-03-2020</td> <td>19-03-2020</td> <td>18,45,77,891</td> </tr> <tr> <td>8</td> <td>2018-19</td> <td>Income Tax</td> <td>12-07-2021</td> <td>12-07-2021</td> <td>-</td> </tr> <tr> <td>9</td> <td>2019-20</td> <td>TDS</td> <td>17-03-2020</td> <td>19-03-2020</td> <td>32,37,74,500</td> </tr> <tr> <td></td> <td></td> <td>Total</td> <td></td> <td></td> <td>64,21,91,205*</td> </tr> </tbody> </table> | S. No | AY | TDS/ Income Tax | Date of Demand Notice | Date of service of demand notice | Demand Amount | 1 | 2015-16 | TDS | 10-02-2022 | 21-03-2022 | 4,85,129 | 2 | 2015-16 | TDS | 17-03-2020 | 19-03-2020 | 2,79,27,703 | 3 | 2015-16 | Income Tax | 28-12-2017 | 03-01-2018 | - | 4 | 2016-17 | TDS | 17-03-2020 | 19-03-2020 | 4,31,39,528 | 5 | 2017-18 | TDS | 17-03-2020 | 19-03-2020 | 6,22,86,454 | 6 | 2017-18 | Income Tax | 27-12-2019 | 27-12-2019 | - | 7 | 2018-19 | TDS | 17-03-2020 | 19-03-2020 | 18,45,77,891 | 8 | 2018-19 | Income Tax | 12-07-2021 | 12-07-2021 | - | 9 | 2019-20 | TDS | 17-03-2020 | 19-03-2020 | 32,37,74,500 | | | Total | | | 64,21,91,205* | <p>Outstanding dues relating to GST and TDS have been on account of interest/fee on the earlier delayed payments. The payments have been made as tabulated below:</p> <p>The company has filled an appeal against the demand issued by the tax authorities. the company is of the opinion that the judgement would be in favour of company. However, as a matter of prudence, same has been disclosed as Contingent liability.</p> |
| S. No | AY | TDS/ Income Tax | Date of Demand Notice | Date of service of demand notice | Demand Amount | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 2015-16 | TDS | 10-02-2022 | 21-03-2022 | 4,85,129 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 2015-16 | TDS | 17-03-2020 | 19-03-2020 | 2,79,27,703 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | 2015-16 | Income Tax | 28-12-2017 | 03-01-2018 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | 2016-17 | TDS | 17-03-2020 | 19-03-2020 | 4,31,39,528 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | 2017-18 | TDS | 17-03-2020 | 19-03-2020 | 6,22,86,454 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | 2017-18 | Income Tax | 27-12-2019 | 27-12-2019 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | 2018-19 | TDS | 17-03-2020 | 19-03-2020 | 18,45,77,891 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8 | 2018-19 | Income Tax | 12-07-2021 | 12-07-2021 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9 | 2019-20 | TDS | 17-03-2020 | 19-03-2020 | 32,37,74,500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Total | | | 64,21,91,205* | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>* Interest u/s 220(2) on the above demand as on 31st March, 2022 will be ₹ 160.43 million.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



| | |
|---|---|
| <p>(viii) There were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).</p> <p>However, prior period expenses to the tune of Rs. 71.45 million has been booked in current year. <i>(Refer note no. 28 to notes to accounts).</i></p> | <p>This is due to account of rental expenses payable to Airport Authority of India pertaining to earlier years</p> |
| <p>(ix) (a) The Company has not taken any loans or other borrowings from any lender. Hence reporting under clause 3(ix)(a) of the Order is not applicable.</p> <p>(b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.</p> <p>(c) The Company has not taken any term loan during the year and there are no outstanding term loans at the beginning of the year and hence, reporting under clause 3(ix)(c) of the Order is not applicable.</p> <p>(d) On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.</p> <p>(e) Company does not have any subsidiary, reporting under clause 3(ix)(e) of the Order is not applicable.</p> <p>(f) The Company has not raised any loans during the year and hence reporting on clause 3(ix)(f) of the Order is not applicable.</p> | <p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p> |
| <p>(x) (a) No moneys has been raised by way of initial public offer or further public offer (including debt instruments) during the year by the Company. Accordingly, the provisions of clause 3(x) (a) of the order is not applicable to the Company.</p> <p>(b) The company has made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year. Accordingly, the provisions of clause 3(x) (b) of the order is not applicable to the Company.</p> | <p>This is a statement of fact</p> <p>This is a statement of fact</p> |
| <p>(xi) (a) Based on 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 has been noticed or reported during the year. Accordingly, the provisions of clause 3(xi) (a) of the order is not applicable to the Company.</p> <p>(b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by cost auditor/ secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.</p> <p>(c) We have taken into consideration the whistle blower complaints received by the Company during the year while determining the nature, timing and extent of audit procedures.</p> | <p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p> |
| <p>(xii) The Company is not a nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(a),(b) and (c) of the Order is not applicable to the Company.</p> | <p>This is a statement of fact</p> |



| | |
|---|---|
| <p>(xiii) Transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.</p> | <p>This is a statement of fact</p> |
| <p>(xiv)(a) Company does not have an internal audit system commensurate with the size and nature of its business.</p> <p>(b) The internal audit reports for the period under audit were considered by the us. Compliance of the internal audit reports was pending till the finalization of audit reports and hence any consequential impact, if any, on the financial statements has not been given.</p> | <p>Required actions for ensuring compliances on internal audit findings will be regularly taken up henceforth.</p> |
| <p>(xv) The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.</p> | <p>This is a statement of fact</p> |
| <p>(xvi)(a) The provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause 3(xvi)(a) of the Order is not applicable to the Company.</p> <p>(b) The Company has not conducted any Non-Banking Financial or Housing Finance activities without obtaining a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.</p> <p>(c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi)(c) of the Order is not applicable to the Company.</p> <p>(d) As represented by the management, the Group does not have more than one Core Investment Company (CIC) as part of the Group as per the definition of Group contained in the Core Investment Companies (Reserve Bank) Directions, 2016.</p> | <p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p> <p>This is a statement of fact</p> |
| <p>(xvii) The Company has not incurred cash losses in the current year and in the immediately preceding financial year.</p> | <p>This is a statement of fact</p> |
| <p>(xviii) There has been no resignation of the statutory auditors during the year and accordingly requirement to report on Clause 3(xviii) of the Order is not applicable to the Company.</p> | <p>This is a statement of fact</p> |
| <p>(xix) On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.</p> | <p>This is a statement of fact</p> |



| | |
|--|---|
| <p>(xx) (a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub section (5) of section 135 of the Act.</p> | <p>This is a statement of fact</p> |
| <p>(b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section (6) of section 135 of Companies Act.</p> | <p>This is a statement of fact</p> |
| <p>(xxi) The Company is not required to prepare consolidated financial statements. Accordingly, requirement to report on Clause 3(xx) of the Order is not applicable to the Company.</p> | <p>This is a statement of fact</p> |
| <p>Audit Observation</p> | |
| <p>Annexure - B to the Independent Auditor's Report</p> | |
| <p>Inherent Limitations of Internal Financial Controls over Financial Reporting</p> | |
| <p>Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.</p> | |
| <p>According to the information and explanations given to us and based on our audit, the following weaknesses have been identified as at March 31, 2022:</p> | |
| <p>i) The Company did not have an effective internal control system regarding statutory dues for deduction, timely deposition & filing of returns.</p> | <p>i) Additional efforts are being made to streamline the system of payment of all statutory dues. Delay in payment and filing of returns in the past have been mainly because of shortage of funds as well as manpower.</p> |
| <p>ii) The Company did not have an effective system for timely accounting of entries, to prevent duplicate accounting entry and maker checker processes.</p> | <p>ii) Suitable actions for improvements in maker checker process are in progress.</p> |
| <p>iii) In SAP most of the entries has no supporting to check the validity of entry. Expenses borne by other group companies and then reimbursed by the Company had no supporting s at all.</p> | <p>iii) Earlier Air India used to transfer expenses through inter-company transfers as the contracts were finalized by AIL only. With the disinvestment of Air India, such arrangements have ceased and all expenses are directly accounted by AIESL itself and no inter-company transfer entries are made now.</p> |



| | |
|---|--|
| <p>iv) The Company did not have effective system of reconciliation of balance with other parties.</p> <p>v) The Company has internal audit in place. Compliance of internal audit report is still pending and hence we are unable to comment on any consequential effect in the books. We suggest that internal audit reports along with compliance may be placed before Audit Committee of Board.</p> | <p>iv) Action for reconciliation with the both customers and vendors are in progress. Suitable action for further confirmation of balances is underway during the current year.</p> <p>v) The system for reporting internal audit findings along with compliances is already in vogue. Required actions for ensuring compliances on internal audit findings will be regularly taken up henceforth.</p> |
| <p>MATERIAL WEAKNESS</p> <p>A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.</p> | <p>This is a statement of fact.</p> |
| <p>OPINION</p> <p>In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2022 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.</p> <p>We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of March 31st, 2022 standalone financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone financial statements of the Company.</p> | <p>This is a statement of fact.</p> |



BALANCE SHEET AS AT 31ST MARCH 2022

(₹ in million)

| Particulars | Note No. | As at March 31, 2022 | As at March 31, 2021 (Restated)* |
|--------------------------------------|----------|-------------------------|--|
| ASSETS : | | | |
| 1) Non-current Assets | | | |
| (i) Property, Plant & Equipment | 2 | 5,887.08 | 487.96 |
| (ii) Capital Work-in-Progress | 2 | 1,134.69 | 109.53 |
| (iii) Financial Assets: | | | |
| a) Others Financial Assets | 3 | 0.06 | 0.06 |
| iv) Deferred tax assets (net) | 4 | 3,202.87 | - |
| v) Income Tax Assets | 10 | - | - |
| | | 10,224.70 | 597.55 |
| 2) Current Assets | | | |
| i) Inventories | 5 | 684.54 | 828.24 |
| ii) Financial Assets: | | | |
| a) Trade Receivables | 6 | 5,534.49 | 12,799.78 |
| b) Cash and Cash Equivalents | 7 | 2,569.40 | 4.83 |
| c) Bank Balance other than (b) above | 8 | 1.00 | 33.75 |
| d) Others Financial Assets | 9 | 8.37 | 3.91 |
| iii) Current Tax Assets | 10 | 1,085.04 | 780.72 |
| iv) Other Current Assets | 11 | 160.67 | 188.07 |
| | | 10,043.51 | 14,639.30 |
| TOTAL | | 20,268.21 | 15,236.85 |
| EQUITY AND LIABILITIES : | | | |
| 1 Equity | | | |
| i) Equity Share Capital | 12 | 1,666.67 | 1,666.67 |
| ii) Other Equity | 13 | -15,481.79 | -23,921.58 |
| | | -13,815.12 | -22,254.92 |
| 2 Liabilities: | | | |
| Non Current Liabilities | | | |
| i) Financial Liabilities | | | |
| a) Borrowings | | - | - |
| b) Trade Payables | | - | - |
| c) Other Financial Liabilities | 16 | 21,582.90 | - |
| ii) Non-Current Provisions | 14 | 6,415.01 | 6,645.63 |
| iii) Other Liabilities | | - | - |
| | | 27,997.91 | 6,645.63 |
| Current Liabilities | | | |
| i) Financial Liabilities | | | |
| a) Trade Payables | | | |
| - MSME | 15 | 35.84 | 36.23 |
| - Other than MSME | 15 | 4,044.71 | 6,094.44 |
| b) Other Financials Liability | 16 | 613.51 | 19,340.82 |
| ii) Current Provisions | 17 | 1,369.11 | 2,668.03 |
| iii) Other Current Liabilities | 18 | 22.26 | 2,706.62 |
| | | 6,085.42 | 30,846.14 |
| TOTAL | | 20,268.21 | 15,236.85 |

Significant Accounting Policies and

1

Notes forming part of the Financial Statement

2-51

The accompanying notes are an integral part of the Financial Statements

*Refer note 28 for details regarding the restatement as a result of error or omission

For and on Behalf of

For and on behalf of the Board of Directors

Prakash Chandra Jain & Co.
Chartered Accountants
FRN : 002438C

Sd/-
Vikram Dev Dutt
Chairman
DIN 02055541

Sd/-
Vimlendra A. Patwardhan
Director
DIN 08701559

Sd/-
Pratibha Sharma
Partner
M.No. : 400755
UDIN : 22400755BAKAUC1412

Sd/-
Sharad Agarwal
Chief Executive Officer

Sd/-
Rakesh Kumar Jain
Chief Financial Officer

Sd/-
Sakshi Mehta
Company Secretary

Place : New Delhi
Date : 20th October, 2022



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2022

(₹ in million except EPS)

| Particulars | Note No. | 2021-22 | 2020-21 (Restated)* |
|---|----------|------------------|------------------------|
| Income | | | |
| I Revenue from Operations | 19 | 18,819.09 | 11,600.19 |
| II Other Income | 20 | 246.13 | 255.24 |
| III Total Income (I+II) | | 19,065.21 | 11,855.43 |
| IV Expenses | | | |
| Employee Benefit Expenses | 21 | 6,013.70 | 6,911.07 |
| Finance Costs | 22 | 1,525.23 | 1,561.59 |
| Depreciation and Amortization Expense | 23 | 606.42 | 115.20 |
| Other Expenses | 24 | 5,167.03 | 3,434.84 |
| Total Expenditure | | 13,312.39 | 12,022.69 |
| Total Expenditure After Prior Period Adj | | 13,312.39 | 12,022.69 |
| V Profit/ (Loss) before Exceptional Items and Tax (III-IV) | | 5,752.82 | -167.27 |
| VI Exceptional Items | 45 | - | - |
| VII Profit/ (Loss) before Extraordinary Items and Tax (V+VI) | | 5,752.82 | -167.27 |
| VIII Tax Expenses : | | | |
| i) Current Tax | | 584.52 | - |
| ii) Minimum alternate tax credit entitlement | | 583.16 | - |
| iii) Deferred Tax Income | | 2,619.71 | - |
| IX Profit/ (Loss) after Tax for the period | | 8,371.17 | -167.27 |
| X Other Comprehensive Income | | | |
| Actuarial Gain/(Loss) on Defined benefit obligation | | 68.62 | 215.21 |
| Total Comprehensive Income | | 8,439.79 | 47.94 |
| XI Earning per Share of Rs. 10 each | | | |
| Basic | 25 | 50.23 | -1.00 |
| Diluted | 25 | 50.23 | -1.00 |

