



ANNUAL REPORT 2001-02

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BOARD OF DIRECTORS

(As on 31st December, 2002)

Sunil Arora

V. Subramanian

Raghu Menon

J.N Gogoi

P. P. Vora

S.K. Narula

SECRETARY

H.S. Grover

BANKERS

State Bank of India
Bank of India

JOINT STATUTORY AUDITORS

:

M/s. Gupta & Gupta
4/8, Asaf Ali Road
New Delhi-110 002

M/s. G.S. Mathur & Co.
149 B, Pocket C
Siddartha Extension
New Delhi-110 014

REGISTERED OFFICE

Airlines House
113, Gurudwara Rakab Ganj Road
New Delhi-110 001



Sunil Arora



V. Subramanian



Raghu Menon



J.N. Gogoi



P.P. Vora



S.K. Narula

EXECUTIVE HEADS

Sunil Arora Chairman and Managing Director

V. Kashyap Dy. Managing Director

T. S. Chandrasekar Dy. Managing Director

Directors

A. P. Singh

CVO

V. K. Sharma

Director JEOC

Ms. Sushma Chawla

Director Finance

Vikram Badshah

Director Corporate Affairs

A. K. Rastogi

Director IT

Ashok Bhushan

Director Project & Planning

A. K. Goyal

Commercial Director

Shekhar Ghose

Director HRD

Yashvir Kumar

Director GS

Capt D. V. Singh

Director Flight Safety

M. C. Gupta

Director Engineering

Naresh Chand

Director IFS

Kapil Kaul

Director Personnel & IR

V. K. Jain

Director Stores & Purchases

R. Dayal

Director Audit

Capt P Chaudhary

Director Operations

Capt P. K. Gupta

Director Training

R. K. Rana

E. D. SHOD

Ms. Anjana Maheshwari

Director Systems

Anup K. Srivastava

Director PR

Ms. Anita Khurana

Director Cargo

Anand Kumar

Director Security

Regional Directors

Manet Paes

Northern Region

S. K. Ghorai

Western Region

K. Sampath kumar

Southern Region

M. S. Balakrishnan

Eastern Region

INDIAN AIRLINES LTD.

Directors' Report

The Directors of your Company have pleasure in presenting the Tenth Annual Report, together with the Audited Statement of Accounts of Indian Airlines Ltd. for the year ended 31st March, 2002.

FINANCIAL AND PHYSICAL PERFORMANCE

During the current year 2001-2002 the Company has suffered a loss of Rs.246.75 crore as against the budget estimates of a loss of Rs.250.65 crore, in view of the following external factors beyond its control :-

The Company's physical performance suffered a major setback in the aftermath of 11th Sept., 2001 incidents in USA. These incidents have resulted in the decline in traffic globally. The tourists arrival in India have also declined sharply in the aftermath of US incidents.

Airports Authority of India increased Landing and Navigation charges by 10% w.e.f. 1.4.2001 for all airports in India resulting in increased expenditure.

Indian Airlines had taken on lease four A320 aircraft during the first and third quarters of 2001-02. Prior to April, 2001, the import of aircraft, leased or purchased, did not attract any customs duty. Since April, 2001, a new levy of 3% customs duty was introduced.

* The exchange rate of 1 US\$ increased from Rs.46.79 to Rs.48.86.

The Govt, announced deregulation of Aviation Turbine Fuel (ATF) w.e.f. 1st April, 2001. After the deregulation, the prices of ATF initially came down but witnessed an increasing trend in the first half of the year.

In order to boost-up the sales and consequently improve the market share, the Company implemented dynamic pricing in the form of Flexi-fare policy w.e.f. 25th May, 2001.

The financial and physical performance of the Company for the year under review vis-a-vis the previous year is given below :-

Financial Performance	(Rupees in crore)		
	2001-02	2000-01	% Increase/ (Decrease)
Operating Revenue	3769.91	3793.34	(0.62)
Operating Expenses	3990.56	3878.66	2.89
Operating Profit/(Loss)	(220.65)	(85.32)	(158.61)
Non-Operating Revenue	107.38	60.56	77.31
Non-Operating Expenses (including Prior Period adjustments)	133.48	134.41	(0.69)
Net Profit /(Loss)	(246.75)	(159.17)	(55.02)

Physical Performance

	2001-02	2000-01	% Increase/ (Decrease)
ATKMs (Millions)	1200.315	1153.684	4.04
RTKMs (Millions)	755.547	777.342	(2.80)
Passengers carried (Millions)	5.525	5.992	(7.79)
Load Factor	62.9	67.4	(6.68)
Seat Factor	60.5	65.3	(7.35)

ON TIME PERFORMANCE

To ensure availability of reliable passenger service, a very close monitoring was made to ensure and improve on time performance. The Company set up a Central Coordination Cell to continuously monitor the on time performance and take quick decisions. At all Metros, Core Groups were set up to oversee and ensure improved on time performance. The efforts yielded handsome results inasmuch as against the 60% on time performance during the year 2000-01, the network on time performance during the period under review was of the order of 77%. The on time performance for the major metros for the period under review was as high as 85%.

COST CONTROL

Following the decline in traffic in the aftermath of 11th September, 2001 incidents in USA, the revenue earnings and consequently the liquidity position of the airline have been affected adversely. In order to overcome the situation, the Company continued its Cost Control measures/steps taken, among others, in the following areas:-

- Rationalisation of aircraft capacity deployment.

- Redeployment of staff and ban on engagement of casuals/daily rated labour.

- Fuel Monitoring and Tankering.

- Inventory control.

- Rationalisation of Menu and catering upliftment.

MARKETING

The Company continued its aggressive marketing initiatives and innovative pricing policies in order to achieve better market share and improved revenue realisation. During the year the emphasis was on improving passenger convenience and satisfaction.

The various marketing initiatives include:

- Flexi-fare Policy.

- Through check-in.

- Website upgraded for on-line schedule information, seat availability status and frequent flier mileage status. (<http://www.indian-airlines.com>).

- Diet Meals made available on Trunk routes.

- Kerb-side Assistance Desk.

- Free Baggage allowance increased by 10 kgs.

- Special Dialogue Notice Boards at departure lounges.
- Increased seat-pitch.
- Liberal cancellation rules.
- Customer-friendly in-flight services.
- Departure control system with facilities of return check-in, through check-in, tele check-in, city check-in and advance seat reservation etc. introduced at 6 metros and 19 other stations.

Seasonal promotions.

- Absorption of credit card commission of agents.
- Passenger feed-back programme.
- Strategic alliance with Indian Railways for tourist promotion.
- Co-brand credit card with American Express.
- Metro shuttle between Mumbai and Delhi.

Air-conditioned coaches at Delhi, Mumbai, Kolkata and Chennai for executive class passengers.

- International holiday packages for Bangkok, Singapore and Kuala Lumpur introduced.

Tie up with Coca-Cola, Taj Group of Hotels, ITDC, Casino Group Hotels, Mahindra Holiday Resorts, Welcom Group Hotels and others for better package facilities to customers.

- Agreement with Air France for inter airline through check in from/to IA domestic station to/from international gate way points at Delhi and Mumbai.

MoUs with tourism department of various states in India to promote tourism.

- Participation in various international exhibitions to generate awareness in respect of Indian Airlines network.

The travel fraternity has recognized the efforts of Indian Airlines by conferring Awards:-

In March 2002 IA was awarded in Berlin by Pacific Asia Travel Writers Association for excellence in " Marketing, Cuisine and Service", popularly known as PATWA award.

The SATTE award, in April 2002 by South Asian Travel & Tourism Exchange for being "Best Tourism Promoter" and "The Most Comprehensive and Informative Seller".

FLEET POSITION

Fleet position, as at the end of the year, is as under:-

<u>Aircraft Type</u>	<u>Number of Aircraft</u> (As on 31.3.2002)
A-300	7*
A-320	35 "
B-737	11

* includes two A300B4 on lease and excludes three aircraft VT-EDW, VT-ELW and VT-EDZ withdrawn from services and written-off during the year and also excludes VT-EFW which was involved in a ground incident at Delhi and written-off during the year.

** includes five A320 aircraft taken on lease during the year.

NEW LINKS

During the year, the Company introduced services on the following new routes:-

International

Hyderabad	Dubai
Thiruvananthapuram	Sharjah
Jaipur	Dubai
Delhi	Dubai
Chennai	Dubai
Kochi	Doha
Kochi	Bahrain
Hyderabad	Bangkok
Kozhikode	Muscat
Kozhikode	Dubai

Domestic

Mumbai	Jaipur
Mumbai	Pune
Ranchi	Kolkata
Ranchi	Lucknow
Silchar	Guwahati
Bagdogra	Guwahati (2-way link)

FLIGHT SAFETY

Indian Airlines gives utmost importance to the safety of its operation. All mandatory requirements pertaining to safety are supported and promoted by the Company. Its safety record has been excellent and there were no accident involving Indian Airlines aircraft during 2001-2002 except the ground incident to A 300 aircraft VT - EFW at Delhi.