Significant Accounting Policies

1

Notes forming part of the Financial Statement

2-51

*Refer note 28 for details regarding the restatement as a result of error or omission

For and on Behalf of

For and on behalf of the Board of Directors

Prakash Chandra Jain & Co.
Chartered Accountants
FRN : 002438C

Sd/-
Vikram Dev Dutt
Chairman
DIN 02055541

Sd/-
Vimlendra A. Patwardhan
Director
DIN 08701559

Sd/-
Pratibha Sharma
Partner
M.No. : 400755
UDIN : 22400755BAKAUC1412

Sd/-
Sharad Agarwal
Chief Executive Officer

Sd/-
Rakesh Kumar Jain
Chief Financial Officer

Sd/-
Sakshi Mehta
Company Secretary

Place : New Delhi

Date : 20th October, 2022



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2022

(₹ in million)

| | As at March 31, 2022 | | As at March 31, 2021 | |
|---|----------------------|------------------|----------------------|------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net (Loss) / Profit Before Taxes and Exceptional Items: | | 5,752.82 | | -167.27 |
| <u>Adjustment for :</u> | | | | |
| Depreciation and amortisation expenses | 606.42 | - | 115.20 | |
| (Loss) / Profit from sale of Property Plant & Equipments (Net) | - | | 0.02 | |
| Interest on Call & Fixed Deposit | -4.09 | | -1.97 | |
| Interest Expense | 1,525.23 | | 1,561.59 | |
| Prov. For Expected Credit Loss | 10.70 | | 98.46 | |
| Provision for Bad & Doubtful Advances | 24.54 | | - | |
| Provision no Longer Required | 27.01 | | - | |
| Net unrealised exchange gain | 36.52 | | 19.50 | |
| Remeasurement of employee benefits obligations | 68.62 | | 215.21 | |
| Other Adjustments | 0.06 | 2,295.02 | - | 2,008.00 |
| Operating (Loss) / Profit Before Working Capital Changes | | 8,047.84 | | 1,840.73 |
| <u>Change in Assets & Liabilities</u> | | - | | |
| Trade and Other Receivables | 7,218.07 | | 14,037.23 | |
| Trade and Other Payables | -2,050.13 | | -1,440.67 | |
| Other Financial Assets & Other Assets | -441.00 | | 326.28 | |
| Other Financial Liabilities & Other Liabilities | -1,358.30 | 3,368.64 | -13,162.55 | -239.72 |
| Cash flow from operations | | 11,416.48 | | 1,601.02 |
| Income Tax (Paid)\Refund | | -300.00 | | - |
| Net Cash Flow (used in)/ from Operating Activities | | 11,116.48 | | 1,601.02 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Acquisition of fixed assets | -7,030.77 | | -118.85 | |
| Sale of Property Plant & Equipments (Net) | - | | - | |
| Interest Income | 4.09 | -7,026.68 | 1.97 | -116.87 |
| Net Cash Flow used in Investing Activities | | -7,026.68 | | -116.87 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Interest Expense | -1,525.23 | | -1,561.59 | |
| Net Cash Flow from/(used in) Financing Activities | | -1,525.23 | | -1,561.59 |
| Net increase/ (Decrease) in Cash and Cash equivalents | | 2,564.57 | | -77.44 |
| Cash and Cash equivalents (Opening balance) | | 4.83 | | 82.28 |
| Cash and Cash equivalents (Closing balance) | | 2,569.40 | | 4.83 |
| Component of Cash and Cash Equivalents | | | | |
| Cash on hand | 0.36 | | 0.17 | |
| Balance in Current Account | 1,244.08 | | 4.60 | |
| Other Deposit Account | 1,324.97 | | - | |
| Draft/Chq. In Hand | - | 2,569.40 | 0.06 | 4.83 |

The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard 7 (IndAS-7) on "Cash Flow Statements", and present cash flows by operating, investing and financing activities.

As per our report of even date attached

For and on Behalf of

Prakash Chandra Jain & Co.
Chartered Accountants
FRN : 002438C

Sd/-
Vikram Dev Dutt
Chairman
DIN 02055541

Sd/-
Pratibha Sharma
Partner
M.No. : 400755
UDIN : 22400755BAKAUC1412

Sd/-
Sharad Agarwal
Chief Executive Officer

Sd/-
Rakesh Kumar Jain
Chief Financial Officer

For and on behalf of the Board of Directors

Sd/-
Vimlendra A. Patwardhan
Director
DIN 08701559

Sd/-
Sakshi Mehta
Company Secretary

Place : New Delhi

Date : 20th October, 2022



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st MARCH, 2022

| A. Equity Share Capital | As at 31.03.2022 | | As at 31.03.2021 | |
|---|-------------------------|-----------------|-------------------------|-----------------|
| | No. of Share in million | ₹ in million | No. of Share in million | ₹ in million |
| Balance at the beginning of the reporting period | 166.67 | 1,666.67 | 166.67 | 1,666.67 |
| Changes in equity share capital due to prior period errors | - | - | - | - |
| Restated balance at the beginning of the current reporting period | 166.67 | 1,666.67 | 166.67 | 1,666.67 |
| Changes in equity share capital during the year | | | | |
| Add: Equity Shares allotted during the year | - | - | - | - |
| Less: Buybacks | - | - | - | - |
| Balance at the end of reporting period | 166.67 | 1,666.67 | 166.67 | 1,666.67 |

(₹ in million)

| Particulars | Other Equity (Restated) | | Total equity attributable to equity Holders of the company |
|---|-------------------------|--|--|
| | Reserves and Surplus | Other comprehensive income - Reserve | |
| | Retained Earnings | Remeasurement of defined benefit plans | |
| Opening Balance as at 1 April 2020 | -23,969.52 | - | -23,969.52 |
| Effect of Deferred Tax Asset of earlier years | - | - | - |
| Profit/(Loss) for the period | -95.82 | - | -95.82 |
| Add/Less: Prior Period Adjustments (net) | -71.45 | - | -71.45 |
| Other Comprehensive Income/(loss) | - | 215.21 | 215.21 |
| Balance as at 31 March 2021 | -24,136.79 | 215.21 | -23,921.58 |
| Opening Balance as at 1 April 2021 | -23,921.58 | - | -23,921.58 |
| Effect of Deferred Tax Asset of earlier years | - | - | - |
| Profit/(Loss) for the period | 8,371.17 | - | 8,371.17 |
| Add/Less: Prior Period Adjustments | - | - | - |
| Other Comprehensive Income/(loss) | - | 68.62 | 68.62 |
| Balance as at 31 March 2022 | -15,550.41 | 68.62 | -15,481.79 |

For and on Behalf of

Prakash Chandra Jain & Co.
Chartered Accountants
FRN : 002438C

Sd/-
Vikram Dev Dutt
Chairman
DIN 02055541

For and on behalf of the Board of Directors

Sd/-
Vimlendra A. Patwardhan
Director
DIN 08701559

Sd/-
Pratibha Sharma
Partner
M.No. : 400755
UDIN : 22400755BAKAUC1412

Sd/-
Sharad Agarwal
Chief Executive Officer

Sd/-
Rakesh Kumar Jain
Chief Financial Officer

Sd/-
Sakshi Mehta
Company Secretary

Place : New Delhi
Date : 20th October, 2022



Notes forming part of the financial statements as at and for the year ended March 31, 2022

NOTE “1”

A. CORPORATE INFORMATION

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

The Standalone Financial Statements for the year ended 31st March, 2022 have been approved by the Board of directors of the Company in their meeting held on 20th October, 2022.

B. ACCOUNTING CONVENTION

The Company has prepared these Financial Statements which comprise the Balance Sheet as at March 31, 2022, the Statement of Profit and Loss, the Statement of Cash Flows and the Statement of Changes in Equity for the year ended as on that date, and accounting policies and other explanatory information (together hereinafter referred to as “Financial Statements”).

i. Statement of Compliance and basis of preparation and presentation:

The Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter, under the historical cost convention except for certain financial instruments measured at fair values at the end of each reporting year, as explained in the accounting policies below. Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

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

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind



AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 or value in use in Ind AS 36.

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

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

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

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

ii. **Functional Currency**

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

iii. **Current and non-current classification**

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

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

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

- It is expected to be realized in the Company’s normal operating cycle. It is held primarily for the purpose of providing services;
- It is expected to be realized within 12 months after the reporting date; or



- It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as non-current.

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

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

All other liabilities are classified as non-current.

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

iv. **Standards issued but not yet effective:**

The Ministry of Corporate Affairs (MCA) notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022. The effective date for adoption of under mentioned amendments are applicable for annual periods beginning on or after April 1, 2022, although early adoption is permitted. The Group has evaluated the amendment and the impact is not expected to be material.

a. **Ind AS 16, Property Plant and equipment :**

The amendment clarifies that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognized in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment.

b. **Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets:**

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

c. **Ind AS - 103 Business Combination :**

The amendment specifies that for identified assets and liabilities to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired, and liabilities assumed must meet the definitions of assets and liabilities in the



Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date.

d. Ind AS 109 - Financial instruments :

The amendment clarifies while performing the '10 percent test' for de-recognition of financial liabilities, borrower includes only fees paid or received between borrower and lender directly or on behalf of the other's behalf.

- e. Ind AS 116-Annual Improvement to Ind AS-** The amendment removes the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration.

v. Critical accounting estimates / judgments:

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

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

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

- a) Impairment of Assets
- b) Measurement of useful life and residual values of property, plant and equipment and the assessment as to which components of the cost may be capitalized
- c) Basis of classification of a Property as Investment Property
- d) Basis of classification of Non-Current Assets held for sale
- e) Estimation of Costs of Re-delivery
- f) Recognition of Deferred Tax Assets
- g) Recognition and measurement of defined benefit obligations
- h) Judgment required to ascertain lease classification
- i) Measurement of Fair Values and Expected Credit Loss (ECL)
- j) Judgment is required to ascertain whether it is probable or not that an outflow of resources embodying economic benefits will be required to settle the taxation disputes and legal claim.

C. SIGNIFICANT ACCOUNTING POLICIES

1. PROPERTY PLANT & EQUIPMENT

- a. Property Plant and Equipment are stated at cost including incidental costs incurred



pertaining to the acquisition and bringing them to the location for use and interest on loans borrowed where applicable, upto the date of putting the concerned asset to use.

b. **Physical Verification of Assets**

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

(in years)

| Asset | Useful life as per Companies Act, 2013 |
|------------------------------------|---|
| office equipment | 5 |
| Ramp equipments | 15 |
| Furniture & fixtures | 10 |
| Electrical fittings | 10 |
| Computers | 3 |
| Workshop equipments & instrucments | 10 |
| Plant & machinery | 15 |
| Vehicles | 8 |

2. **DEPRECIATION / AMORTIZATION**

- i. Depreciation is provided on all assets on straight-line method over the useful life of assets as provided in Part C of Schedule II of the Companies Act 2013, keeping a residual value of 5% of the original cost.
- ii. Depreciation on addition to assets provided for the full year of acquisition and no depreciation is provided in the year of disposal.
- iii. Intangible asset which have a definite useful economic life are amortized over the estimated useful life. Intangible Assets which have an indefinite useful life are tested for impairment.

3. **Leases**

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



As a lessee:

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

- i. the contract involves the use of an identified asset,
- ii. the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
- iii. the Company has the right to direct the use of the asset.

For the short-term, low-value leases and the lease contracts in which the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

As a Lessor:

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

4. REVENUE RECOGNITION

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

- ii. Revenue from Operations

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

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

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

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



- iv. Gain or loss arising out of sale/scrap of PPE over the net depreciated value is taken to Statement of Profit & Loss as Non-Operating Revenue or Other Expenses.
- v. Income from Interest is recognized using the effective interest method on a time proportion basis. Income from Rentals is recognized on a time proportion basis.
- vi. The claims receivable from Insurance Company are accounted for on the acceptance by the Insurance Company of such claims.
- vii. Warranty claims/credit notes received from vendors are recognized on acceptance of claim/receipt of credit note.

5. INVENTORIES

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

6. EMPLOYEE BENEFITS

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

b) **Post-employment benefits:**

Defined Contribution Plans consists of contribution to Employees Provident Fund. The Company has Employees Provident Fund Trusts under the Provident Fund Act, 1925 for Permanent employees till 1st December' 2021. After that, trust has been dissolved and amount had been transferred to EPFO under Employees' Provident Fund Scheme, 1952. As regards Fixed Term Contract (FTC) employees, Provident Fund (PF) dues are deposited with the office of Employees' Provident Fund Organization (EPFO) by the Company. There had been a Supreme Court (SC) judgment dated February 28, 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the EPF Act. There are interpretative aspects related to the Judgment including the effective date of application. In the view of the management, the contribution for PF is to be calculated as per Employee's Provident Funds and Miscellaneous Provisions Act, 1952. Employees' State Insurance Corporation (ESIC) dues are regularly deposited with government authorities. The company's payment to defined contribution plans are recognized as an expense during the period in which the employees perform the services that the payment covers.

ESI dues are regularly deposited with government authorities.

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



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

For the medical benefits of all the eligible and permanent retired/retiring employees (transferred from the then AIL to the company), Govt. has approved dated 16th February 2022 a scheme under which all such employees shall subscribe to become member of CGHS Facilities through AIAHL (Parent company) and related expenditure for this scheme will be borne by the Govt. of India to AIAHL out of budgetary support.

7. IMPAIRMENT OF ASSETS

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

- a) the provision for impairment loss, if any; and
- b) the reversal of impairment loss recognized in previous periods, if any,

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

8. TAXES ON INCOME

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

i. Current Tax

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

ii. Deferred tax

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as a deferred tax asset if there is convincing evidence that the Company will pay normal



income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company and the said asset is created by way of credit to the statement of profit and loss and shown as 'MAT credit entitlement'.

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

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

The Deferred tax assets are recognized and carried forward to the extent that there is a virtual certainty based on operational and financial restructuring, revenue generation and cost reduction program of the company that the assets will be realized in the future.

Current and deferred tax for the year

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

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

9. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

- a) Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation (legal or constructive) as a result of past events and it is probable that there will be an outflow of resources. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. The expense relating to a provision is presented in the statement of profit and loss
- b) The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).



- c) When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.
- d) Contingent liabilities are disclosed by way of a note in respect of possible obligations that may arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.
- e) Contingent assets are possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent asset is disclosed, when an inflow of economic benefits is probable.

Onerous contracts

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

10. EARNING PER SHARE

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

11. FINANCIAL INSTRUMENTS

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

A. Financial Assets

(i) Classification

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

(ii) Initial recognition and measurement

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



(iii) Subsequent measurement

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

- (a) **Financial assets carried at amortized cost:** A financial asset other than derivatives and specific investments, is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- (b) **Financial assets at fair value through other comprehensive income:** A financial asset comprising specific investment is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.
- (c) **Financial assets at fair value through Statement of Profit and Loss:** A financial asset comprising derivatives which is not classified in any of the above categories is subsequently fair valued through profit or loss.

(iv) De-recognition

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

(v) Impairment of other financial assets

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

(vi) Write-off

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

B. Financial Liabilities

(i) Initial recognition and measurement

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



financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

(ii) Classification

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

(iii) Subsequent measurement

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

a) Financial liabilities at amortized cost:

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

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

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

(iv) De-recognition

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

(v) Offsetting of financial instruments

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

12. BORROWING COST

- i. Borrowing cost that are directly attributable to acquisition, construction of qualifying assets including capital work-in-progress are capitalized, as part of the cost of assets, up to the date of commencement of commercial use of the assets.
- ii. Interest incurred on borrowed funds or other temporary borrowings in anticipation of the receipt of long term borrowings that are used for acquisition of qualifying assets exceeding the value of Rs.10.0 million is capitalized at the weighted average borrowing rate on loans outstanding at the time of acquisition.



13. CASH AND CASH EQUIVALENTS

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

14. FOREIGN CURRENCY MONETARY ITEM

- i. Foreign currency Revenue and Expenditure transactions relating to Foreign Stations are recorded at established monthly rates (based on published IATA rates).
- ii. Foreign currency monetary items are translated using the exchange rate circulated by Foreign Exchange Dealers Association of India (FEDAI). Gains/ (losses) arising on account of realization/settlement of foreign exchange transactions and on translation of monetary foreign currency assets and liabilities are recognized in the Statement of Profit and Loss.

15. CONTRACT BALANCES:

i) Contract assets

A contract asset is the right to consideration in exchange for services rendered to the customer. If the company performs by rendering of services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration including Trade receivables

ii) Contract Liabilities

A contract liability is the obligation to render services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company render services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the company performs under the contract including advance received from customer

iii) Refund Liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities at the end of each reporting period

16. THRESHOLD LIMIT

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

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



NOTE “2” : PROPERTY, PLANT AND EQUIPMENT

(₹ in million)

| Sr. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION | | | | NET BLOCK | |
|--------------------------|----------------------------------|----------------------|-----------------|-------------------|-------------------------|----------------------|----------------------|---------------|-------------------------|-----------------|-----------------|----------------|
| | | As at April 01, 2021 | Additions | Other Adjustments | Disposals / Adjustments | As at March 31, 2022 | As at April 01, 2021 | For the year | Deductions/ Adjustments | Total Upto | As at | As at |
| | | | | | | | | | | March 31, 2022 | March 31, 2022 | March 31, 2021 |
| TANGIBLE ASSETS : | | | | | | | | | | | | |
| a) | Land | - | 180.00 | - | - | 180.00 | - | - | - | - | 180.00 | - |
| b) | Buildings | 10.42 | 2,644.31 | - | - | 2,654.73 | 5.12 | 103.51 | - | 108.62 | 2,546.11 | 5.30 |
| c) | Plant & Equipment | | | | | | | | | | | |
| | Workshop Equipment, Instruments, | 1,435.79 | 1,044.51 | - | 1.17 | 2,479.13 | 1,015.95 | 242.31 | 1.11 | 1,257.15 | 1,221.98 | 419.85 |
| | Machinery and Plants | 92.72 | 1,858.95 | - | - | 1,951.68 | 49.48 | 190.78 | - | 240.26 | 1,711.42 | 43.24 |
| | GH & Ramp Equipment | - | 0.86 | - | - | 0.86 | - | 0.18 | - | 0.18 | 0.68 | - |
| d) | Furniture & Fixtures | 11.62 | 48.90 | - | - | 60.52 | 4.53 | 11.01 | - | 15.54 | 44.98 | 7.10 |
| e) | Electrical Fittings | 0.80 | 217.99 | - | - | 218.79 | 0.19 | 51.43 | - | 51.62 | 167.17 | 0.61 |
| f) | Computer System | 10.03 | 4.19 | - | - | 14.22 | 6.76 | 2.79 | - | 9.55 | 4.67 | 3.28 |
| g) | Vehicles | 7.65 | 3.16 | - | - | 10.81 | 3.60 | 1.92 | - | 5.51 | 5.30 | 4.06 |
| h) | Office Equipment | 12.95 | 2.74 | - | - | 15.68 | 8.43 | 2.49 | - | 10.92 | 4.76 | 4.52 |
| | TOTAL FOR TANGIBLE ASSETS | 1,581.99 | 6,005.60 | - | 1.17 | 7,586.42 | 1,094.03 | 606.42 | 1.11 | 1,699.35 | 5,887.08 | 487.96 |
| | Capital Work-in-Progress | 109.53 | 1,134.69 | 109.53 | - | 1,134.69 | - | - | - | - | 1,134.69 | 109.53 |
| | Total Capital Work-in-Progress | 109.53 | 1,134.69 | 109.53 | - | 1,134.69 | - | - | - | - | 1,134.69 | 109.53 |
| | Grand Total | 1,691.52 | 7,140.29 | 109.53 | 1.17 | 8,721.11 | 1,094.03 | 606.42 | 1.11 | 1,699.35 | 7,021.77 | - |
| | PREVIOUS YEAR | 1,682.22 | 9.32 | - | 0.02 | 1,691.52 | 978.84 | 115.20 | - | 1,094.03 | 597.48 | 703.38 |

NOTE “2.1”

The above Property, Plant and Equipment includes assets of MRO Nagpur, which includes Airframe maintenance facility, Engine Test facility for GE / GENx engines, lease hold land and under construction Engine workshop amounts to Rs 6,740.0 million (PY: Rs Nil) [including Engine Workshop CWIP amounting to Rs 1,134.7 million (PY: Rs Nil)], which has been book transferred from the then holding company (Air India Limited) to the company at book value as on 31st March, 2021 without any physical handover-takeover. In line with the MoCA direction and strategic disinvestment of the then Air India Limited, the BoD in 64th Board meeting dated 7th December, 2020 agreed to take over Nagpur MRO from AI. Accordingly, necessary application to the Development Commissioner of MIHAN SEZ Unit and Chairman of Maharashtra Airport Development Company Ltd. (MADCL), Nagpur had been made for the transfer of Nagpur MRO to AIESL. The Company has received approval for change of entrepreneur from Air India to AIESL on 8th April, 2021 and is in the process of executing the documents / agreements.

NOTE “2.2”

The above Property, Plant and Equipment includes building Jet 9D Test House which has been transferred from the then Air India Limited to the company as on 1st April, 2019. The building has been constructed by the then Air India Limited and book transfer to the company at carrying value of Rs. 10.42 million.

NOTE “3” : Other Non Current Financial Asset

(₹ in million)

| Particulars | As at March 31st, 2022 | As at March 31st, 2021 |
|---|------------------------|------------------------|
| Bank Deposits - (With more than 12 Months maturity) | 0.06 | 0.06 |
| TOTAL | 0.06 | 0.06 |


NOTE “4” : Deferred tax assets (net)
(₹ in million)

| Particulars | As at March 31st, 2022 | As at March 31st, 2021 |
|---|---------------------------|---------------------------|
| Deferred tax liabilities on account of (DTL) | | |
| Depreciation | 26.46 | - |
| Total deferred tax liability | 26.46 | - |
| Deferred tax asset on account of (DTA) | | |
| Provision for doubtful advances | 8.57 | - |
| Provision for expected credit loss | 195.66 | - |
| Unabsorbed depreciation & losses | 826.31 | - |
| MAT Credit Assets | 583.16 | - |
| Provision for employee benefits | 1,615.64 | - |
| Total deferred tax asset | 3,229.33 | - |
| Net deferred tax asset | 3,202.87 | - |

NOTE “5” : INVENTORY
(₹ in million)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|-------------------------------------|----------------------|----------------------|
| Stores and Spare Parts | 17.51 | 18.53 |
| Loose Tools | 496.59 | 492.39 |
| Fuel, Gas, Coal, Oil and lubricants | 0.65 | 1.19 |
| Non-Aircraft Inventory | 6.38 | 6.38 |
| Other Inventory | 163.41 | 309.75 |
| Total | 684.54 | 828.24 |

NOTE “6” : TRADE RECEIVABLES
(₹ in million)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|--|----------------------|----------------------|
| Secured, Considered Good | - | - |
| Unsecured, Considered Good | 5,534.49 | 12,799.78 |
| Trade Receivables having significant increase in Credit Risk | 559.91 | 549.21 |
| Trade Receivables - Credit Impaired | - | - |
| | 6,094.40 | 13,348.99 |
| Less : Allowance for Doubtful | 559.91 | 549.21 |
| Total | 5,534.49 | 12,799.78 |

Trade receivable ageing schedule
(₹ in million)

| As at March 31, 2022 Particulars | Unbilled Dues | Outstanding for the following period from due date of payment | | | | | Total |
|--|------------------|---|---------------------|---------------|---------------|----------------------|-----------------|
| | | Less than 6 month | 6 month - 1 year | 1 -2 years | 2-3 years | More than 3 years | |
| Undisputed trade receivable - considered good | 2,732.54 | 861.32 | 1,305.31 | 42.84 | 239.89 | 352.59 | 5,534.49 |
| Undisputed trade receivable - which have significant increase in credit risk | - | - | - | 5.88 | 261.23 | 292.80 | 559.91 |
| Undisputed trade receivable - credit impaired | - | - | - | - | - | - | - |
| Disputed trade receivable - considered good | - | - | - | - | - | - | - |
| Disputed trade receivable - which have significant increase in credit risk | - | - | - | - | - | - | - |
| Disputed trade receivable - credit impaired | - | - | - | - | - | - | - |
| Net trade receivables | 2,732.54 | 861.32 | 1,305.31 | 48.72 | 501.12 | 645.40 | 6,094.40 |



(₹ in million)

| As at March 31, 2021 Particulars | Unbilled Dues | Outstanding for the following period from due date of payment | | | | | Total |
|--|------------------|---|---------------------|---------------|---------------|----------------------|------------------|
| | | Less than 6 month | 6 month - 1 year | 1 -2 years | 2-3 years | More than 3 years | |
| Undisputed trade receivable - considered good | 3,652.88 | 6,254.94 | 2,163.40 | 330.35 | 169.52 | 228.69 | 12,799.78 |
| Undisputed trade receivable - which have significant increase in credit risk | - | 0.01 | 0.12 | 286.36 | 116.32 | 146.39 | 549.21 |
| Undisputed trade receivable - credit impaired | | | | | | | |
| Disputed trade receivable - considered good | | | | | | | |
| Disputed trade receivable - which have significant increase in credit risk | | | | | | | |
| Disputed trade receivable - credit impaired | | | | | | | |
| Net trade receivables | 3,652.88 | 6,254.95 | 2,163.52 | 616.70 | 285.84 | 375.08 | 13,348.99 |

- The credit period on sales of services ranges from 30 to 60 days with or without security.
- The company does not generally hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the company to the counterparty.
- Trade receivables from related parties' details has been described in note 38.A.VII
- Trade receivables does not include any receivables from directors and officers of the company.
- Trade receivables does not include any amount of receivables from struck off companies.