In its pursuit of safe flight operation, the Company has a full-fledged Safety Awareness and Incident/Accident Prevention Programme involving safety standards, the following steps have been taken by the Company:-

- Constitution of Permanent Investigation Boards for A-300 & A-320.
- Review and follow up of findings and recommendations by Flight Safety Sub Committee.
- Cockpit Resource Management (CRM) training.
- Integration of Flight Safety Activities with QC, Operation and Training.
- Computerised FDTL Monitoring System.
- Central Monitoring Unit (CMU) to monitor exceedances.
- Cockpit Voice Recorder monitoring.
- Flight Operation Quality Assurance (FOQA) monitoring.
- Safety Audits.
- Observation flight to monitor Cockpit and Cabin Procedure.
- Non-punitive, Voluntary and Anonymous reporting of Incidents.

ENGINEERING

The maintenance of all three types of aircraft in the fleet is carried out at Company's engineering facilities at Delhi, Mumbai, Kolkata and Hyderabad. Apart from in-house maintenance, engineering services are provided to various Airlines/ Organisations.

In addition to routine maintenance, various life development works and major modification on aircraft fleet were also carried out during the year. Ageing Aeroplane Modification (20 years MOD) was carried out on six B-737 aircraft. Lap joint Modification was carried out on three B-737 aircraft. This is a very significant labour intensive and time consuming modification undertaken for the first time.

Consequent to September 11, 2001 aviation tragedy, strengthening of the cockpit door declared mandatory by regulatory authority was to be executed by 9.1.2002. The modification was designed in-house with the approval of DGCA and was carried out on all the aircraft in the fleet of the company.

For structural repairs on A320 aircraft, the Carbon Composites Repair Shop in A320 hangars has been upgraded with latest state-of-art tools/equipment and environment control. This shop being a DGCA approved repair facility and being capable of handling most of the A320 composite components, considerable amount of foreign exchange will now be saved by carrying out in-house repairs on these components.

Centralised servicing facilities of HST of all pressure reservoirs and servicing of oxygen cylinders of all types of aircraft in our fleet have been established at Hyderabad.

JET ENGINE OVERHAUL COMPLEX

JEOC steadily continues to move in the direction of containment of the entire V 2500 engines workload in-house with none of the engines having been outsourced during the current financial year. Entire workload of JT8D engines is already undertaken in-house.

During the year the shop moved closer to its ambitious plans as regards HPC module. It has refurbished yet another HPC module in-house, while work on more modules is in progress. The Piece Parts Repair facility continues to be gradually upgraded in line with the workload development and shop's capabilities. The commissioning of Heat Treatment Furnace has further reduced the shop's dependence on outside agencies.

The shop also moved closer to its goal of acquiring FAA approval, which would act as a precursor for JEOC approval by international aviation authorities and enable the shop to take up third party jobs in future. In this regard, JEOC has applied to the regional office of FAA in Singapore.

ENERGY CONSERVATION/FUEL ECONOMY

The Company continued to pursue energy conservation on a committed basis.

Various Refresher courses are conducted at CTE (Central Training Establishment) where detailed discussions on fuel conservation measures with emphasis on optimisation of flight techniques and Flight Profiles are held.

To conserve fuel expenditure, areas have been identified for reduction in expenditure on ATF. A dedicated team of officers has been constituted for effective fuel tankering. Several domestic and international sectors are identified periodically to obtain maximum benefit by way of fuel tankering. CTE also carries out fuel consumption monitoring to optimise on fuel consumption.

Performance monitoring continued to be pursued to ensure that the aircraft performance remains within the specified parameters. This precludes any fuel wastage due to engine or airframe deterioration remaining unnoticed and also dispenses with the requirement of test flights for renewal of Certificate of Airworthiness.

GROUND SUPPORT

Handling Services were provided to WIP flight of the Hon'ble President of India, Vice-President of India, Prime Minister of India and other foreign dignitaries visiting India.

Indian Airlines has equipment and facilities to cater to handling any type of aircraft in world market today. Ground Handling Services were provided to various airlines including Srilankan Airlines, Uzbekistan Airways, British Airways, Aeroflot, Lufthansa etc.

During the year under review, the following additional handling agreements were finalised:-

- Malaysian Airlines
- Emirates
- Qatar Airways
- Alitalia (for security services only)
- Cross Air (for security services only)
- Saudi Arabia (Haj)

These are operated from various stations at Mumbai, Kolkata, Hyderabad, Delhi, Chennai, Bangalore, Thiruvananthapuram, Ahmedabad and Goa. The handling services were also provided during the year to various charters, freighters and technical halt flights.

The Company created a self handling unit of ground support effective January, 2002 at Kathmandu (Nepal), in order to bring about substantial savings of recurring expenditure in ground handling charges earlier paid to Royal Nepal Airlines, the local handling agents.

CENTRAL TRAINING ESTABLISHMENT (CTE)

CTE established as a Profit Centre continued to provide training in all aspects of Airline Management, both for personnel of Indian Airlines as well as representatives of other airlines, as per DGCA, IATA, ICAO and FAA specifications. The state of the art training facilities and infrastructure combined with the expertise of qualified instructors, has enabled CTE to offer simulator facilities to the following: -

- Air India
- Blue Dart
- Alliance Air
- ASTE
- Air Sahara
- Srilankan Airlines
- Trans Asia Airways

AIRCRAFT EVALUATION & SELECTION

The Board of Indian Airlines in its meeting held on 27th March, 2002, has approved a proposal for acquisition of 43 aircraft at a net project cost of Rs.10089 crore to meet fleet requirements from 2003-04 to 2007-08. The 43 aircraft comprise Airbus A319 (122 seater), A320 (145 seater) and A321 (172 seater) aircraft installed with CFM engines. A project report in this respect has already been submitted to the Ministry of Civil Aviation for approval.

HUMAN RESOURCE

The staff strength as on 31st March, 2002 was 20012 as against 20554 as on 31st March, 2001. This includes 3857 employees belonging to Scheduled Castes and 1170 employees belonging to Scheduled Tribes representing 19.5% and 5.9% respectively of the total strength. The Company has been following Government's directives with regard to representation of Scheduled Castes/Scheduled Tribes.

INDUSTRIAL RELATIONS

There was no major incident of industrial unrest during the year under review and the industrial relations of the Company remained peaceful.

During the year under review, Productivity Settlements were arrived at with Flight Engineers' Association and All India Aircraft Engineers' Association. The settlements are aimed at improving operational efficiency through increased availability and flexible deployment of Flight Engineers. Similarly, the settlement with Aircraft Engineers is to ensure increased availability of aircraft as a sequel to increased availability of engineers.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, Foreign Exchange earnings amounted to Rs. 1320.90 crore and the outgo was Rs. 1446.34 crore. Foreign Exchange earnings constituted 35.04 % of the total operating revenue of the Company.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company has contributed Rs. 260.05 crore to the Government Exchequer by way of Customs duty, Sales tax, Excise duty, etc.

SUBSIDIARY COMPANIES

Airlines Allied Services Ltd. (AASL) was formed in 1983, and commenced operations w.e.f. 15th April, 1996 under the banner of Alliance Air. The Accounts of the Company for the year ended 31st March, 2002 are not annexed as the same are under preparation.

The Annual Report for the year 2001-02 of M/s Vayudoot Ltd., a wholly owned subsidiary of Indian Airlines Ltd. has not been annexed with the Accounts as it is under preparation. Accounts upto financial year 2000-01 have already been adopted by the shareholders of Vayudoot Ltd.

USE OF HINDI

The Company continued to promote Hindi as the Official Language in order to fulfill the objective and is continuing its efforts in accordance with the official implementation programme.

SPORTS

The Company continued to support and promote sports particularly Hockey, Cricket, Chess and Carrom. It is a matter of immense pride that the employees continued to perform with excellence in various events. Some noteworthy performances were:

Indian Airlines Hockey team participated in the 9th SCC International 6's Hockey tournament at Singapore and finished Runners-up. Ravinder Singh was declared the Best Player of the Tournament.

Prabodh Tirkey and Bimal Lakra on scholarship with IA were members of the Junior Hockey World Cup winning team at Hobart, Australia.

L. Barla was the member of the Winning Indian team in the 1st Champions challenge cup hockey tournament at Malaysia.

J. Srinath, V.V.S.Laxman, Yuvraj Singh and Harbhajan Singh were members of the Indian cricket team on tour of Zimbabwe and South Africa.

V.V.S. Laxman, J. Srinath and Harbhajan Singh were members of the Indian cricket team on tour of West Indies.

M.Natraj won the individual event in the World Carrom Championship at Luton, London and teamed with R.M. Shankara to win the Doubles event as well.

S.Vijayalakshmi was the recipient of the prestigious "ARJUNA AWARD" for Chess and became the fifteenth employee of Indian Airlines to be awarded the same.