NOTE "7" : CASH AND CASH EQUIVALENTS

(₹ in million)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|--|-------------------------|-------------------------|
| Balances with Banks | | |
| a) In Current Accounts | 1,244.08 | 4.60 |
| b) In Deposit Accounts (Maturity less than 3 months) | 1,324.97 | - |
| c) Cash in Hand | 0.36 | 0.17 |
| Cheques, Drafts on Hand | - | 0.06 |
| TOTAL | 2,569.40 | 4.83 |

NOTE "8" : Bank Balances other than (b) above

(₹ in million)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|--|-------------------------|-------------------------|
| Balance with Banks | | |
| In Margin Money Deposits (3 < Maturity < 12) | 1.00 | 33.75 |
| TOTAL | 1.00 | 33.75 |

NOTE "9" : Others Financial Assets

(₹ in million)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|-------------------------|-------------------------|
| Advances | | |
| Secured - Considered Good | - | - |
| Unsecured-Considered Good (Inter Company) | - | - |
| Security Deposits | 8.37 | 3.91 |
| TOTAL | 8.37 | 3.91 |



NOTE “10” : Current Tax Assets

(₹ in million)

| Particulars | As at | |
|--|-----------------|----------------|
| | March 31, 2022 | March 31, 2021 |
| Total Advance payment for Income Tax and TDS | 1,669.56 | 780.72 |
| Less: Provision for Tax | 584.52 | - |
| TOTAL | 1,085.04 | 780.72 |

NOTE “11” : Others-Current Asset

(₹ in million)

| Particulars | As at | |
|--------------------------------------|----------------|----------------|
| | March 31, 2022 | March 31, 2021 |
| Prepaid Expenses | 32.44 | 11.78 |
| Advances Recoverable in Cash or Kind | 122.21 | 172.38 |
| Petty Cash | 0.01 | - |
| GST Interim Bank Account | - | - |
| Interest accrued on investment | 6.01 | 3.91 |
| TOTAL | 160.67 | 188.07 |

NOTE “12” : EQUITY SHARE CAPITAL

| Particulars | As at | | As at | |
|--|-----------------------------|------------------|-----------------------------|------------------|
| | March 31, 2022 | | March 31, 2021 | |
| | Number of shares in million | ₹ in million | Number of shares in million | ₹ in million |
| a) AUTHORISED | | | | |
| 1000,000,000 Equity Shares (Previous Year : 10,000,000) of Rs.10 each | 1,000.00 | 10,000.00 | 1,000.00 | 10,000.00 |
| | 1,000.00 | 10,000.00 | 1,000.00 | 10,000.00 |
| b) ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES | | | | |
| 1666,66,500 Equity Shares of Rs. 10 each | 166.67 | 1,666.67 | 166.67 | 1,666.67 |
| | 166.67 | 1,666.67 | 166.67 | 1,666.67 |

c) Reconciliation of number of shares :

| Particulars | As at | | As at | |
|--|-----------------------------|-----------------|-----------------------------|-----------------|
| | March 31, 2022 | | March 31, 2021 | |
| | Number of shares in million | ₹ in million | Number of shares in million | ₹ in million |
| Equity Shares at the beginning of the year | 166.67 | 1,666.67 | 166.67 | 1,666.67 |
| Add : Equity Shares Allotted during the year | - | - | - | - |
| Equity Shares at the end of the year | 166.67 | 1,666.67 | 166.67 | 1,666.67 |



d) Rights Preferences and restriction attached to equity shares

The company has single class of shares i.e. Equity Shares having a par value of Rs. 10 per share as per. Each holder of equity shares is entitled to one vote per share

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

There were no bonus shares issued and there is an instance of shares being issued for consideration other than cash and no shares have been bought back by the company from incorporation date to the date of Balance Sheet.

e) Details of Shares held by the Holding Company

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|--------------------------------|-----------------------------------|--------------|-----------------------------------|-----------------|
| | Number of shares in million | ₹ in million | Number of shares in million | ₹ in million |
| Shares held by Holding Company | | | | |
| Air India Limited* | 166.67 | 1,666.67 | 166.67 | 1,666.67 |
| AI Assets Holding Limited** | 166.67 | 1,666.67 | - | - |

*upto January 12, 2022

**from January 12, 2022

f) Details of Shareholders holding more than 5%

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|-----------------------------|-----------------------------------|--------------|-----------------------------------|-----------------|
| | Number of shares in million | ₹ in million | Number of shares in million | ₹ in million |
| AI Assets Holding Limited** | 166.67 | 1,666.67 | - | - |
| Air India Limited* | - | - | 166.67 | 1,666.67 |

g) Details of Shares Issued & Allotted as fully paid up pursuant to contract without payment being received in cash

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|--|----------------------------|----------------------------|
| 1666,16,500 Equity Shares of Rs. 10 each were allotted towards theWDV of engineering assets transferred by the Holding Company Air India Limited as on 1st April 2014 towards capital infusion in terms of clause 5 (a) MoU entered between Air India Limited & Air India Engineering Services Limited dated 05th April, 2013) | NIL | NIL |

Share allotted pursuant to contract without payment being received in cash and share bought back during the period of 5 year immediately preceding the reporting date is Nil (Previous Year: Nil).



h) Promoter's shareholding*

| Name of Promoter | As at 31-Mar-22 | | As at 31-Mar-21 | |
|---------------------------|----------------------------------|------|----------------------------------|------|
| | Number of shares held in million | % | Number of shares held in million | % |
| AI Assets Holding Limited | 166.67 | 100% | - | 0% |
| Air India Limited | - | 0% | 166.67 | 100% |

Note:

The number of shares held and percentage of holding represents the shares held in the individual capacity.

Promoter here means promoter as defined in the Companies Act, 2013, as amended.

NOTE "13" : Other Equity

| Particulars | As at 31-Mar 2022 (₹ in million) | | As at 31-Mar 2021 (Restated)* (₹ in million) | |
|--|--|-------------------|--|-------------------|
| | Surplus / (Deficit) in Profit and Loss Account: | | | |
| Balance as per last Balance Sheet | | -23,921.58 | | -23,969.52 |
| Profit / (Loss) for the year | 8,371.17 | | -95.82 | |
| Less: | | | | |
| Transfer to General Reserve | - | | - | |
| Add: Prior Period Adjustments | - | | -71.45 | |
| Less: Prior Period Adjustments | - | | - | |
| Other comprehensive income | | | | |
| Add: Actuarial Gain/(Loss) on Defined benefit obligation | 68.62 | | 215.21 | |
| Net Surplus | | 8,439.79 | | 47.94 |
| Total Reserves & Surplus | | -15,481.79 | | -23,921.58 |

Retained Earnings:

Retained earnings are the profits that the company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders. Retained earnings includes re-measurement loss/(gain) on defined benefit plans, net of taxes that will not be reclassified to Statement of Profit and Loss. Retained earnings is a free reserve available to the Company.

NOTE "14" : NON-CURRENT PROVISIONS

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|--|----------------------|--|----------------------|--|
| | (₹ in million) | | (₹ in million) | |
| Provision for Employee Benefits | | | | |
| a) Gratuity | 2,092.49 | | 2,296.62 | |
| b) Leave Encashment | 1,465.06 | | 1,595.03 | |
| c) Medical | 2,241.44 | | 2,241.44 | |
| d) Other Benefits | 616.02 | | 512.54 | |
| TOTAL | 6,415.01 | | 6,645.63 | |



NOTE “15” : TRADE PAYABLES

(₹ in million)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|------------------------------------|-------------------------|-------------------------|
| Due to Micro and Small Enterprises | 35.84 | 36.23 |
| Others Payables | 4,044.71 | 6,094.44 |
| TOTAL | 4,080.54 | 6,130.67 |

NOTE “15.1” : AGEING OF TRADE PAYABLES

As at March 31, 2022

(₹ in million)

| Particulars | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
|------------------------------|---------------------|-----------------|---------------|----------------------|-----------------|
| (i) Undisputed dues (MSME) | 35.67 | 0.14 | 0.03 | - | 35.84 |
| (i) Undisputed dues (Others) | 2,243.84 | 1,224.12 | 493.48 | 83.14 | 4,044.71 |
| (iii) Disputed dues (MSME) | - | - | - | - | - |
| (iv) Disputed dues (Others) | - | - | - | - | - |
| Total | 2,279.50 | 1,224.26 | 493.51 | 83.14 | 4,080.54 |

As at March 31, 2021

(₹ in million)

| Particulars | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
|------------------------------|---------------------|---------------|-----------------|----------------------|-----------------|
| (i) Undisputed dues (MSME) | 34.73 | 0.35 | 0.09 | 1.06 | 36.23 |
| (i) Undisputed dues (Others) | 4,059.03 | 467.81 | 1,367.39 | 200.22 | 6,094.44 |
| (iii) Disputed dues (MSME) | - | - | - | - | - |
| (iv) Disputed dues (Others) | - | - | - | - | - |
| Total | 4,093.76 | 468.16 | 1,367.48 | 201.28 | 6,130.67 |

i. Trade payable are normally settled within 30 to 60 days

ii. Trade payable to related parties has been disclosed in Note 38.A.VII

NOTE “16” : Other Financial liability

(₹ in million)

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|----------------------------------|----------------------|---------------|----------------------|------------------|
| | Non - Current | Current | Non - Current | Current |
| Security Deposit | - | 30.91 | - | 23.42 |
| Earnest Money Deposit | - | 4.02 | - | 4.10 |
| Loan & Advances | - | 94.95 | - | 104.26 |
| Payable to Employees | - | 256.62 | - | 461.65 |
| Inter company Payable/Receivable | 21,582.90 | 152.06 | - | 18,654.24 |
| Others | - | 74.95 | - | 93.15 |
| TOTAL | 21,582.90 | 613.51 | - | 19,340.82 |


NOTE “17” : CURRENT PROVISIONS

| Particulars | (₹ in million) | |
|-------------------------------|-------------------------|-------------------------|
| | As at March 31, 2022 | As at March 31, 2021 |
| Provision | | |
| For employees Benefits | | |
| a) Gratuity | 624.42 | 779.73 |
| b) Leave Encashment | 437.63 | 463.28 |
| c) Medical | 92.76 | 92.76 |
| d) Other Benefits | - | - |
| e) Other than employees | 214.29 | 1,332.25 |
| TOTAL | 1,369.11 | 2,668.03 |

NOTE “18” : OTHER CURRENT LIABILITIES

| Particulars | (₹ in million) | |
|----------------|-------------------------|-------------------------|
| | As at March 31, 2022 | As at March 31, 2021 |
| Statutory Dues | 22.26 | 2,706.62 |
| others | - | - |
| TOTAL | 22.26 | 2,706.62 |

NOTE “19” : REVENUE FROM OPERATION

| Sr. No. | Particulars | (₹ in million) | |
|---------|-------------------------------------|------------------|------------------|
| | | 2021-22 | 2020-21 |
| 1 | Sales of Services | | |
| | Technical Handling Services Reveune | 4,107.13 | 1,705.79 |
| | Other Servicing Revenue | 13,970.17 | 9,193.21 |
| | | 18,077.30 | 10,899.00 |
| 2 | Other Operating Revenue | | |
| | Engineering Training Reveune | 108.35 | 170.21 |
| | | 108.35 | 170.21 |
| 3 | Incidental Revenue | | |
| | | 633.44 | 530.97 |
| | | 633.44 | 530.97 |
| | Total reveune from operation | 18,819.09 | 11,600.19 |

NOTE “20” : OTHER INCOME

| Sr. No. | Particulars | (₹ in million) | |
|---------|-----------------|----------------|---------------|
| | | 2021-22 | 2020-21 |
| 1 | Other Income | 31.00 | 45.45 |
| 2 | Interest Income | 215.13 | 209.79 |
| | TOTAL | 246.13 | 255.24 |



NOTE “21” : EMPLOYEE BENEFIT EXPENSES

(₹ in million)

| Sr. No. | Particulars | 2021-22 | 2020-21 |
|---------|---|-----------------|-----------------|
| 1 | Salaries, Wages & Bonus | 5,024.73 | 5,562.77 |
| 2 | Contribution to Provident and Other Funds | 254.98 | 309.04 |
| 3 | Staff Welfare Expenses | 256.41 | 421.63 |
| 4 | Provision for Gratuity | 255.80 | 470.94 |
| 5 | Provision for Leave Encashment | 221.77 | 146.68 |
| | TOTAL | 6,013.70 | 6,911.07 |

NOTE “22” : FINANCE COST

(₹ in million)

| Sr. No. | Particulars | 2021-22 | 2020-21 |
|---------|-------------------|-----------------|-----------------|
| 1 | Interest Expenses | 1,525.23 | 1,561.59 |
| | TOTAL | 1,525.23 | 1,561.59 |

NOTE “23” : DEPRECIATION AND AMORTIZATION EXPENSE

(₹ in million)

| Sr. No. | Particulars | 2021-22 | 2020-21 |
|---------|---------------------------------|---------------|---------------|
| 1 | Depreciation of Tangible Assets | 606.42 | 115.20 |
| | TOTAL | 606.42 | 115.20 |

NOTE “24” : OTHER EXPENSES

(₹ in million)

| Sr. No. | Particulars | 2021-22 | 2020-21 |
|---------|-------------------------------------|----------|----------|
| 1 | Insurance Expenses | 71.51 | 54.65 |
| 2 | Material Consumed-Aircraft | 2,105.81 | 966.47 |
| 3 | Handling Charges | 349.67 | 159.57 |
| 4 | Communication Charges | 8.08 | 9.34 |
| 5 | Travelling Expenses | 137.95 | 72.69 |
| 6 | Rent | 1,260.93 | 1,051.18 |
| 7 | Rates and Taxes | 61.62 | 87.00 |
| 8 | Repair Maintenance: | | |
| | i) Buildings | 45.42 | 18.58 |
| | ii) Others | 552.98 | 261.19 |
| 9 | Hire of Transport | 108.89 | 128.80 |
| 10 | Fees to DGCA | 1.28 | 3.17 |
| 11 | Electricity & Heating Charges | 297.34 | 307.83 |
| 12 | Water Charges | 14.96 | 43.49 |
| 13 | Publicity & Sales Promotion | 0.64 | 0.57 |
| 14 | Printing and Stationery | 5.75 | 6.58 |
| 15 | Professional & Legal Charges | 18.96 | 10.67 |
| 16 | Auditors' Remuneration and Expenses | | |



| Sr. No. | Particulars | 2021-22 | 2020-21 |
|---------|--|-----------------|-----------------|
| | i) Audit Fees | 0.33 | 0.33 |
| | ii) Other Expenses | 0.03 | 0.03 |
| 17 | Other Audit Expenses | 1.15 | 0.85 |
| 18 | Bank Charges | 0.99 | 0.61 |
| 19 | Other Expenses | 87.45 | 152.75 |
| 20 | Loss on Sale of Assets/Scrap | 0.06 | 0.02 |
| 21 | Provision for Doubtful Receivable & Advances | 35.24 | 98.46 |
| | TOTAL | 5,167.03 | 3,434.84 |

NOTE “25” : EARNING PER SHARE

Disclosure of Earnings Per Share (EPS) computation as per Indian Accounting Standard -33

| Particulars | 2021-22 | 2020-21 (Restated) |
|---|---------|-----------------------|
| Profit available for appropriation as per Profit & Loss Account | 8,371 | -167.27 |
| Weighted average No. of equity shares outstanding during the year | 166.67 | 166.67 |
| Basic and Diluted EPS | 50.23 | -1.00 |
| Face value per equity share | 10 | 10 |

26. Disinvestment Process:

In view of the NITI Aayog recommendations on the disinvestment of the then Air India (AI) and followed by the recommendations of the Core Group of Secretaries on disinvestment (CGD), the Cabinet Committee on Economic Affairs (CCEA) had given an ‘In-Principle’ approval for considering the strategic disinvestment of the Air India group in its meeting held on June 28, 2017. CCEA also constituted the Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment. An ex-facto approval was given by Union Cabinet in Feb 2019 for formation of SPV under the name and style now known as AI Assets Holding Limited (AIAHL) for the warehousing of accumulated working capital loan not backed by any asset along with four subsidiaries AIASL, AAAL, AIESL, HCI, non-core assets, paintings & artifacts and other non-operational assets. Based on the above decisions, Air India Limited (AIL) has been disinvested.

Further, the Ministry of Civil Aviation (MoCA) vide its letter no. 17046/56/2019-AI dated 31st December, 2021 has conveyed the decision of AISAM for transferring of the four subsidiaries (AIASL, AAAL, AIESL and HCI) of Air India Limited to the AI Assets Holding Limited.

As per the decision of AISAM for transferring of the investments in subsidiaries, the shares of the company (AIESL) were being transferred from the then Air India Limited to AIAHL at book value. Accordingly, the share purchase agreement (SPA) between the then AIL and AIAHL for the transfer of the shares of AIESL was executed on 10th January, 2022.

Considering the decision of Government of India and as per SPA, 100% shareholding of the company has been transferred from the then AIL to AIAHL and the Board of the company has



also been reconstituted and shares of the company has been transferred to AIAHL w.e.f 12th January, 2022.

Consequently, AI Assets Holding Limited (AIAHL) has become the new Parent Company / Holding Company of AI Engineering Services Limited.

Furthermore, in line with the Government of India decision the outstanding recoveries of AIESL in the books of the then AIL as on the disinvestment date has been transferred from the then AIL to AIAHL for amounting to ₹ 21,175.63 million.

27. Contingent Liabilities, Contingent Assets and Capital Commitment:

a. Contingent Liabilities (to the extent not provided for)

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

| (₹ in million) | | | |
|----------------|---|------------------------------|------------------------------|
| Sr no. | Description | Balance as on March 31, 2022 | Balance as on March 31, 2021 |
| (i) | Income Tax Demand Notices received by the Company which are under Appeal (*). | 642.20 | 641.71 |
| (ii) | Other Claims on account of Staff**/Civil/Arbitration Cases pending in Courts | Amount not ascertainable | Amount not ascertainable |
| | Total | 642.20 | 641.71 |

Explanatory Statement in respect of Contingent Liabilities

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

| (₹ in million) | | | | |
|----------------|------------------------------------|--------------------------------------|---------------|--|
| FY | Total amount of Default u/s 210(1) | Total amount of Interest u/s 210(1A) | Total Demand | Appeal Status |
| 2014-15 | 16.48 | 11.93 | 28.41 | Appeal filed before CIT(A) against the assessment order. |
| 2015-16 | 26.96 | 16.18 | 43.14 | Appeal filed before CIT(A) against the assessment order. Date of hearing vide notice dated 13.07.2022 was 28.07.2022 and adjournment was sought. |
| 2016-17 | 42.09 | 20.20 | 62.29 | Appeal was filed before CIT(A) on 28.08.2020. |
| 2017-18 | 135.72 | 48.86 | 184.58 | Appeal was filed before CIT(A) on 28.08.2020. |
| 2018-19 | 261.11 | 62.67 | 323.77 | Appeal was filed before CIT(A) on 28.08.2020. |
| Total | 482.36 | 159.84 | 642.20 | |

* Interest u/s 220(2) on the above demand as on 31st March, 2022 will be ₹ 160.43 million.

**The employees of the company have filed cases in various courts relating to staff matters, making the company a party. In the opinion of the management, the amount of liabilities may not arise to the company.

b. Capital Commitments

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



c. Performance Guarantee given by the company

The company has given Performance Guarantee (BG) to Bangalore International Airport Limited (BIAL) amounting to ₹ 1.00 million (previous year ₹ 1.00 million) for due performance of the obligation under the contract with BIAL.

28. Correction of prior period errors in accordance with Ind AS 8 “Accounting policies, changes in accounting estimates and errors”

During the year, the company have discovered that the below mentioned Line items of financial statements had been incorrectly accounted/disclosed in the prior year. These errors have now been corrected by restating the affected financial statements for the financial year 2020-21 line items for the prior year.

(₹ in million)

| Particulars | As at March 31, 2021 | | |
|--|---|---|---|
| | 31 st March, 2021 (as previously reported) | Increase/ (decrease) due to correction of error | 31 st March, 2021 (restated) |
| Balance sheet (extract) | | | |
| Current Provisions | 2,596.57 | 71.45 | 2,668.03 |
| Statement of Profit and loss (extract) | | | |
| Rent Expenses | 979.73 | 71.45 | 1,051.18 |
| Other Expenses | 3,363.39 | 71.45 | 3,434.84 |
| Cash Flow Statement (extract) | | | |
| Increase / (decrease) in other current financial liabilities | -13,234.00 | 71.45 | -13,162.55 |

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of ₹0.43 per share.

29. Confirmations/Reconciliations

- (i) The Company has sought for the confirmation of balances for all the major trade receivables & trade payables. However, only some of the parties have responded and are in agreement with the books of the Company. Wherever the balances confirmed are not in agreement with the books in that case reconciliation of difference is under process.

In case of trade receivables, the company has obtained the balance confirmation of balances receivables from the then holding company and new holding company including from the group companies, which consist of 75.57% (Previous year 70.39%) of receivables of the company and reconciliation has been completed and balance confirmations have been obtained. In case of trade payables some parties have responded and wherever the party's balances are not in agreement with the books, the reconciliation of the differences is in progress. Impact, if any, of the consequential adjustments arising out of the reconciliation will be dealt with in the year of completion of the reconciliation and approvals from appropriate authority.

- (ii) The then Air India Limited on account of AIESL use to pay under self-contributory Superannuation Pension scheme and recover from the company and an amount of ₹104.08 million debit balances is appearing in the books of the company, which is under reconciliation.



Impact, if any, of the consequential adjustments arising out of the reconciliation will be accounted on approval from appropriate authority.

- (iii) Good & Service Tax (GST) and other statutory dues are in the process of reconciliation with the returns filed and statutory records maintained by the company. Impact, if any, of the consequential adjustments arising out of the reconciliation will be dealt with in the year of completion of the reconciliation and approvals from appropriate authority.
- (iv) The reconciliation and matching of certain unmatched receivables/ recoverable from staff and payables including certain control ledger is in the process. Impact, if any, of the consequential adjustments arising out of the reconciliation will be dealt in the year of completion of the reconciliation and approvals from appropriate authority.

Cash and Bank Balances

- I. The process of year end physical verification of cash in hand has been done by the authorised officials and the certificate of cash balance has been duly certified by the official concerned.
- II. The Company has requested for the confirmation of the balances from the bank as on 31st March 2022. The Company has obtained confirmation/bank statements in respect of all the bank accounts/fixed deposits. They are in reconciliation with the books of accounts of the Company as on 31st March, 2022.

30. Physical Verification & Reconciliation

a. Property, Plant and Equipment (PPE)

As per the policy of the company, for the physical verification of PPE, the Company has appointed a professional firm of Chartered Accountant including for the assets tagging of the PPE (Delhi) in a phase manner. The firm has submitted its report dated 17th August, 2022 showing shortage of 41 items having WDV of ₹ 0.83 million and found 2152 excess items. The discrepancies and excess found will be adjusted / accounted for after taking approval from the competent authority. Further, as per report submitted, 1056 number of assets could not be verified due to non-availability of product/assets code to identify the assets code given in the assets list.

b. Physical Verification of Inventory

The company for the physical verification of inventories will appoint an agency for the physical verification in the financial year 2022-23 and the process as well as the physical verification will be completed in due course on approval from the competent authority.

31. Internal Control

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



32. Segment Reporting

The CEO of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators ;however the company is engaged in MRO (Maintenance, Repair & Overhaul of aircraft, engines & components) services, which is its primary and only one reportable business segment and that all of the operations are in India. Hence the Company does not have any reportable Segments as per Indian Accounting Standard 108 "Operating Segments".

a. Disclosure of Customer with more than 10% of Revenue:

(₹ in Million)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|----------------|--------------------------------------|--------------------------------------|
| Air India Ltd. | 12,101.08 | 6,251.77 |
| IAF - SESF | 4,455.45 | 2,815.84 |

33. Employees Benefit Plans

a. Defined Contribution Plan

Employees' provident fund: The Company had employees provident fund trusts under the Provident Fund Act, 1925 for permanent employees. Also, the company subscribes to EPFO under Employees' Provident Fund Scheme, 1952 which governs the provident fund plans in respect on employees on contract. The company as well as the employees contributes at applicable rates to the provident fund out of which provident fund is paid to the employees. After divestment of Air India, all the employees including the permanent employees are members of EPFO only. Company's contribution to provident fund recognized in the Statement of profit and loss is ₹ 254.98 million (previous year: ₹ 305.18 million)

b. Defined benefit plans

i. Gratuity: Gratuity is payable to all the eligible employees of the company on superannuation, death, or permanent disablement, in terms of the provisions of the Payment of Gratuity Act. The company has a defined benefit gratuity plan in India (unfunded). Gratuity is paid from the company as and when it becomes due and is paid as per the company scheme for Gratuity.

Disclosure statement as per Ind AS of gratuity: -

(₹ in Million)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---------------------|--|--|
| Type of Benefit | Gratuity | Gratuity |
| Country | India | India |
| Reporting Currency | INR | INR |
| Reporting Standard | Indian Accounting Standard 19 (Ind AS 19) | Indian Accounting Standard 19 (Ind AS 19) |
| Funding Status | Unfunded | Unfunded |
| Starting Period | 01-04-21 | 01-04-20 |
| Date of Reporting | 31-03-22 | 31-03-21 |
| Period of Reporting | 12 Months | 12 Months |
| Reference ID | 678458 | 536241 |



| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|--------------------------------------|---|---|
| Assumptions (Previous Period) | | |
| Expected Return on Plan Assets | N.A. | N.A. |
| Rate of Discounting | 6.85% | 6.83% |
| Rate of Salary Increase | 5.50% | 5.50% |
| Rate of Employee Turnover | 2.00% | 2.00% |
| Mortality Rate During Employment | Indian Assured Lives Mortality (2006-08) Ultimate | Indian Assured Lives Mortality (2006-08) Ultimate |
| Assumptions (Current Period) | | |
| Expected Return on Plan Assets | N.A. | N.A. |
| Rate of Discounting | 7.23% | 6.85% |
| Rate of Salary Increase | 5.50% | 5.50% |
| Rate of Employee Turnover | 2.00% | 2.00% |
| Mortality Rate During Employment | Indian Assured Lives Mortality 2012-14 (Urban) | Indian Assured Lives Mortality (2006-08) Ultimate |

| | As at March 31, 2022 | As at March 31, 2021 |
|--|----------------------|----------------------|
| Table Showing Change in the Present Value of Defined Benefit Obligation | | |
| Present Value of Benefit Obligation at the Beginning of the Period | 3,076.35 | 3,222.88 |
| Interest Cost | 199.46 | 220.12 |
| Current Service Cost | 80.95 | 86.05 |
| Past Service Cost | - | - |
| Liability Transferred In/ Acquisitions | - | - |
| (Liability Transferred Out/ Divestments) | - | - |
| (Gains)/ Losses on Curtailment | - | - |
| (Liabilities Extinguished on Settlement) | - | - |
| (Benefit Paid Directly by the Employer) | -571.23 | -351.90 |
| (Benefit Paid From the Fund) | - | - |
| The Effect Of Changes in Foreign Exchange Rates | - | - |
| Actuarial (Gains)/Losses on Obligations - Due to Change in Demographic Assumptions | -1.03 | - |
| Actuarial (Gains)/Losses on Obligations - Due to Change in Financial Assumptions | -39.90 | -2.26 |
| Actuarial (Gains)/Losses on Obligations - Due to Experience | -27.69 | -98.55 |
| Present Value of Benefit Obligation at the End of the Period | 2,716.91 | 3,076.35 |
| Table Showing Change in the Fair Value of Plan Assets | | |
| Fair Value of Plan Assets at the Beginning of the Period | - | - |
| Interest Income | - | - |
| Contributions by the Employer | - | - |
| Expected Contributions by the Employees | - | - |
| Assets Transferred In/Acquisitions | - | - |
| (Assets Transferred Out/ Divestments) | - | - |
| (Benefit Paid from the Fund) | - | - |
| (Assets Distributed on Settlements) | - | - |



| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|----------------------|----------------------|
| Effects of Asset Ceiling | - | - |
| The Effect of Changes In Foreign Exchange Rates | - | - |
| Return on Plan Assets, Excluding Interest Income | - | - |
| Fair Value of Plan Assets at the End of the Period | - | - |

| | As at March 31, 2022 | As at March 31, 2021 |
|---|----------------------|----------------------|
| Amount Recognized in the Balance Sheet | | |
| (Present Value of Benefit Obligation at the end of the Period) | -2,716.91 | -3,076.35 |
| Fair Value of Plan Assets at the end of the Period | - | - |
| Funded Status (Surplus/ (Deficit)) | -2,716.91 | -3,076.35 |
| Net (Liability)/Asset Recognized in the Balance Sheet | -2,716.91 | -3,076.35 |
| Net Interest Cost for Current Period | | |
| Present Value of Benefit Obligation at the Beginning of the Period | 3,076.35 | 3,222.88 |
| (Fair Value of Plan Assets at the Beginning of the Period) | - | - |
| Net Liability/(Asset) at the Beginning | 3,076.35 | 3,222.88 |
| Interest Cost | 199.46 | 220.12 |
| (Interest Income) | - | - |
| Net Interest Cost for Current Period | 199.46 | 220.12 |
| Expenses Recognized in the Statement of Profit or Loss for Current Period | | |
| Current Service Cost | 80.95 | 86.05 |
| Net Interest Cost | 199.46 | 220.12 |
| Past Service Cost | - | - |
| (Expected Contributions by the Employees) | - | - |
| (Gains)/Losses on Curtailments And Settlements | - | - |
| Net Effect of Changes in Foreign Exchange Rates | - | - |
| Expenses Recognized | 280.41 | 306.18 |
| Expenses Recognized in the Other Comprehensive Income (OCI) for Current Period | | |
| Actuarial (Gains)/Losses on Obligation For the Period | -68.62 | -100.81 |
| Return on Plan Assets, Excluding Interest Income | - | - |
| Change in Asset Ceiling | - | - |
| Net (Income)/Expense For the Period Recognized in OCI | -68.62 | -100.81 |