S. Meenakshi finished runners-up in the Asian Junior Women Chess championships at Teheran, Iran.

S. Vijayalakshmi and S. Meenakshi represented India in the Asian Women's Chess Championship and S. Vijayalakshmi finished runners-up in the same tournament.

Tejas Bakre was the winner of the Grand Master Chess tournament at Budapest, Hungary.

WELFARE ACTIVITIES

Indian Airlines Ltd. continued to provide various welfare facilities to its employees which include, amongst others, Medical facilities, subsidised Canteens, Financial Assistance for Part-Time Courses, Educational Scholarships to Wards of the employees, Holiday Homes, Sports Clubs, Township Facilities, Housing Loans, Festival Advances, Group Insurance Schemes etc. Special emphasis is given on preventive health care for employees.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm: -

- i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- ii) that they had selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for that period.
- iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that they had prepared the Annual Accounts on a going concern basis.

AUDIT COMMITTEE & CORPORATE GOVERNANCE

For improving Corporate Governance, a new section 292A was introduced in the Companies Act, 1956 providing that every public company having a paid up capital of not less than Rs. 5 crore shall constitute a Committee of the Board known as "Audit Committee". Accordingly, the Audit Committee was constituted on 15th March, 2001. The Audit Committee presently comprises of :-

1. Shri V. Subramanian - Chairman
2. Shri J. N. Gogoi
3. Shri S. K. Narula

During the year 2001-2002, two meetings of the Audit Committee were held on 22.10.2001 and 1.2.2002.

PARTICULARS OF EMPLOYEES

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 regarding employees is separately annexed with the report.

AUDITORS

The Statutory Audit for the financial year 2001-02 has been carried out jointly by M/s. G. S. Mathur & Company and M/s. Gupta & Gupta, Chartered Accountants both of New Delhi, appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956. The Statutory Auditors have made certain observations in their report on the Accounts of the company for the year ended 31 st March, 2002. The comments of the Management to these observations are attached as addendum to this Report.

BOARD OF DIRECTORS

During the year, the Board of Directors of Indian Airlines held five meetings. The Board consists of the following Directors:-

1. Shri Sunil Arora Chairman & Managing Director
2. Shri V.Subramanian Jt.Secy. & Financial Advisor, Ministry of Civil Aviation
3. Shri Raghu Menon Joint Secretary, Ministry of Civil Aviation
4. Shri J.N. Gogoi Managing Director, Air India Limited
5. Shri P.P. Vora Chairman, IDBI
6. Shri S.K. Narula Chairman, Airports Authority of India

ACKNOWLEDGEMENTS

The Board places on record its appreciation for the valuable services rendered by Shri D.V. Gupta as member of the Board of the Company.

The Board places on record its appreciation for sincere efforts and contribution made by the Company's employees at all levels. The Board sincerely acknowledges the assistance and continued support given by the Ministry of Civil Aviation, Airports Authority of India, Comptroller and Auditor General of India, Department of Company Affairs, and other Government Departments, Airlines and Agents.

By Order of the Board



(Sunil Arora)

Chairman & Managing Director

Place: New Delhi
Dated: 30th December, 2002

COMMENTS ON STATUTORY AUDITORS' REPORT

The comments of the Management to the observations of the Statutory Auditors are as under :

Para No.	Audit Para	Reply
2.	We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion except that, on account of inadequacy of appropriate internal control systems and accounting procedures as detailed hereinafter, we were unable to apply in entirety audit standards necessary for the purposes of our audit.	2. The Company has well established and comprehensive system of internal control and checks & balances. It has a very detailed instrument of delegation of financial powers. The systems and procedures and financial & other records are also subject to Internal Audit and Govt. Audit, apart from Statutory Audit. In a company of such size having voluminous operations, some discrepancies do occur and our continuous endeavour is to take corrective action. Vigorous efforts shall be made to further improve the systems and procedures.
4	We further report as under:	
4.1	Accounting Policy 'L' (a) to (f) regarding accounting of certain transactions on settlement basis, including income/ expenditure crystallized before the finalisation of accounts, which is not in accordance with the fundamental accounting assumption of accrual basis of accounting as well as Accounting Standard AS-1 read with AS-9.	4.1 Although accrual basis of accounting is invariably followed, the stated items are accounted for on settlement basis as the same are not considered to be significant.
4.2	Computing revenue on account of passenger sales, after deducting advance passenger receipts, based on estimate of five days gross sales, instead of booking revenue on flown basis and of considering revenue on cargo services on issue of airway bills irrespective of transportation (Accounting Policy G) which are not in accordance with the fundamental accounting assumption of accrual as well as Accounting Standard AS-1 read with AS-9.	4.2 In absence of data on flown basis, the relevant Accounting Policy is being consistently followed.
4.3	Considering Rotables including Grounds Support Rotables aggregating Rs 189.31 crores (excluding freight, duty & insurance) in the nature of stand by and/ or servicing equipments as inventory, though	4.3 The company considers rotables as part of the Inventory hence these are not considered as Fixed Assets. Further provision for obsolescence is made for the same as per Accounting Policy No. E(ii).

in line with past practice, is not in consonance with Accounting Standard "Accounting for Fixed Assets" (AS -10) nor as per generally accepted accounting principles. Similarly provision for obsolescence thereon, though in line with significant accounting policy of the Company, but is not in consonance with AS-6 - Depreciation Accounting and AS-10.

- | | |
|--|--|
| <p>4.4 The liability for interest for the year 1996-2002 on unsecured loan shown in current liabilities of Rs.60 crores from Air India Limited has been provided on the basis of simple interest after considering a sum of Rs. 30 crores out of the dues from Air India Limited under the Joint Venture as a set-off against loan liability. No counter-party confirmation has been obtained for this and no adjustments have been made in the accounts for the set-off of dues against loan liability. This has resulted in lower provision for interest by Rs. 24.69 crore, thus under stating the liability to this extent and understatement of loss for the current year by Rs. 3.90 crore.</p> | <p>4.4 The advance from Air India Ltd. is likely to be adjusted/repaid in near future when the accounting adjustments shall be made.</p> |
| <p>4.5 Note No.9 on Schedule 'Q' regarding non reconciliation of general ledger balances with subsidiary records, non availability of balance confirmation for receivables and payables including old and unadjusted credits/debits in Debtors account and consequential impact on the outstanding and ageing which can neither be determined nor quantified arising out of effect of adjustments on balancing/clearance /identification/ confirmation/ reconciliation in various accounts of income, expenditure, assets and liabilities.</p> | <p>4.5 This has been adequately disclosed vide Note No. 9. The reconciliation, adjustment and confirmation is under progress and is a continuous process.</p> |
| <p>4.6 Note No. 17 on Schedule 'Q' - Non disclosure of revenue as well as assets and liabilities as per geographical segments in terms of Accounting Standard AS-17 on Segment Reporting.</p> | <p>4.6 This has been adequately disclosed vide Note No. 17(H).</p> |
| <p>4.7 Non-adhering to certain laws and regulations at some regions inter-alia:</p> | |
| <p>4.7.1 Non-charging of work tax on repair jobs in terms of clause (a) of Section 2(42) of the West Bengal Sales Tax Act, 1994.</p> | <p>4.7.1 Necessary action is being taken during the current financial year.</p> |
| <p>4.7.2 Non-charging of sales tax on sale of spares to Air India Ltd.</p> | <p>4.7.2 Necessary action is being taken during the current financial year.</p> |

4.7.3	Non-registering/ paying excise duty for manufacturing activities undertaken at Dum Dum Airport.	4.7.3	Necessary action is being taken during the current financial year.
4.7.4	Non-deduction of State Tax for local parties engaged at outstations selected through tender for doing civil jobs.	4.7.4	Necessary action is being taken during the current financial year.
4.7.5	Non-deduction of tax to professionals, contractors, rent, interest etc., at the time of credit.	4.7.5	Necessary action is being taken during the current financial year.
4.7.6	Not collecting/deposit of Inland Airport Travel Tax for upgraded ticket particularly in case of staff as required in IATT Act/Rules;	4.7.6	As per legal opinion obtained, same is not applicable.
4.8.	Attention is invited to the following notes in Schedule Q of Notes on Accounts.	4.8	In order to make the Accounts more transparent, the cited notes have been incorporated in the Accounts.
4.8.1	Note No. 6 - Non-availability of Lease/Title Deeds.		
4.8.2	Note No. 12-Regarding accounting of joint venture arrangement with Air India Limited on estimate.		
4.8.3.	Note No. 13 - Regarding Debts due for more than three years amounting to Rs. 146.58 crore from Government or Government owned companies being considered good for the recovery, though such amounts from other parties are being provided for;		
4.8.4	Note No. 14-Provision of liability for wage arrears on estimate basis; and		
4.8.5	Note No. 15 - Regarding estimated liability of Rs. 183 crore of Vayudoot Limited on its eventual take over.		
4.9	The accounts do not give the disclosures as required by the Schedule VI of the Companies Act, 1956 in respect to:		
4.9.1	Unsecured interest bearing loan of Rs. 60 crores from Air India Limited shown under "Current Liabilities" instead of "Unsecured Loans;	4.9.1	The amount was received as "Advance" from Air India Ltd. to be adjusted against the Joint Venture proceeds. Since receivables relating to Joint Venture are classified under "Current Assets", the "Advance" has been correctly shown under "Current Liabilities".
4.9.2	Amount of surplus on sale of Aircraft/Engines included in Capital reserves upto 31.3.1996 and being in the nature of revenue surplus as per	4.9.2	Amount of Rs. 461.52 crore transferred from Indian Airlines Corporation as on 1.3.1994 has been separately reflected. This leaves a balance

Accounting Standards 10, not set off against accumulated revenue loss as on 31.3.2002. The amount involved in set off is yet not ascertained;

of Rs 57.70 crore only.