| | As at March 31, 2022 | As at March 31, 2021 |
|--|----------------------|----------------------|
| Balance Sheet Reconciliation | | |
| Opening Net Liability | 3,076.35 | 3,222.88 |
| Expenses Recognized in Statement of Profit or Loss | 280.42 | 306.18 |
| Expenses Recognized in OCI | -68.62 | -100.81 |



| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|--|-----------------------------|-----------------------------|
| Net Liability/(Asset) Transfer In | - | - |
| Net (Liability)/Asset Transfer Out | - | - |
| (Benefit Paid Directly by the Employer) | -571.23 | -351.90 |
| (Employer's Contribution) | - | - |
| Net Liability/(Asset) Recognized in the Balance Sheet | 2,716.91 | 3,076.35 |
| Category of Assets | | |
| Government of India Assets | - | - |
| State Government Securities | - | - |
| Special Deposits Scheme | - | - |
| Debt Instruments | - | - |
| Corporate Bonds | - | - |
| Cash And Cash Equivalents | - | - |
| Insurance fund | - | - |
| Asset-Backed Securities | - | - |
| Structured Debt | - | - |
| Other | - | - |
| Total | - | - |
| Other Details | | |
| No of Members in Service | 4,860.00 | 5,067.00 |
| Per Month Salary For Members in Service | 234.31 | 243.91 |
| Weighted Average Duration of the Defined Benefit Obligation | 5.00 | 5.00 |
| Average Expected Future Service | 12.00 | 12.00 |
| Defined Benefit Obligation (DBO) - Total | 2,716.91 | 3,076.35 |
| Defined Benefit Obligation (DBO) - Due but Not Paid | 48.17 | 164.47 |
| Expected Contribution in the Next Year | - | - |
| Maturity Analysis of the Benefit Payments | | |
| Projected Benefits Payable in Future Years From the Date of Reporting | | |
| 1st Following Year | 624.42 | 779.73 |
| 2nd Following Year | 288.31 | 297.16 |
| 3rd Following Year | 406.48 | 479.60 |
| 4th Following Year | 422.00 | 384.11 |
| 5th Following Year | 364.34 | 391.06 |
| Sum of Years 6 To 10 | 808.37 | 994.94 |
| Sum of Years 11 and above | 917.00 | 875.74 |
| Sensitivity Analysis | | |
| | As at March 31, 2022 | As at March 31, 2021 |
| Defined Benefit Obligation on Current Assumptions | 2,716.91 | 3,076.35 |
| Delta Effect of +1% Change in Rate of Discounting | -98.52 | -108.07 |
| Delta Effect of -1% Change in Rate of Discounting | 108.17 | 118.57 |
| Delta Effect of +1% Change in Rate of Salary Increase | 70.28 | 83.50 |
| Delta Effect of -1% Change in Rate of Salary Increase | -72.73 | -83.96 |



| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|----------------------|----------------------|
| Delta Effect of +1% Change in Rate of Employee Turnover | 14.01 | 11.87 |
| Delta Effect of -1% Change in Rate of Employee Turnover | -15.03 | -12.71 |
| The sensitivity analysis have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. | | |
| The sensitivity analysis presented above may not be representative of the actual change in the Defined Benefit Obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. | | |
| Furthermore, in presenting the above sensitivity analysis, the present value of the Defined Benefit Obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the Defined Benefit Obligation as recognized in the balance sheet. | | |
| There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. | | |
| Notes | | |
| Gratuity is payable as per entity's scheme as detailed in the report. | | |
| Actuarial gains/losses are recognized in the period of occurrence under Other Comprehensive Income (OCI). | | |
| All above reported figures of OCI are gross of taxation. | | |
| Salary escalation & attrition rate are considered as advised by the entity; they appear to be in line with the industry practice considering promotion and demand & supply of the employees. | | |
| Maturity Analysis of Benefit Payments is undiscounted cash flows considering future salary, attrition & death in respective year for members as mentioned above. | | |
| Average Expected Future Service represents Estimated Term of Post - Employment Benefit Obligation. | | |
| Weighted Average Duration of the Defined Benefit Obligation is the weighted average of cash flow timing, where weights are derived from the present value of each cash flow to the total present value. | | |
| Any benefit payment and contribution to plan assets is considered to occur end of the year to depict liability and fund movement in the disclosures. | | |
| Qualitative Disclosures | | |
| Para 139 (a) Characteristics of defined benefit plan | | |
| The entity has a defined benefit gratuity plan in India (unfunded). The entity's defined benefit gratuity plan is a final salary plan for employees. | | |
| Gratuity is paid from entity as and when it becomes due and is paid as per entity scheme for Gratuity. | | |
| Para 139 (b) Risks associated with defined benefit plan | | |
| Gratuity is a defined benefit plan and entity is exposed to the Following Risks: | | |
| Interest rate risk: A fall in the discount rate which is linked to the G.Sec. Rate will increase the present value of the liability requiring higher provision. | | |
| Salary Risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than assumed level will increase the plan's liability. | | |
| Asset Liability Matching Risk: The plan faces the ALM risk as to the matching cash flow. entity has to manage pay- out based on pay as you go basis from own funds. | | |
| Mortality risk: Since the benefits under the plan is not payable for life time and payable till retirement age only, plan does not have any longevity risk. | | |
| Para 139 (c) Characteristics of defined benefit plans | | |
| During the year, there were no plan amendments, curtailments and settlements. | | |
| Para 147 (a) | | |
| Gratuity plan is unfunded. | | |



- ii. **Post-retirement medical benefits:** The Company has a post-retirement medical benefit scheme under which medical benefits are provided to retired employees and their spouse. The Government of India vide letter dated 16th February, 2022 has approved medical benefit facility to the eligible permanent retired/retiring employees of AI Engineering Services Limited (AIESL) post disinvestment. After introduction of this scheme, all the expenditure under this scheme will be borne by M/o Civil Aviation through Budgetary provisions. Hence the company has not provided any future liability. The liability towards medical facility of eligible permanent retired/retiring employees of the company will be written back on and after approval from the appropriate authority.

Disclosure statement as per Ind AS of medical benefits: -

(₹ in Million)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|-------------------------|-------------------------|
| Defined Obligation at the beginning of the year | - | 2,273.10 |
| Interest Cost | - | 154.8 |
| Current Service Cost | - | 25 |
| Past Service Cost | - | - |
| Liability transferred out/Disinvestments | - | - |
| Benefits Paid directly by the employer | - | -4.3 |
| Benefit paid from the fund | - | - |
| Actuarial (Gain) / Losses on obligation | - | - |
| Demographic Assumptions | - | 190.04 |
| Changes in financial Assumptions | - | -28.9 |
| Experience Adjustments | - | -275.9 |
| Defined Benefit Obligation at the end of the year | - | 2,334.20 |

Amount recognized in Balance Sheet:

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|--|-------------------------|-------------------------|
| Liability at the end of the year | - | -2,334.20 |
| Funded Status Surplus/(Deficit) | - | -2,334.20 |
| Amount Recognized in the Balance Sheet | - | -2,334.20 |

a) Amount Recognized in Statement of Profit & Loss

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|-----------------------|-------------------------|-------------------------|
| Current Service Cost | - | 25 |
| Interest Cost | - | 154.8 |
| Past Service Cost | - | - |
| Interest Income | - | - |
| Expenses for the year | - | 179.8 |

Amount Recognized in Other Comprehensive Income

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|-------------------------|-------------------------|
| Actuarial (Gains)/Losses on Obligation For the Period | - | -114.4 |
| Return on Plan Assets | - | - |
| Total | - | -114.4 |



| b) Major Actuarial Assumptions | | |
|---------------------------------------|---------------------------------|---------------------------------|
| Particulars | As at March 31, 2022 | As at March 31, 2021 |
| Discount Rate (%) | - | 6.91% |
| Salary Escalation / Inflation (%) | - | - |
| Medical Cost Inflation | - | 4.00% |
| Rate of Employee Turnover | - | 2.00% |
| Expected Return on Plan Assets (%) | - | - |

c) Sensitivity Analysis

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

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---------------------------------|---------------------------------|
| +1 % change in rate of Discounting | - | -258.5 |
| -1 % change in rate of Discounting | - | 319.3 |
| +1 % change in rate of Medical cost Inflation | - | 325.7 |
| -1 % change in rate of Medical Cost Inflation | - | -267.3 |
| +1 % change in rate of Salary Increase | - | - |
| -1 % change in rate of Salary Increase | - | - |
| +1 % change in rate of Employee Turnover | - | - |
| -1 % change in rate of Employee Turnover | - | - |

The sensitivity analysis have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The sensitivity analysis presented above may not be representative of the actual change in the projected benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the projected benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the projected benefit obligation as recognized in the balance sheet. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

c. Other long term employees benefits

i. Compensated Absence

The Company has a policy on compensated absences with provisions on accumulation and encashment by the employees during employment or on separation from the company due to death, retirement or resignation. The expected cost of compensated absence is determined by actuarial valuation performed by an independent actuary at the balance sheet date using projected unit credit method.

ii. Bonus

Bonus is payable to all employees as per the provisions of the Payment of Bonus Act, 1965 and the provision for the same has been made in the current financial year.



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

35. The Micro, Small and Medium Enterprises Development Act

The SAP system has a field, minority indicator in Vendor Master, which is updated to identify the vendor as MSME. The system has been enhanced to capture more details of MSME Vendors, such as certificate number, name of the entrepreneur, type of organization, date of commencement, bank details, etc. Accordingly, dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the company and relied upon by the Auditor. However, payments to such undertakings covered under the Micro, Small and Medium Enterprises Development Act (to the extent identified) have been made within the prescribed time limit/date agreed upon with the supplier. In other cases, necessary compliance/disclosure will be ensured in due course.

(₹ in Million)

| Sr. No. | Particulars | 31 st March, 2022 | 31 st March, 2021 |
|---------|--|------------------------------|------------------------------|
| a. | Principal amount due and remaining unpaid | 35.84 | 36.23 |
| b. | Interest due on above | 0.02 | 0.04 |
| c. | Payment made beyond the appointed day during the year | - | - |
| d. | Interest paid | - | - |
| e. | Interest due and payable for the period of delay | - | - |
| f. | Interest accrued and remaining unpaid | 0.02 | 0.04 |
| g. | Amount of further interest remaining due and payable in succeeding years | - | - |

36. Income tax

(₹ in Million)

| Particulars | For the year ended 31 March 2022 | For the year ended 31 March 2021 |
|---|----------------------------------|----------------------------------|
| Current tax | | |
| Current tax (MAT) | 584.52 | - |
| Short / (excess) provision of tax of earlier years* | - | - |
| Total | 584.52 | - |
| Deferred Tax | | |
| Minimum alternate tax credit entitlement | (583.16) | |
| Deferred tax Income (excluding MAT) | (2,619.71) | - |
| Total | (3,202.87) | - |

* This represents short / (excess) provision of income tax (net) of earlier years identified in the current year.



A reconciliation of income tax expense applicable to accounting profit before tax at the statutory income tax rate to recognised income tax expense for the year indicated are as follows:

(₹ in Million)

| Particulars | For the year ended 31 March 2022 | For the year ended 31 March 2021 |
|--|-------------------------------------|-------------------------------------|
| Profit / (Loss) before tax | 5,752.82 | (212.31) |
| Enacted tax rate (MAT) applicable to the company | 17.472% | - |
| Expected income tax expense at enacted tax rate (MAT) | 1005.13 | - |
| Tax effect of: | | |
| Expenses not deductible in determining taxable profits | 6.16 | - |
| Short / (excess) provision of tax for earlier years* | - | - |
| Loss brought forward or unabsorbed depreciation whichever is less or both as may be applicable | (440.12) | - |
| Impact of Re-measurement of employee benefits obligations | 11.99 | - |
| Delay in payment of advance tax | 1.36 | - |
| Income tax recognized in the statement of profit and loss | 584.52 | - |

* This represents short /(excess) provision of income tax (net) of earlier years identified in the current year.

37. Deferred tax assets/(liabilities)

Deferred tax assets (DTA) are the amounts of income taxes recoverable in future periods in respect of the carry forward of unused tax losses, the carry forward of unused tax credits and deductible temporary differences (which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled). Deferred tax liabilities (DTL) are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

The company has convincing evidence that sufficient taxable profit will be available against which the unused tax losses, deductible timing differences or unused tax credit can be utilized by the entity in near future. Hence in line with Ind AS 12 "Income Taxes" Deferred Tax assets / Liabilities have been created this year.

| Particulars | As at March 31st, 2022 | As at March 31st, 2021 |
|---|---------------------------|---------------------------|
| Opening DTA / DTL | - | - |
| Deferred tax liabilities on account of (DTL) | | |
| Depreciation | 26.46 | - |
| Total deferred tax liability | 26.46 | - |
| Deferred tax asset on account of (DTA) | | |



| Particulars | As at March 31st, 2022 | As at March 31st, 2021 |
|------------------------------------|---------------------------|---------------------------|
| Provision for doubtful advances | 8.57 | - |
| Provision for expected credit loss | 195.66 | - |
| Unabsorbed depreciation & losses | 826.31 | - |
| MAT Credit Entitlement | 583.16 | - |
| Provision for employee benefits | 1,615.64 | - |
| Total deferred tax asset | 3,229.33 | - |
| Net deferred tax asset | 3,202.87 | - |

Deferred tax asset / (liability) recognized in Balance Sheet

| Particulars | As at March 31st, 2022 | As at March 31st, 2021 |
|------------------------------|---------------------------|---------------------------|
| Deferred tax asset (net) | 3,229.33 | - |
| Deferred tax liability (net) | 26.46 | - |

38. Related Party Transactions

Disclosure of the names and designations of the Related Parties as required by Indian Accounting Standard (Ind AS 24) during the year 2021-22.