- | | | | |
|-------|--|-------|---|
| 4.9.3 | Netting of Ad-hoc compensation of Rs.38.26 crore in respect to Maintenance cost guarantee received from foreign supplier up to 31.03.1999 against material consumed, rather than disclosing the same separately, which is also not in accordance to accounting standard AS-5, and generally accepted accounting principles/practices; and | 4.9.3 | Credit Notes received from vendors are accounted for on settlement basis. This is as per stated accounting policies of the Company adequately disclosed at 'L'(g) of Schedule 'R' containing Significant Accounting Policies. As such, the credit received is adjusted against the natural head of account instead of routing the same through prior period. Moreover, it may also be mentioned that the Maintenance Cost Guarantee was available for 10 years and the amount received in 2001-02 was in respect of 10* year. Similar treatment was afforded to such receipts in earlier years. |
| 4.9.4 | Carrying balances particularly of Air India Ltd. & Airport Authority of India Ltd., in debits as well as credits without netting/adjusting, resulting in overstating debtors and liabilities aggregating Rs. 211.53 crore. | 4.9.4 | There are certain outstanding issues with Air India Ltd. and Airports Authority of India Ltd. Till such issues are resolved, the receivables and payables are being kept separately. |
| 4.10 | Contingent liabilities include Demand of Rs. 10.49 crore on non-charging of sales tax on sales of scrap, used oils and canteen sales which is being disputed by the Company and for which no provision has been made in the accompanying accounts. | 4.10 | This is a statement of fact. The demand is being contested. |
| 4.11 | In the absence of information, we are unable to comment on the possible impact of items 4.1, 4.2, 4.5, 4.7, 4.8 and 4.9.2 above, on the loss for the year as per the Profit and loss account or the State of Affairs as per the Balance Sheet as at 31 st March 2002. | 4.11 | Suitable comments have been furnished in response to respective Audit Paras. |
| 4.12 | We further report that without considering the items mentioned in paragraph 4.11 above, the effect of which could not be determined, had the observations made by us in paragraph 4 been considered, the loss for the year would have been Rs.261.14 crore (as against the reported figure of Rs.246.75 crore), Unsecured Loans would have been Rs.1101.43 crore (as against the reported figure of Rs. 1016.74 crore), Current Liabilities would have been Rs. 1904.90 crore (as against the reported figure of Rs.2190.63 crore), Net Fixed Assets would have been Rs. 2560.28 crore (as against the reported figure of Rs. 2370.97 crore), Gross inventories would have | 4.12 | Suitable comments have been furnished in response to respective Audit Paras. |

been Rs.334.61 crore (as against reported figure of Rs.523.92 crore), Sundry Debtors would have been Rs.535.88 crore (as against reported figure of Rs.747.41 crore) and Profit and Loss (Dr.) balance would have been Rs.934.36 crore (as against reported figure of Rs.919.97 crore).

5. The financial statements of the Company for the financial year ended March 31, 2001 were audited by other independent Accountants, whose report dated October 29, 2001 expressed a qualified opinion on those statements. Balances on April 1, 2001 have been considered as opening balances for the purpose of these Accounts.
5. This is a statement of fact.

For and on behalf of the Board

Place : New Delhi
Date : 6th Dec, 2002

Sd/-
(Sunil Arora)
Chairman & Managing Director

COMMENTS ON ANNEXURE REFERRED TO IN PARAGRAPH (3) OF STATUTORY AUDITORS' REPORT AS REQUIRED BY THE MANUFACTURING AND OTHER COMPANIES (AUDITORS' REPORT) ORDER, 1988.

Para No.	Audit Para	Reply
1.	<p>The Company has generally maintained proper records showing particulars including quantitative details and location of fixed assets. The management at the end of the year has physically verified Aircraft's and Simulators. The Company physically verifies other fixed assets once in every two years. Physical verification for the year 2002 is being conducted in the biennial period of 2000-2002. We understand that the process of physical verification of other fixed assets is being conducted on different dates even in respect of the same items where there is more than one location in the same city. Discrepancies noticed on physical verification done during the biennial period 1998-2000 have not been adjusted in the accounts. Also, physical verification for the biennial period 2000-2002 is in progress and the Company is currently in the process of reconciling the Fixed Assets figure as shown in the financial books with subsidiary records. The effect, if any, on the balance sheet as at March 31, 2002 and loss for the year ending on that date as a result of these pending adjustments and on reconciliation is unascertainable.</p>	<p>1. Discrepancies noticed for the biennial period 1998-2000 are being adjusted during the current financial year. The report for the biennial period 2000-02 is likely to be finalised shortly.</p>
5.	<p>The results of Physical Verification for the biennial period ended March 31, 2000 that revealed shortages of approximately Rs.38 lac and excesses of approximately Rs.24 lac have been approved by the Board of Directors and will be adjusted in the year 2002-03. As regards Physical Verification for the biennial period ended March 31,2002, discrepancies noted have not been adjusted as the Company is in the process of reconciling the same with its Stock Register.</p>	<p>5. Discrepancies noticed for the biennial period 1998-2000 are being adjusted during the current financial year. The report for the biennial period 2000-02 is likely to be finalised shortly.</p>
6.	<p>The valuation of inventory is at cost on a weighted average basis which is consistent with the previous year Detailed lists of inventory as at March 31,2002 have not been made available to us to perform our audit procedures, in entirety, and consequently, inventory as certified by Management has been relied upon by us. Costs directly attributable to the acquisition of</p>	<p>6. Inventory being computerised on line and very voluminous, the listing of the same was not being retrieved. However, listing of the inventory as on 31.3.2003, shall be kept ready for verification.</p>

inventories that includes freight, insurance, duties and other incidental charges are allocated to inventory at the end of the year on the basis of their proportionate value. This method does not take into account different goods having different direct costs related to acquisition and in the absence of any procedures in place by management to identify variances had actual amounts been used, we are unable to comment on the reasonableness of the same. In our opinion, subject to the above and para 4.3 of the main report, stocks and valuation of stores and spares is fair and proper in accordance with normally accepted accounting principle.

10. **In our opinion, and according to the information and explanation given to us, on account of inadequacies in systems and procedures arising from lack of periodic review of legal and accounting compliance, delay in recording of transactions, delay in receipt of information from stations regarding operating costs, delay in compilation of periodic accounts, non reconciliation of control and subsidiary records as well as accounts of head office with regions particularly in respect to stores accounting and lack of adequate management reporting systems in respect of region & other accounting information including :-**
- a) **Deficiencies in recognition of revenue and control over outstanding such as (i) Non-reconciliation of outstanding debtors with subsidiary records maintained; (ii) Non-maintenance of records for the full year operations in Debtors Accounts relating to computerised debtors; (iii) Non-monitoring of credit balances including unmatched credits of material amounts leading to a failure to record revenue and misapplication of receipts with a consequential effect on revenue and debtors (iv) Non-availability or calling for confirmation from debtors; (v) Lack of monitoring of Agents outstanding; (vi) Delay in processing and dispatch of billing; (vii) Lack of controls for "collect shipments"; (viii) Non matching of Airline Tickets/ Airway Bills to the journey performed/ transportation provided; (ix) Non-generation of revenue based on lifted coupons; (x) Parking of tax collected as revenue at foreign stations etc. (xi) Non-analyzing of status**
10. All the discrepancies pointed out during the course of Audit have been rectified in the Accounts. Instances of non reconciliation/non matching have been noted and necessary reconciliation work is in progress. Endeavour shall be made to strictly implement the existing systems and procedures and to further improve upon the same. All the concerned departments are being advised for timely furnishing of the relevant information and taking necessary action.

of provisions being carried over for number of years for considering write off, and making provisions, generally only based on the period of outstanding rather than arising out of correspondence follow up; (xii) Lack of control over tickets/Airway Bills issued to Agents and utilization thereof as instances of variances in seriatim of the same was noticed including delayed reporting of sales from the actual when the transaction took place; (xiii) Non-claiming GST refund at Singapore since inception though available as per local laws.