A. List of Related parties:

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

| Sr. No | Name of Company | Relationship |
|--------|---------------------------|--|
| 1 | AI Assets Holding Limited | Holding Company w.e.f. 12 th January, 2022. |
| 2 | Air India Limited | Holding Company till 12 th January, 2022. |

iii. Others:

| Sr. No | Name of Company | Relationship |
|--------|----------------------------|---|
| 1 | Airport Authority of India | Entity under same control by the Government |
| 2 | Ministry of Civil Aviation | |

iv. List of Fellow Subsidiary Companies:

| Sr. No. | Name of Company | Relationship |
|---------|---|--|
| 1 | Hotel Corporation of India Limited (HCI) | Fellow Subsidiary |
| 2 | Air India Airport Services Limited (AIASL) | Fellow Subsidiary |
| 3 | Air India Express Limited (AIEL) | Fellow Subsidiary till 12 th January, 2022 |
| 4 | Alliance Air Aviation Limited (AAAL) | Fellow Subsidiary |
| 5 | Air India Express Limited (AIEL) | Fellow Subsidiary till 12 th January, 2022 |
| 6 | Air India SATS Airport Services Private Limited | Fellow joint venture till 12 th January, 2022 |



v. Board of Directors

| S. No. | Name of Director | Designation | Remark |
|--------|---------------------------------|--|---|
| 1. | Shri Rajiv Bansal | CMD, Air India Ltd. Secretary, MoCA | Chairman, AIESL (From 14.02.2020 to 12.01.2022) |
| 2. | Shri Vikram Dev Dutt | Chairman & Managing Director, AI Assets Holding Limited | Chairman, AIESL w.e.f. 27.01.2022 |
| 3. | Shri Satyendra Kumar Mishra | Joint Secretary, MoCA | Nominee Director, AIESL |
| 4. | Shri Vimlendra Anand Patwardhan | Joint Secretary & Financial Advisor, MoCA | Nominee Director, AIESL |
| 5. | Ms. Meenakshi Mallik | Director Commercial, Air India Limited | Air India Nominee Director & Woman Director (from 11.09.2020 to 12.01.2022) |
| 6. | Shri Pranjol Chandra | Director, MoCA | Nominee Director, AIESL (from 12.01.2022 to 11.02.2022) |
| 7. | Smt. Parama Sen | Joint Secretary, DIPAM | Nominee Director & Woman Director, AIESL w.e.f. 11.02.2022 |

vii. Key Managerial Personnel

| S. No | Name of Key Managerial Personnel | Designation |
|-------|---|--|
| 1. | Shri Subramanian Senthilkumar | Chief Executive Officer From 01.01.2021 to 31.05.2021 |
| 2. | Shri Palani Kumaravel | Chief Executive Officer From 01.06.2021 to 30.06.2021 |
| 3. | Shri Chandrashekhar Balkrishna Karkhanis | Chief Executive Officer From 01.07.2021 to 30.07.2021 |
| 4. | Shri Jose Mathew | Chief Executive Officer From 30.07.2021 to 30.04.2022 |
| 5. | Shri Sharad Agarwal | Chief Executive Officer w.e.f. 01.05.2022 |
| 6. | Shri Kapil Aseri | Chief Financial Officer upto 09.11.2021 |
| 7. | Shri Gopal Krishan Valecha | Chief Financial Officer from 09.11.2021 to 20.05.2022 |
| 8. | Shri Rakesh Kumar Jain | Chief Financial Officer w.e.f. 20.05.2022 |
| 9. | Shri Gagan Batra | Company Secretary upto 09.11.2021 |
| 10. | Ms. Sakshi Mehta | Company Secretary w.e.f. 09.11.2021 |

viii. Transaction with Key Managerial Person (KMP)

- There are no transactions with Key Managerial Personnel except remuneration and perquisites to Chief Executive Officer, Chief Financial Officer and Company Secretary. During the year 2021-22, remuneration and perquisites is ₹4.17 Million (PY ₹3.03 Million) for Chief Executive Officer, ₹2.43 Million (PY ₹2.33 Million) for Chief Financial Officer and ₹1.24 Million (PY ₹1.20 Million) for Company Secretary.
- Transactions such as providing MRO related services in the normal course of airline business are not included above.



- iii. No Loans or Credit Transactions were outstanding with Directors or Officers of the Company or their relatives during the year.
- ix. In term of Ind AS 24, following are the disclosure requirements related to transactions with certain Government Related entities i.e. Significantly controlled and influenced entities (Government of India) and other than government related parties:

| S. No. | Name of the Entities and Nature of transactions | 2021-22 (₹ in Million) | 2020-21 (₹ in Million) |
|--------|--|---|---|
| 1. | Air India Ltd (AIL) Revenue from operation Expenditure Interest on dues to AI Rent Premises Electricity & Heating Charges Cost of goods Sold Salaries - Staff / Hire of Man power Staff Medical Expenses Maintenance of IT Equipment Salaries - Casual Labour Other Expenses Total Expenditure | 8739.90 955.26 912.18 201.07 9.09 (-)285.17 163.16 31.63 4.17 202.45 2193.85 | 6260.94 1321.18 905.57 257.34 25.38 (-) 334.99 133.81 28.65 42.25 335.54 2714.72 |
| | Closing Balance (Payable) | 14215.57 | 15043.66 |
| 2. | Alliance Air Aviation Limited (AAAL) Income Revenue from operation Other Income (Interest) Expenditure Total Expenditure Closing Balance (Receivable) | 506.35 134.93 5.8 1718.13 | 459.10 117.36 7.35 1414.87 |
| 3. | Air India Airport Services Limited (AIASL) Revenue from Operation Expenditure Handling Charges Manpower Cost Interest on dues AIATSL Closing Balance (Payable) | 14.12 238.34 2.99 68.33 514.54 | 0.63 98.90 3.95 89.87 1072.26 |
| 4. | Air India Express Limited (AIXL) Income Revenue from operation Other Income (Interest) Expenditure Total Expenditure Closing Balance (Receivable) | 708.27 30.50 3.8 154.32 | 803.44 90.45 13.11 749.40 |
| 5. | Air India SATS Airport Services Private Limited (AISATS) Revenue from operation Expenditure Handling Charges Hire of Manpower on contract Hire / Lease of Equipment Other Expense Closing Balance (Payable) | 0.20 81.72 18.72 5.76 5.65 636.45 | 0.30 55.88 26.84 15.15 1.41 862.75 |



| S. No. | Name of the Entities and Nature of transactions | 2021-22 (₹ in Million) | 2020-21 (₹ in Million) |
|--------|---|---------------------------|---------------------------|
| 6. | Centaur Hotel (HCI) Expenditure Hotel Expenses- Staff on Duty Closing Balance (Payable) | 13.45 7.2 | 9.11 7.39 |
| 7. | AI Assets Holding Limited (AIAHL) Holding Company Expense Interest on outstanding payables to AIAHL Closing Balance as on 31st March - Outstanding Recoverable t/f from AIL | 407.27 21,582.90 | - - - |

39. Corporate Social Responsibility

Section 135 (1) of the Companies Act 2013 requires provision for CSR to be made applicable for a company having threshold Net Worth of ₹500 crores or Turnover of ₹ 1,000 crores or Net Profit of ₹5 crores or more during any of the three immediately preceding financial years. As the company has average net loss during immediately preceding three financial years, no CSR spent has been made.

40. Following are the details of foreign currency exchange differences earned and expended by the Company during the Financial Year 2021-22.

(₹ in million)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|--------------------------------------|--------------------------------------|--------------------------------------|
| Foreign Currency Exchange Earnings | 33.21 | 19.50 |
| Foreign Currency Exchange expended | 36.52 | 58.21 |
| Net Foreign Exchange Earnings | 3.31 | 38.71 |

41. Independent Director

As per Companies Act 2013, Sec 149(4), the Company has not appointed independent director. Consequently, the Audit Committee has no independent director. There is no remuneration committee as per Section 178. The company has applied to the DPE for seeking exemption vide letter ref no AIESL/CS/HQ/25 dated 01.09.2020. No response to the said letter has been received.

42. Remuneration to Auditors

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

(₹ in Million)

| Particulars | 2021-22 | 2020-21 |
|-------------------------------------|-------------|-------------|
| Statutory Audit Fees - For the Year | 0.33 | 0.33 |
| Out of Pocket Expenses | 0.03 | 0.03 |
| Total | 0.36 | 0.36 |

43. ADDITIONAL REGULATORY INFORMATIONS

a) **Loans and advances to specified persons ₹ Nil (Previous Year ₹ Nil) which are repayable on demand or without specifying any terms or period of repayment.**



b) Title deeds of Immovable Property not held in the name of the Company

| Relevant line item in the Balance sheet | Description of item of property | Gross carrying value | Title deeds held in the name of | Whether title deed holder is a promoter, director or relative# of promoter*/director or employee of promoter/director | Property held since which date | Reason for not being held in the name of the company |
|---|---------------------------------|----------------------|---------------------------------|---|--------------------------------|--|
| PPE | i. Land (Leasehold) | 180.00 | Air India Limited | No | 8 th April, 2022 | Refer Note 2.1 |
| | ii. Building MRO Nagpur | 2,634.45 | Air India Limited | No | 8 th April, 2022 | Refer Note 2.1 |
| | iii. Jet 9D Test House | 10.42 | Air India Limited | No | 1 st April, 2019 | Refer Note 2.2 |
| Investment property | Land | - | - | - | - | - |
| | Building | - | - | - | - | - |
| Non-current asset held for sale | Land | - | - | - | - | - |
| | Building | - | - | - | - | - |
| Others | | - | - | - | - | - |

c) Capital Work-in-progress (CWIP)

CWIP ageing schedule are as under:-

| CWIP | ₹ in CWIP for a period of | | | | Total |
|--------------------------------|----------------------------------|------------------|------------------|--------------------------|-----------------|
| | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| Projects in progress | - | - | - | - | - |
| Projects temporarily suspended | - | - | - | 1,134.69 | 1,134.69 |

Refer Note No-2.1

d) Details of Benami property held:

There is no benami property held by the Company, hence, not applicable.

e) Willful Defaulter

Not Applicable

f) Relationship with Struck-off Companies:

The Company has no outstanding balances as on 31.03.2022 (prev period: Nil) with companies struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.

g) Registration of charges or satisfaction with Registrar of Companies (ROC)

There are no charges or satisfaction with Registrar of Companies.

h) The number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017. Such Compliance with number of layers of companies is not applicable for PSUs.



i) Disclosure of Ratios

| Current ratio (₹ in millions) | | |
|--------------------------------------|--|---------------------------------|
| Particular | As at March 31, 2022 | As at March 31, 2021 |
| Total current assets | 10,044 | 14,639 |
| Total current liabilities | 6,085 | 30,846 |
| Ratio | 1.65 | 0.47 |
| % change | 248% | |
| Reason | Due to decrease in current assets as well as current liability as compared to previous year. | |

| Debt equity ratio (₹ in millions) | | |
|--|---------------------------------|---------------------------------|
| Particular | As at March 31, 2022 | As at March 31, 2021 |
| Total debt | - | - |
| Shareholder's equity | -13,815 | -22,255 |
| Ratio | - | - |
| % change | - | - |
| Reason | | |

| Debt service coverage ratio (₹ in millions) | | |
|--|---------------------------------|---------------------------------|
| Particular | As at March 31, 2022 | As at March 31, 2021 |
| Earnings available for debt service (EBIDTA) | 7,884 | 1,510 |
| Total debt | - | - |
| Ratio | - | - |
| % change | - | - |
| Reason | | |

| Return on equity (₹ in millions) | | |
|---|--|---------------------------------|
| Particular | As at March 31, 2022 | As at March 31, 2021 |
| Net profits after tax | 8,371 | -167 |
| Average Shareholders' equity | -18,035 | -22,279 |
| Ratio | -0.46 | 0.01 |
| % change | -6282% | |
| Reason | Due to net profit made during the year compared to net loss during the previous year | |

| Inventory turnover ratio (₹ in millions) | | |
|---|--|---------------------------------|
| Particular | As at March 31, 2022 | As at March 31, 2021 |
| Cost of goods sold | 2,105.81 | 966.47 |
| Average inventory | 756.39 | 790.43 |
| Ratio | 2.78 | 1.22 |
| % change | 128% | |
| Reason | Due to increase in consumption of spares of during the year. | |


Trade receivable turnover ratio
(₹ in millions)

| Particular | As at March 31, 2022 | As at March 31, 2021 |
|---------------------------|--|-------------------------|
| Revenue from operations | 18,819 | 11,600 |
| Closing trade receivables | 5,534 | 12,800 |
| Ratio | 3.40 | 0.91 |
| % change | 275% | |
| Reason | Due to increase in revenue after covid as compared to previous year. | |

Trade payable turnover ratio
(₹ in millions)

| Particular | As at March 31, 2022 | As at March 31, 2021 |
|------------------------|--|-------------------------|
| Other expenses | 5,167 | 3,435 |
| Closing trade payables | 4,081 | 6,131 |
| Ratio | 1.27 | 0.56 |
| % change | 126% | |
| Reason | Due to increase in other expenses and decrease in closing trade payables after covid as compared to previous year. | |

Net capital turnover ratio
(₹ in millions)

| Particular | As at March 31, 2022 | As at March 31, 2021 |
|-------------------------|--|-------------------------|
| Revenue from operations | 18,819 | 11,600 |
| Working capital | 396 | -16,207 |
| Ratio | 47.55 | -0.72 |
| % change | -6743% | |
| Reason | Due to increase in revenue after covid as compared to previous year. | |

Net profit ratio
(₹ in millions)

| Particular | As at March 31, 2022 | As at March 31, 2021 |
|-------------------------|--|-------------------------|
| Net Profit for the year | 8,371 | -167 |
| Revenue from operation | 18,819 | 11,600 |
| Ratio | 0.44 | -0.01 |
| % change | -3185% | |
| Reason | Due to increase in revenue after covid as compared to previous year. | |

Return on capital employed
(₹ in millions)

| Particular | As at March 31, 2022 | As at March 31, 2021 |
|--|--|-------------------------|
| Profit before exceptional item & tax plus finance cost | 7,278 | 1,394 |
| Capital employed | -13,815 | -22,255 |
| Ratio | -0.53 | -0.06 |
| % change | 741% | |
| Reason | Due to increase in revenue after covid as compared to previous year. | |



Return on investment

(₹ in millions)

| Particular | As at March 31, 2022 | As at March 31, 2021 |
|--|-------------------------|-------------------------|
| Income from investment | Nil | Nil |
| Closing balance of investment | Nil | Nil |
| Ratio | Nil | Nil |
| % change | Nil | Nil |
| Reason | No investment made | |
| 1. Total debt = Non-current borrowings + Current borrowings | | |
| 2. Earnings before interest & tax (EBIT) = Profit before exceptional item & tax + Finance costs | | |
| 3. Cost of goods sold = Cost of materials consumed + Purchases of stock-in-trade + Changes In inventories of finished goods and work-in-progress | | |
| 4. Working capital = Total current assets - Total current liabilities | | |
| 5. Capital employed = Total equity + Total non-current liabilities | | |
| 6. Total equity = Total equity excluding non-controlling Interest (less) / add (deferred tax assets) / deferred tax liability (net) | | |

j) Compliance with approved Scheme(s) of Arrangements

No approved scheme of arrangement is there, hence, not applicable.

k) Utilization of Borrowed funds and share premium

All borrowings of the Company have been used for the intended purpose, hence, not applicable.