- b) (i) Non matching of GRANs with payments/ credit notes; (ii) Non-linking of old unadjusted entries in various heads; (iii) Unreconciled differences between the book figure considered in financial statement and the figures as per records of the Stores; (iv) Non monitoring or considering defective material sent to foreign supplier; (v) delay in recording of transactions;
- c) Suspense Debits and Credits of significant amounts appear under stores in transit, advance to foreign suppliers, foreign supplier suspense, outstanding liabilities, liabilities for engineering goods and expenses, taxes at foreign stations which are temporarily parked and have not been properly distributed to appropriate accounts pending reconciliation; and
- d) Delays on the part of user/source departments including Stores and purchases, Engineering (PPC) and EDP in timely submission of relevant data as well as supporting documents to enable timely validation, entry and compilation of the same in the financial accounts;

There is need to improve the internal control systems to be commensurate with the size of the company and nature of its business.

For and on behalf of the Board

Place : New Delhi
Date : 6th Dec, 2002

Sd/-
(Sunil Arora)
Chairman & Managing Director

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule	31-3-2002 (Rupees)	31-3-2001 (Rupees)
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a) Capital	A	105,19,36,030	105,19,36,030
b) Reserves	B	559,34,24,016	554,78,00,902
		664,53,60,046	659,97,36,932
2. LOAN FUNDS			
a) Secured Loans	C	275,86,37,043	123,33,04,653
b) Unsecured Loans		1016,74,26,440	1336,53,23,865
		1292,60,63,483	1459,86,28,518
	Total	1957,14,23,529	2119,83,65,450
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	D	5492,76,80,888	5484,49,70,300
b) Less: Depreciation		3121,80,21,415	2933,60,43,558
c) Net Block		2370,96,59,473	2550,89,26,742
d) Capital work in progress		8,81,16,632	5,35,25,314
		2379,77,76,105	2556,24,52,056
2. INVESTMENTS			
	E	2,83,29,605	2,39,14,257
3. CURRENT ASSETS LOANS AND ADVANCES			
a) Inventories		137,25,17,296	148,22,77,995
b) Goods-in-Transit		12,29,66,053	57,45,55,656
c) Sundry Debtors		747,41,28,109	679,80,38,657
d) Cash & Bank Balances		116,97,28,209	102,60,82,823
e) Other Current Assets		115,34,07,691	43,99,47,117
f) Loans and Advances	G	89,95,16,603	89,42,39,588
		1219,22,63,961	1121,51,41,836
Less: CURRENT LIABILITIES AND PROVISIONS			
a) Liabilities	H	2190,63,11,343	1994,89,22,034
b) Provisions	I	374,77,39,213	239,13,38,333
		2565,40,50,556	2234,02,60,367
Net Current Assets		(1346,17,86,595)	(1112,51,18,531)
4. MISCELLANEOUS EXPENDITURE (to the extent not written-off or adjusted)			
Deferred Revenue Expenditure		73,78,273	49,06,363
5. Profit and Loss Account			
	Total	919,97,26,141	673,22,11,305
	Total	1957,14,23,529	2119,83,65,450

NOTES ON ACCOUNTS - SCHEDULE 'Q'
SIGNIFICANT ACCOUNTING POLICIES - SCHEDULE 'R'
In terms of our report of even date attached

For GS. MATHUR & CO.
CHARTERED ACCOUNTANTS
Sd/-
Partner

For GUPTA & GUPTA
CHARTERED ACCOUNTANTS
Sd/-
Partner

New Delhi, Dec. 6, 2002

Sd/-
S.Chawla
Director (Finance)

For and on behalf of the Board

Sd/-
Sunil Arora
Chairman & Managing Director

Sd/-
V. Subramanian
Director

Sd/-
H.S. Graver
Secretary

New Delhi, Dec. 6, 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

PARTICULARS	Schedule	2001-02 (Rupees)	2000-01 (Rupees)
I. REVENUE			
Operating			
Traffic Revenue	J	3543,23,34,990	3585,41,08,495
Incidental Revenue	K	226,67,44,008	207,93,34,441
Total Operating Revenue (A)		3769,90,78,998	3793,34,42,936
Non-Operating Revenue			
	L	107,37,72,939	60,56,27,994
Total Revenue (B)			
		3877,28,51,937	3853,90,70,930
II. EXPENSES			
Operating			
Employees' Remuneration & Benefits	M	1120,22,69,157	982,14,03,286
Insurance		116,05,83,935	44,31,95,195
Fuel & Oil (Aircraft)		808,97,55,386	920,06,00,042
Landing, Parking & Navigational		252,46,15,418	226,77,71,829.
Material Consumed (Aircraft)		332,90,63,529	425,98,85,476
Outside Repairs (Aircraft)		275,72,59,250	258,62,24,127
Hire of Aircraft		70,63,16,112	17,80,11,943
Booking Agency Commission		263,35,36,329	281,48,60,408
Depreciation		301,46,37,805	293,89,68,947
Food Services & Other Pax Amenities		109,57,38,354	115,00,61,926
Provision for Bad/Doubtful Debts		80,00,000	1,01,00,000
Provision for Obsolescence of Spares		26,90,00,000	34,50,00,000
Other Operating Expenses	N	311,48,40,301	277,05,63,042
Total Operating Expenses (C)			
		3990,56,15,576	3878,66,46,221
Non-operating Expenses			
Prior Period Adjustments (Net)	O P	134,74,59,819 (1,27,08,622)	158,36,41,952 (23,94,92,351)
Total Expenses (D)			
		4124,03,66,773	4013,07,95,822
Operating Profit/(Loss) (A-C)			
		(220,65,36,578)	(85,32,03,285)
Net Profit/(Loss) for the year (B-D)			
		(246,75,14,836)	(159,17,24,892)
Brought forward (Loss)			
		(673,22,11,305)	(514,04,86,413)
Balance Carried to Balance Sheet			
		(919,97,26,141)	(673,22,11,305)

NOTES ON ACCOUNTS - SCHEDULE 'Q'
SIGNIFICANT ACCOUNTING POLICIES - SCHEDULE 'R'

In terms of our report of even date attached

For G.S. MATHUR & CO.
CHARTERED ACCOUNTANTS
Sd/-
Partner

For GUPTA & GUPTA
CHARTERED ACCOUNTANTS
Sd/-
Partner

New Delhi, Dec. 6, 2002

Sd/-
S.Chawla
Director (Finance)

For and on behalf of the Board

Sd/-
Sunil Arora
Chairman & Managing Director

Sd/-
V. Subramanian
Director

Sd/-
H.S. Grover
Secretary

New Delhi, Dec. 6, 2002

SCHEDULE 'A' - SHARE CAPITAL

PARTICULARS	31-3-2002 (Rupees)	31-3-2001 (Rupees)
AUTHORISED		
449958200 Equity Shares of Rs. 10/- each	449,95,82,000	449,95,82,000
5004180 Redeemable Preference Shares of Rs.100/- each	50,04,18,000	50,04,18,000
Total	500,00,00,000	500,00,00,000
ISSUED, SUBSCRIBED & PAID UP		
105193603 Equity Shares of Rs. 10/- each fully paid up in cash	105,19,36,030	105,19,36,030
Total	105,19,36,030	105,19,36,030

SCHEDULE 'B' - RESERVES

PARTICULARS	31-3-2002 (Rupees)	31-3-2001 (Rupees)
1. CAPITAL RESERVE		
Transferred from Indian Airlines Corporation	461,51,74,659	
Others	57,70,39,106	
	519,22,13,765	519,22,13,765
2. INSURANCE RESERVE		
Opening Balance	35,55,87,137	32,16,70,074
Add: Provision during the year	5,83,00,000	6,55,00,000
	41,38,87,137	38,71,70,074
Less: Losses during the year	1,26,76,886	3,15,82,937
	40,12,10,251	35,55,87,137
Total	559,34,24,016	554,78,00,902

SCHEDULE 'C' - LOAN FUNDS

SECURED LOANS

PARTICULARS	31-3-2002 (Rupees)	31-3-2001 (Rupees)
Loan from Banks		
A. Cash Credit From:		
1. Indian Overseas Bank	58,64,10,968	10,33,04,447
2. Jammu & Kashmir Bank Ltd.	49,92,64,914	40,87,42,417
3. Bank of India	75,17,16,455	40,07,89,041
4. Punjab National Bank	39,89,09,418	
5. Allahabad Bank	19,87,90,428	
(The above loans are secured against hypothecation of Aircraft Stores & Spares - Repayable in One to three Years).		
B. Overdraft From:		
Bank of India (Secured against Second Charge on Aircraft Stores & Spares)	32,35,44,860	32,04,68,748
Total	275,86,37,043	123,33,04,653

UNSECURED LOANS

PARTICULARS	31-3-2002 (Rupees)	31-3-2001 (Rupees)
A. Long Term Loans from Foreign Banks (In Foreign Currencies)		
1. KFW Germany	304,03,11,116	416,34,31,259
2. National Westminster Bank of Canada	44,40,79,993	80,89,82,462
3. EDC Canada	25,64,72,821	30,79,80,827
4. Barclays Bank Plc.	188,34,94,221	285,26,40,049
5. ANZ Grindlays Bank Plc.	405,84,86,064	487,87,64,822
6. ANZ Investment Bank	18,45,82,225	35,35,24,446
a) The above loans except at Sr.No. 6 are guaranteed by Govt. of India		
b) payable in next 12 months Rs. 469.40 crore. (previous year Rs. 391.59 crore)		
B. Housing Development Finance Corporation		
	30,00,00,000	
Total	1016,74,26,440	1336,53,23,865

SCHEDULE 'D' - FIXED ASSETS

Sl. No.	Particulars	G	R	O	S	S	B	L	O	C	K
1	2	As at 1-4-2001			Additions	Deductions/ Adjustments			As at 31-3-2002		
		3			4	5			6		
		Rupees			Rupees	Rupees			Rupees		
1.	Land-Freehold		7,52,30,659		9,12,817		-				7,61,43,476
2.	Land-Leasehold		15,61,16,383		3,54,197		-				15,64,70,580
3.	Buildings - Others		110,35,07,892		92,59,412		9,500				111,27,57,804
4.	Buildings-Housing Colony		23,57,72,621		-		1,79,363				23,55,93,258
5.	Aircraft										
	(a) Airframes		3223,54,45,830		30,71,44,478		91,73,98,461				3162,51,91,847
	(b) Aero Engines & Power Plants		1578,76,33,789		52,32,63,116		17,24,66,706				1613,84,30,199
6.	Simulators & Link Trainers		129,95,72,017		1,45,36,231		-				131,41,08,248
7.	Workshop Equipment, Instruments, Machinery & Plants		154,61,85,351		2,98,27,182		52,54,468				157,07,58,065
8.	Ground Support & Ramp Equipment		73,47,93,505		25,08,37,496		41,74,759				98,14,56,242
9.	Electrical Fittings & Installations		2,66,87,975		2,87,432		50,996				2,69,24,411
10.	Other Equipment		53,77,68,327		6,22,00,782		49,27,673				59,50,41,436
11.	Computerised Check-in System		1,17,99,167		21,800		-				1,18,20,967
12.	Office Appliances		6,01,25,720		61,84,094		14,36,550				6,48,73,264
13.	Computer System		50,31,00,000		-		-			50,31,00,000	
14.	Data Communication Equipment		22,62,74,875		99,06,312		43,14,144				23,18,67,043
15.	Furniture & Fixtures		8,39,78,001		42,51,669		5,95,222				8,76,34,448
16.	Vehicles		20,49,25,766		1,06,80,505		2,13,19,727				19,42,86,544
17.	Surplus Assets		1,60,52,422		2,05,99,717		3,54,29,083				12,23,056
	Total		5484,49,70,300		125,02,67,240		116,75,56,652				5492,76,80,888
	Previous year		5369,73,62,873		145,04,30,388		30,28,22,961				5484,49,70,300

- Note:**
1. The addition under Aircraft and simulator is mainly on account of exchange variation of Long Term Liabilities amounting to Rs 42,87,97,330 and Rs 1,13,59,061 respectively.
 2. Reclassification amongst Assets is adjusted under 'Additions'.
 3. Realisable value of Surplus Assets has been considered to be at least 5% of Gross Block.

D E P R E C I A T I O N						NET BLOCK	
Upto 31-3-2001	For the year	Deductions/ Adjustments	Total Upto 31-3-2002	As at 31-3-2002	As at 31-3-2001		
7	8	9	10	11	12		
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
-	—	—	—	7,61,43,476	7,52,30,659		
1,26,59,723	16,07,953	-	1,42,67,676	14,22,02,904	14,34,56,660		
30,50,24,272	3,25,04,383	-	33,75,28,655	77,52,29,149	79,84,83,620		
6,61,60,459	35,10,301	-	6,96,70,760	16,59,22,498	16,96,12,162		
1756,87,27,561	174,83,24,939	90,82,24,476	1840,88,28,024	1321,63,63,823	1466,67,18,269		
842,30,01,639	92,00,95,044	17,07,42,039	917,23,54,644	696,60,75,555	736,46,32,150		
75,07,37,898	7,41,74,670	-	82,49,12,568	48,91,95,680	54,88,34,119		
85,25,35,301	5,01,36,166	42,18,314	89,84,53,153	67,23,04,912	69,36,50,050		
37,95,89,456	2,77,43,812	32,13,749	40,41,19,519	57,73,36,723	35,52,04,049		
2,55,37,427	4,78,885	1,58,418	2,58,57,894	10,66,517	11,50,548		
27,76,83,162	3,11,80,326	32,98,782	30,55,64,706	28,94,76,730	26,00,85,165		
96,39,706	11,55,444	-	1,07,95,150	10,25,817	21,59,461		
3,11,56,119	42,25,472	12,39,883	3,41,41,708	3,07,31,556	2,89,69,601		
25,30,13,785	8,15,52,510	-	33,45,66,295	16,85,33,705	25,00,86,215		
17,99,18,436	1,64,48,723	43,96,812	19,19,70,347	3,98,96,696	4,63,56,439		
6,21,39,268	41,51,266	8,02,842	6,54,87,692	2,21,46,756	2,18,38,733		
12,26,61,413	1,45,03,268	1,76,62,057	11,95,02,624	7,47,83,920	8,22,64,353		
1,58,57,933	28,44,643	1,87,02,576	-	12,23,056	1,94,489		
2933,60,43,558	301,46,37,805	113,26,59,948	3121,80,21,415	2370,96,59,473	2550,89,26,742		
2660,37,69,842	293,87,56,191	20,64,82,475	2933,60,43,558	2550,89,26,742			

SCHEDULE 'E' - INVESTMENTS

PARTICULARS	31-3-2002 (Rupees)	31-3-2001 (Rupees)
1. LONG TERM INVESTMENT (UNQUOTED)		
A. SHARES IN SUBSIDIARY COMPANIES *		
a. Vayudoot Ltd.		
3,64,200 Equity Shares of Rs 1,000/- each fully paid up	18,21,00,001	18,21,00,001
Less: Provision for diminution	<u>18,21,00,001</u>	<u>18,21,00,001</u>
		-
b. Airline Allied Services Ltd.		
2,25,000 Equity Shares of Rs 100/- each fully paid up.	2,25,00,000	2,25,00,000
B. TRADE INVESTMENTS		
a) 1,554 Class B Shares (Previous year 1554) of BHT 100 each fully Paid up in Aeronautical Radio of Thailand Ltd.	2,88,156	2,88,156
b) 94,295 Shares of SITA INC.	44,15,348	
2. CURRENT INVESTMENTS (QUOTED) **		
1,16,758 ordinary shares (Previous year 1,16,758) each in SITA EQUANT NV. {Market Value of Shares US\$ 12.96 lakh equivalent Rs 633.23 lakh (Previous year Rs. 1317.00 lakh)}	11,26,101	11,26,101
Total	<u>2,83,29,605</u>	<u>2,39,14,257</u>

* Accounts of these Companies are being audited and awaiting adoption by the respective Board of Directors.

** w.e.f. 27th June, 2002, the above shares have been converted into 53,072 Shares of M/s France Telecom.

SCHEDULE 'F'- CURRENT ASSETS

PARTICULARS	31-3-2002 (Rupees)	31-3-2001 (Rupees)
INVENTORIES		
(As valued & certified by the Management)		
Stores and Tools (at Cost)	523,91,68,755	515,11,18,237
Less: Provision for Obsolescence	<u>386,66,51,459</u>	<u>366,88,40,242</u>
Total	<u>137,25,17,296</u>	<u>148,22,77,995</u>
SUNDRY DEBTORS		
(Unsecured and considered good unless otherwise stated)		
(i) Outstanding for more than six months		
Good	266,81,42,827	237,51,94,805
Doubtful	<u>116,34,70,487</u>	<u>118,58,62,947</u>
	383,16,13,314	356,10,57,752
Less: Provision for doubtful debts	<u>116,34,70,487</u>	<u>118,58,62,947</u>
	266,81,42,827	237,51,94,805
(ii) Other Debts *	<u>480,59,85,282</u>	<u>442,28,43,852</u>
* (Secured by bank guarantees to the extent of Rs. 162.69 crore - Previous year Rs. 163.15 crore)	<u>747,41,28,109</u>	<u>679,80,38,657</u>
CASH & BANK BALANCES		
i) Cash-on-hand	2,29,58,706	1,99,18,002
ii) Cheques in hand	8,65,49,102	7,44,74,841
iii) Cash-in-transit	26,86,22,844	9,59,30,884
iv) With Scheduled Banks		
a) in Current Accounts *	45,73,22,212	42,25,95,481
b) in Fixed Deposits	31,07,61,655	38,99,80,261
v) With Other Non Scheduled Banks in Current Accounts (in Foreign Currencies)		
Name of the Bank	Maximum Balance during the year	
1 Agrani Bank, Chittagong	84	87
2 Nabil Bank, Nepal	82139	80,231
3 Nabil Bank, Nepal	87034	8,502
4 Nabil Bank, Nepal	465205	1,00,545
5 Bank Millie, Kabul	410827	4,10,827
6 Bank Millie, Kabul	1659064	16,59,064
7 Bank Millie, Kabul	16049	16,049
8 Bank Millie, Kabul	57	57
9 Peoples Bank, Yangon	1317793	13,17,793
10 Bank Millie, Afghan, Kabul	55	55
11 National Bank of Uzbekistan, Tashkent	235505	2,35,505
12 Myanmar Foreign Trade Bank, Yangon	20705772	1,97,43,816
13 Peoples Bank, Yangon	21393	21,393
	<u>116,97,28,209</u>	<u>102,60,82,823</u>
OTHER CURRENT ASSETS		
Interest accrued	50,63,249	43,35,227
Claims Recoverable from Insurance & Others	118,31,82,636	44,13,59,890
Less: Provision	<u>3,48,38,194</u>	<u>57,48,000</u>
	114,83,44,442	43,56,11,890
Total	<u>115,34,07,691</u>	<u>43,99,47,117</u>

* Includes Rs 38,83,965 lying with Banks in inoperative accounts for which no confirmation is available.