44. Fair value measurement and financial instruments

a. Capital Management

The Company's objective when managing capital is to:

- i. Safeguard its ability to continue as going concern so that the Company is able to provide return to stakeholders and benefits for other stakeholders; and
- ii. Maintain an optimal capital structure of debt and equity balance.
- iii. The capital structure of the Company consists of total equity of the Company.
- iv. The Company's Audit Committee and BoD review the capital structure of the Company from time to time. The committee considers the cost of capital and the risks associated with each class of capital as and when required.
- v. During the financial year ended 31 March 2022, no significant changes were made in the objectives, policies or processes relating to the management of the Company's capital structure.

b. Financial instruments – by category and fair value hierarchy

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



As on 31 March, 2022

(₹ In Million)

| Particulars | Carrying Value | | | | Fair value measurement using | | |
|--------------------------------|----------------|--------|------------------|------------------|------------------------------|---------|---------|
| | FVTPL | FVTOCI | Amortized Cost | Total | Level 1 | Level 2 | Level 3 |
| Financial Assets | - | - | | | - | - | - |
| Non-Current | | | | | | | |
| Others | - | - | 0.06 | 0.06 | - | - | - |
| Current | - | - | | | - | - | - |
| Trade Receivable* | - | - | 5,534.49 | 5,534.49 | - | - | - |
| Cash & Cash Equivalents* | - | - | 2,569.40 | 2,569.40 | - | - | - |
| Bank Balance other than above | | | 1.00 | 1.00 | | | |
| Others Financial Assets | | | 8.37 | 8.37 | | | |
| Total | | | 8,113.32 | 8,113.32 | | | |
| | - | - | | | - | - | - |
| Financial liabilities | | | | | | | |
| Non-Current | | | | | | | |
| Other Financial Liabilities | - | - | 21,582.90 | 21,582.90 | - | - | - |
| Total | - | - | 21,582.90 | 21,582.90 | - | - | - |
| Current | | | | | | | |
| Trade Payable* | | | | | | | |
| a. MSME | - | - | 35.84 | 35.84 | - | - | - |
| b. Other than MSME | - | - | 4,044.71 | 4,044.71 | - | - | - |
| c. Other Financial Liabilities | - | - | 613.51 | 613.51 | - | - | - |
| Total | - | - | 26,276.96 | 26,276.96 | - | - | - |

As on 31 March, 2021

(₹ In Million)

| Particulars | Carrying Value | | | | Fair value measurement using | | |
|-------------------------------|----------------|--------|------------------|------------------|------------------------------|---------|---------|
| | FVTPL | FVTOCI | Amortized Cost | Total | Level 1 | Level 2 | Level 3 |
| Financial Assets | | | | | | | |
| Non-Current | | | | | | | |
| Others | - | - | 0.06 | 0.06 | - | - | - |
| Current | | | | | | | |
| Trade Receivable* | - | - | 12,799.78 | 12,799.78 | - | - | - |
| Other Financial Assets | - | - | 3.91 | 3.91 | - | - | - |
| Cash & Cash Equivalents* | - | - | 4.83 | 4.83 | - | - | - |
| Bank Balance other than above | - | - | 33.75 | 33.75 | - | - | - |
| Total | - | - | 12,842.33 | 12,842.33 | - | - | - |
| | | | | | | | |
| Financial liabilities | | | | | | | |
| Non-Current | - | - | - | - | - | - | - |
| Current | | | | | | | |
| Trade Payable* | | | | | | | |
| a. MSME | | | 36.23 | 36.23 | | | |



| Particulars | Carrying Value | | | | Fair value measurement using | | |
|--------------------------------|----------------|--------|------------------|------------------|------------------------------|---------|---------|
| | FVTPL | FVTOCI | Amortized Cost | Total | Level 1 | Level 2 | Level 3 |
| b. Other than MSME | - | - | 6,094.44 | 6,094.44 | - | - | - |
| c. Other Financial Liabilities | - | - | 19,340.82 | 19,340.82 | - | - | - |
| Total | - | - | 25,471.49 | 25,471.49 | - | - | - |

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

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

45. Fair Value Hierarchy

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

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

46. Financial Risk Management

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

- i. Credit Risk
- ii. Liquidity Risk
- iii. Market Risk –
 - a. Foreign Currency, and
 - b. Interest Rate

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

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

(i) Credit Risk

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



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

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

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

As per simplified approach, the Company makes provision of expected credit losses on trade receivables using a provision matrix to mitigate the risk of default payments and makes appropriate provision at each reporting date wherever outstanding is for longer period and involves higher risk. Our historical experience of collecting receivables indicates a low credit risk. Hence, trade receivables are considered to be a single class of financial assets. Based on the business environment in which the company operates, management considers that the trade receivable are in default (credit impaired) if the payments are more than 36 months past due. Further, the company has also made credit risk impaired on individual basis based on the current status of the party on going concern. These provisioning norms computed based on the proportion computed by taking ratio of outstanding receivables for more than 36 months. According ECL is providing using following rates:

| Bucket | As at March 31, 2022 | As at March 31, 2021 |
|--|-------------------------|-------------------------|
| Government Company past due more than three years | 100.00 % | 100.00 % |
| Group Company | 0.00 % | 0.00 % |
| Other Parties past due greater than one year and up to three years | 4.30% | 10.96% |
| Other Parties past due more than three years | 100.00 % | 100.00 % |
| Specific Credit Risk impairment on individual basis | 100.00 % | 100.00 % |

The Company's exposure to credit risk for trade receivables is as follows:

(₹ in Million)

| Particulars | As at 31 st March 2022 | | As at 31 st March 2021 | |
|----------------|-----------------------------------|----------------|-----------------------------------|----------------|
| | Gross Carrying ₹ | Loss Allowance | Gross Carrying ₹ | Loss Allowance |
| Debts not due | - | - | - | - |
| Debts over due | 6,094.40 | 559.91 | 13,348.99 | 549.21 |
| Total | 6,094.40 | 559.91 | 13,348.99 | 549.21 |



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

(₹ in Million)

| Particulars | For the year ended 31 st March 2022 | For the year ended 31 st March 2021 |
|---------------------------------------|---|---|
| Balance at the beginning of the Year | 549.21 | 446.97 |
| Movement during the year | 10.70 | 102.24 |
| Balance at the end of the Year | 559.91 | 549.21 |

(ii) Liquidity Risk

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

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

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

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

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

Exposure to Liquidity risk

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

As at 31st March 2022

(₹ in Million)

| Particulars | Carrying ₹ | Contractual Cash Flows | | | | Total |
|-----------------------------|------------|------------------------|-------------|-------------|-------------------------|----------|
| | | Upto 1 year | 1-3 Year | 3-5 Year | More than 5 years | |
| Current | | | | | | |
| Trade Payables | 4,080.54 | 4,080.54 | - | - | - | 4,080.54 |
| Other Financial Liabilities | 6,13.51 | 6,13.51 | - | - | - | 6,13.51 |



As at 31st March 2021

(₹ in Million)

| Particulars | Carrying ₹ | Contractual Cash Flows | | | | |
|-----------------------------|------------|------------------------|----------|----------|-------------------|-----------|
| | | Upto 1 year | 1-3 Year | 3-5 Year | More than 5 years | Total |
| Current | | | | | | |
| Trade Payables | 6130.67 | 6130.67 | - | - | - | 6130.67 |
| Other Financial Liabilities | 19,340.82 | 19,340.82 | - | - | - | 19,340.82 |

(iii) Market risk

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

A. Interest rate risk

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

B. Currency risk

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

The summary of quantitative data about the Company's exposure to currency risk, as expressed in Indian Rupees, as at 31 March 2022 and 31 March 2021 are as below:

As at 31st March 2022

| Particulars | AED | AUD | BDT | CNY | EUR | GBP | HKD | JPY | KRW | KWD | LKR | NPR | OMR | SAR | SEK | SGD | USD |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Cash & Cash Equivalents | 0.19 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.02 |
| Other Financial Assets | - | - | - | - | 0.00 | - | - | - | - | - | - | - | - | - | - | - | 4.52 |
| Trade Receivables | 0.37 | - | - | - | 0.01 | - | - | - | - | - | - | - | - | - | - | - | 12.70 |
| Total Financial Assets | 0.56 | - | - | - | 0.01 | - | - | - | - | - | - | - | - | - | - | - | 17.24 |
| Other Financial Liabilities | -0.13 | -0.13 | -0.03 | -0.16 | -0.06 | -0.02 | -1.30 | - | -9.39 | - | - | -1.50 | -0.00 | -0.07 | -0.01 | -0.06 | -0.03 |
| Trade Payables | -0.20 | - | - | - | 0.05 | 0.01 | - | 0.40 | - | 0.00 | 0.08 | - | - | - | - | 0.02 | 2.57 |
| Total Financial Liabilities | -0.33 | -0.13 | -0.03 | -0.16 | -0.02 | -0.02 | -1.30 | 0.40 | -9.39 | 0.00 | 0.08 | -1.50 | -0.00 | -0.07 | -0.01 | -0.04 | 2.54 |



As at 31st March 2021

| Particulars | AED | BDT | CHF | EUR | GBP | HKD | JPY | KRW | KWD | LKR | NPR | SAR | SGD | USD |
|------------------------------------|--------------|--------------|----------|-------------|--------------|--------------|-------------|---------------|-------------|-------------|--------------|--------------|-------------|-------------|
| Cash & Cash Equivalents | 0.09 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Financial Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.22 |
| Trade Receivables | 0.45 | - | - | 0.01 | - | - | - | - | - | - | - | - | - | 7.05 |
| Total Financial Assets | 0.55 | - | - | 0.01 | - | - | - | - | - | - | - | - | - | 7.27 |
| Other Financial Liabilities | -0.09 | -0.01 | - | -0.00 | -0.01 | -0.37 | - | -10.49 | - | - | -0.66 | -0.10 | - | -0.01 |
| Trade Payables | -0.20 | - | - | 0.04 | 0.01 | - | 2.22 | - | 0.00 | 0.04 | - | - | 0.01 | 1.87 |
| Total Financial Liabilities | -0.28 | -0.01 | - | 0.04 | -0.01 | -0.37 | 2.22 | -10.49 | 0.00 | 0.04 | -0.66 | -0.10 | 0.01 | 1.86 |

Sensitivity Analysis

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

| Effect in INR (before tax) | Profit or Loss | |
|--|----------------|-----------|
| For the year ended on 31 st March, 2022 | Strengthening | Weakening |
| 0.5% Movement | NIL | NIL |
| USD | NIL | NIL |
| | | |
| Effect in INR (before tax) | Profit or Loss | |
| For the year ended on 31 st March, 2021 | Strengthening | Weakening |
| 0.5% Movement | NIL | NIL |
| USD | NIL | NIL |

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

The aggregate value of performance obligations that are completely or partially unsatisfied as at 31st March, 2022, is ₹Nil (₹ Nil as on 31st March, 2021).

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

49. The company is in process of transfer of hangars constructed on the land leased by Airport Authority of India or land owned by the holding company at various locations in India. This process is likely to complete in due course.



50. The name of company has been changed from Air-India Engineering Services Limited to AI Engineering Services Limited w.e.f 03-08-2020.
51. Previous Year figures have been re-grouped/re-arranged wherever considered necessary to be compatible with the Schedule III of the Companies Act 2013 and as per requirement specified in Ind AS, to the extent of information being available and required for compilation.

For and on Behalf of

For and on behalf of the Board of Directors

Prakash Chandra Jain & Co.
Chartered Accountants
FRN : 002438C

Sd/-
Vikram Dev Dutt
Chairman
DIN 02055541

Sd/-
Vimlendra A. Patwardhan
Director
DIN 08701559

Sd/-
Pratibha Sharma
Partner
M.No. : 400755
UDIN : 22400755BAKAUC1412

Sd/-
Sharad Agarwal
Chief Executive Officer

Sd/-
Rakesh Kumar Jain
Chief Financial Officer

Sd/-
Sakshi Mehta
Company Secretary

Place : New Delhi
Date : 20th October, 2022



AI ENGINEERING SERVICES LIMITED

(Formerly known as Air-India Engineering Services Limited)

CIN: U74210DL2004GOI125114

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