SCHEDULE 'G' - LOANS & ADVANCES

(Unsecured considered good unless otherwise stated)

PARTICULARS	31-3-2002 (Rupees)	31-3-2001 (Rupees)
Loan to wholly owned subsidiary		
Vayudoot Ltd.(Doubtful)	10,00,00,000	10,00,00,000
Less: Provision	<u>10,00,00,000</u>	<u>10,00,00,000</u>
Loans and Advances to Staff		
a) Secured by Assets	27,77,00,554	33,04,57,371
b) Others	<u>12,79,62,565</u>	<u>13,66,90,718</u>
	40,56,63,119	46,71,48,089
Advances recoverable in cash or in kind or for value to be received *	33,94,92,489	30,28,01,968
Advance Income Tax (Net of Provision)	2,65,62,275	1,06,92,182
Other - Deposits		
a) With Custom	3,02,67,126	2,38,42,530
b) Others	9,75,31,594	8,97,54,819
	Total	89,42,39,588
	89,95,16,603	89,42,39,588

* Includes Rs 36,17,854 towards Margin money.

SCHEDULE 'H' - CURRENT LIABILITIES

PARTICULARS	31-3-2002 (Rupees)	31-3-2001 (Rupees)
<u>Sundry Creditors</u>		
a) Dues to SSI		
b) Others	1855,17,25,545	1619,33,17,995
Advance Passenger Receipts	58,38,00,000	68,00,00,000
Interest Accrued but not due on Unsecured Loans	9,24,73,987	16,46,91,819
Book Overdraft	29,49,64,743	104,06,11,388
<u>Other Liabilities</u>		
Upfront Benefit	15,08,14,886	17,93,65,377
Advance from GSA	17,98,13,699	
Suspense BT	4,12,07,083	1,97,93,663
Air India Advance	60,00,00,000	60,00,00,000
Interest on Advance	24,69,29,741	20,79,29,741
MCO	8,97,84,199	7,02,97,954
Others	107,47,97,460	79,29,14,097
Total	2190,63,11,343	1994,89,22,034

SCHEDULE 'I' - PROVISIONS

PARTICULARS	31-3-2002 (Rupees)	31-3-2001 (Rupees)
For Wealth Tax (Net of advance paid)	27,25,237	45,67,645
For Staff Gratuity/ Leave Encashment	343,25,13,976	238,67,70,688
For Post Retirement Medical Benefits	31,25,00,000	
Total	374,77,39,213	239,13,38,333

SCHEDULE 'J' - TRAFFIC REVENUE

PARTICULARS	2001-02 (Rupees)	2000-01 (Rupees)
Passenger	2976,98,29,396	2985,39,09,766
Excess Baggage	56,99,90,529	63,74,31,574
Freight & Mail	181,91,62,269	183,75,61,417
Charter and Aircraft Lease Charges	325,21,12,930	349,17,88,080
Pool	2,12,39,866	3,34,17,658
Total	3543,23,34,990	3585,41,08,495

SCHEDULE 'K' - INCIDENTAL REVENUE

PARTICULARS	2001-02 (Rupees)	2000-01 (Rupees)
Handling Receipts	117,46,81,732	110,21,58,155
Outside Repair Revenue	20,40,82,398	15,60,08,149
Cancellation Fee	7,49,55,208	7,64,31,879
Commission on FTT/IATT/PSF	22,91,65,661	19,87,57,918
Others	58,38,59,009	54,59,78,340
Total	226,67,44,008	207,93,34,441

SCHEDULE 'L' - NON-OPERATING REVENUE

PARTICULARS	2001-02 (Rupees)	2000-01 (Rupees)
<u>Interest</u>		
From Banks (TDS Rs. 62,837)	2,14,92,630	5,90,77,953
Others	2,27,33,815	4,68,56,588
Surplus on Assets Sold or Scrapped	98,13,90,631	43,34,26,776
Others	4,81,55,863	6,62,65,677
Total	107,37,72,939	60,56,27,994

SCHEDULE 'M' - EMPLOYEES REMUNERATION & BENEFITS

PARTICULARS	2001-02 (Rupees)	2000-01 (Rupees)
Pay & Allowances		851,81,46,168
Provident Fund Contribution	25,57,33,410	22,14,58,783
Other Staff Cost	55,12,78,748	60,96,78,682
Staff Welfare Expenses	86,43,41,412	47,21,19,653
Total	1120,22,69,157	982,14,03,286

SCHEDULE 'N' - OTHER OPERATING EXPENSES

PARTICULARS	2001-02 (Rupees)	2000-01 (Rupees)
<u>Repairs</u>		
a) Buildings	3,32,24,258	6,22,25,085
b) Vehicles	9,31,60,289	9,45,15,204
Publicity & Sales Promotion	15,30,32,417	11,44,92,368
Handling Expenses	67,69,10,004	56,49,59,561
Hire of Transport	8,94,77,965	4,94,27,893
Auditors' Remuneration	11,02,500	6,50,000
Legal Expenses	3,02,22,952	1,99,57,985
Bank Charges	2,32,55,339	1,98,95,873
Rent Rates & Taxes	19,80,72,456	19,81,17,274
Electricity & Water Charges	15,75,23,653	20,41,75,631
Printing & Stationary	6,50,58,556	6,93,86,407
Telephone & Telex Expenses	20,89,69,791	19,97,68,356
Clearing & Forwarding Charges	3,97,42,043	3,59,83,551
Real Time Computer	6,44,25,084	5,51,52,254
CRS Expenses	36,94,81,724	31,71,32,473
Travelling Expenses	30,83,21,902	20,74,88,409
Other Miscellaneous Expenses	60,28,59,368	55,72,34,718
Total	311,48,40,301	277,05,63,042

SCHEDULE 'O' - NON-OPERATING EXPENSES

PARTICULARS	2001-02 (Rupees)	2000-01 (Rupees)
Interest & Financing Charges on Aircraft Loans	91,16,74,495	134,15,72,362
Other Interest	32,04,02,440	14,98,49,541
Net Exchange Loss	11,53,82,884	9,22,20,049
Total	134,74,59,819	158,36,41,952

SCHEDULE 'P' - PRIOR PERIOD ADJUSTMENTS (NET)

PARTICULARS	2001-02 (Rupees)	2000-01 (Rupees)
Passenger Revenue	44,94,685	59,06,356
Other Operating Revenue	(1,60,74,191)	(5,10,69,199)
Interest Income	(1,94,378)	(4,52,74,519)
Other Non Operating Revenue	(7,28,421)	(1,79,72,222)
Employees Remuneration	(2,45,47,864)	(12,12,203)
Fuel & Oil	19,87,340	(55,42,482)
Landing, Parking & Navigational	2,11,48,148	(98,95,844)
Material Consumed	1,72,38,300	(8,82,93,192)
Outside Repairs	(6,21,21,490)	11,43,355
Depreciation		(2,12,756)
Other Expenses	4,60,89,249	(2,70,69,645)
Total	(1,27,08,622)	(23,94,92,351)

Note: The above items are net of liabilities of earlier years amounting to Rs. 8.89 crore (Previous year Rs. 13.22 crore) written back.

SCHEDULE 'Q' - NOTES ON ACCOUNTS

A.1 CONTINGENT LIABILITIES (TO THE EXTENT NOT PROVIDED FOR)

		(Rs. in crore)	
Particulars	Current Year	Previous Year	
(a) Claims against the Company not acknowledged as debts/dues	71.81	47.88	
(b) Demands received from Customs Authorities for Duty on Aircraft Spares and Equipment, but not admitted.	9.53	7.51	
(c) Guarantee fee on the guarantees from Govt. of India wherever there is no stipulation to pay such fees though demanded. The company, however has requested for waiver.	136.68	130.48	
A.2 Estimated amount of contracts remaining to be executed on Capital Account.	0.75	10.44	

B. NOTES TO THE BALANCE SHEET

1. Long Term Liabilities have been revalued based on the Bankers' Selling Rate of US \$ 1 = Rs.48.86 as on 31st March, 2002. (Previous year's Selling Rate US \$ 1 = Rs. 46.79).

The revaluation impact of Rs. 41.80 crore (previous year Rs. 85.12 crore) has been added to Long Term Liabilities. The translation difference of Rs. 37.63 crore (previous year Rs. 74.63 crore) relating to the funds borrowed for purchase of Fixed Assets has been added to the Gross Block and the balance of Rs. 4.17 crore (previous year Rs. 10.49 crore) for the funds borrowed for purchase of initial spares, etc. has been debited to Foreign Exchange Loss & Gain Account. Further, losses on repayment of Long Term Liabilities amounting to Rs. 6.39 crore (previous year Rs. 12.74 crore) have been added to fixed assets and Rs.1.27 crore (previous year Rs.2.36 crore) recognised in the Profit & Loss Account.

2. Out of 30 A320 aircraft, 12 aircraft, excluding three whose lease term had expired, were acquired under lease financing arrangement, including 5 aircraft under Japanese Leverage Lease (JLL). The value of these aircraft stands capitalised in books of account of the Company since the finance lease terms transferred substantially all the risks & rewards incidental to ownership of the aircraft to the company.
3. One Airbus A-300 VT-EFW met with a ground accident on 8.3.2002. The excess of insurance proceeds of aircraft over depreciated value amounting to Rs. 95.69 crore has been recognised in Non Operating Revenue.
4. Permanently grounded Airbus A-300 aircraft VT-EDW, VT-ELW (both with Engines and APU) and VT-EDZ (Hull Only) were written-off during the year and are under cannibalization. Reclaimed material is recognised as Non Operating Revenue on actual retrieval.
5. Three Dornier Aircraft belonging to Vayudoot Ltd. (Gross Value Rs. 8.71 crore) were operated by the company during the year. The value of these aircraft continues to be reflected in Vayudoot Ltd.'s books of Accounts and no compensation is payable for such usage.
6. Lease/Title Deeds in respect of Land & Buildings costing Rs. 16.62 crore (previous year Rs. 17.02 crore) are yet to be executed.
7. An adhoc provision of Rs. 0.10 crore (previous year Rs. 0.10 crore) has been retained to take care of shortages arising out of physical verification of Assets and Stores pending finalisation of the report.
8. Obsolete/redundant aircraft stores, amounting to Rs. 10.66 crore (previous year Rs. 12.23 crore) as on 31st March, 2002, determined as per policy approved by the Board, have been written-off by charge to "Provision for Obsolescence". Similarly, earlier written-off aircraft stores amounting to Rs. 3.54 crore (previous year Rs. 3.29 crore), which became active during the year, have been taken back to Stock by crediting "Provision for Obsolescence".

9. The General Ledger balances detailed below are not in agreement with subsidiary ledger. Pending final reconciliation and adjustment thereof, figures as per general ledger have been taken in financial statements. Effect of adjustment, if any, arising out of reconciliation on the financial statements cannot be ascertained.

Sl. No.	Particulars	Balance as per General Ledger (Rs. in crore)	Balance as per Subsidiary Ledger (Rs. in crore)
1.	Goods in Transit	12.30	4.70
2.	Sundry Debtors	201.27	191.82
3.	Loans and Advances (Dr.)	4.42	N.A.
4.	Sundry Creditors (Cr.)	67.42	N.A.
5.	Other Liabilities (Cr.)	3.29	N.A.

10. Sundry debtors include Rs. 20.48 crore due from Director General of Posts & Telegraph (DGP&T) being difference between provisional rates approved by the Ministry of Finance and amount billed by the Company to DGP&T upto 31 -03.1998. Pending approval of rates billed, corresponding provision of Rs. 20.48 crore has been made.
11. Upfront Benefit represent unadjusted benefit, being adjusted over a period of 15 years.

C. NOTES TO PROFIT & LOSS ACCOUNT

12. Accounting of Joint Venture arrangements with Air India has been done on the basis of data received from Air India and estimates based on other relevant information, pending settlement. Provisions for the previous years, wherever required, have also been reviewed and adjusted.
13. Debts outstanding against Govt., Govt. Departments and PSUs for more than 3 years amounting to about Rs.146.41 crore have been considered good by the Management since they are not specifically known to be doubtful.
14. The wage agreement upto the period 31st December, 1996 has been finalized by the company. Pending final settlement, liability on this account is considered adequate.
Liability for the wage agreement due w.e.f. 1st January, 1997 is being provided on estimated basis. Adjustment on final determination of the liability will be made in the year such agreements are concluded.

D. OTHERS

15. As per Government of India, Ministry of Civil Aviation & Tourism Order dated 25.5.1993, M/s. Vayudoot Ltd. would be merged with Indian Airlines. The merger is yet to take place. As per the said order, dues owed by Vayudoot to its creditors in the public sector on the date of takeover by Indian Airlines would remain frozen for 5 years. The Govt. further extended such moratorium for a period of 2 years. The company has taken up the issue with the Govt. for either extending the moratorium beyond 25.5.2000 or compensating Indian Airlines. These dues are estimated to be of the order of Rs.183.00 crore (previous year Rs. 183.00 crore).

16. Operating Leases

- (a) Company has taken aircraft on non-cancelable leases on or after 1st April, 2001. The future lease obligation in respect of these aircraft amounts to Rs. 542.07 crore. The bifurcation of future lease obligation is as follows:-

	Rent (Rs. in crore)	Maintenance & other charges (Rs. in crore)
Not later than one year.	77.39	32.96
Later than one year and not later than five years.	300.43	131.29
Total	377.82	164.25

- (b) The total lease rent including maintenance payments recognized in Profit & Loss account in respect of above leases amount to Rs. 56.92 crore.

17. Segment Reporting

- (i) The Company is engaged in airline business, which is considered as one business segment. All other income are incidental to above business. However, the details of revenue earned from various activities related to airline business are given in Schedule 'J' to the accounts.
- (ii) The Company operates flights in domestic sectors and in certain foreign sectors. The revenue earned from domestic sectors and foreign sectors is not separately ascertainable.
- (iii) The only revenue earning assets are aircraft which are deployed in various sectors. There is no appropriate basis for allocating the assets and related liabilities in geographical segments.
- (iv) Presentation of Annual Accounts read with Directors' Report enables better understanding of the performance of enterprise, better assessment of risk and returns, and makes more informed judgment about the activities of the Company as a whole.

18. Related Party Disclosure

- A) Related Party.
Mr. Sunil Arora (Chairman & Managing Director)
- B) Related Party Transactions.
 - (a) There was no transaction with the above referred related party.
 - (b) Transaction such as providing Airline related service in the normal course of Airline business are not disclosed.
- C) No Loans or credit transactions were outstanding with Directors or Officers of the Company or their relatives at the end of the year which are required to be disclosed in accounts under the Companies Act, 1956.
- D) In the opinion of the Company, the agreements with various airlines termed as "Joint Operations/Joint Ventures/Code-share Agreements" do not fall within the definition of Joint Venture as mentioned in AS 18, and hence, are not included in above disclosures.

19. Change in Accounting Policy-

In order to comply with the Accounting Standards issued by the Institute of Chartered Accountants of India:

- (i) The Company has provided liability amounting to Rs. 31.25 crore in respect of Post Retirement Medical benefits payable to employees. Hitherto, the above liability was accounted for on cash basis.
- (ii) The Company has accounted for Advance Passenger Receipts for 5 Days net of Booking Agency Commission as against booking of Advance Passenger Receipts on gross basis upto previous year. Due to the above change, the Booking Agency Commission for the year is lower by Rs. 2.62 crore.
- (iii) The Company has provided additional liability of Rs. 90.45 crore in respect of Gratuity and Leave Encashment on Discontinuance Basis as against Present Value Method followed upto previous year.

20. In the opinion of the Board, Current Assets and Loans and Advances are realisable atleast at the value stated if realised in the ordinary course of business. Moreover, the operations of Airline Allied Services Ltd., a wholly owned Subsidiary of the Company, are considered to be viable in view of the going concern concept as well as expected revival of the aviation industry.

21. Schedule A to R form integral part of accounts.

22. Previous year's figures have been recasted/restated wherever necessary.

E. ADDITIONAL INFORMATION

	CURRENT YEAR	PREVIOUS YEAR
A. Expenditure on Imports (CIF) during the year ended 31st March, 2002:	(Rs. in crore)	
Components & Spares	393.90	442.48
Capital Items	12.14	28.07
B. Expenditure on Consumption during the year ended 31st March, 2002:		
Imported Spares & Components	329.91 (99.1%)	418.75 (98.3%)
Indigenous Spares	3.00 (0.9%)	7.24 (17%)
C. Earnings in Foreign Currency		
Passage Sales	1185.24	1271.08
Cargo	37.95	47.73
Handling & Other Misc. Receipts	97.71	90.61
Total	1320.90	1409.42
D. Expenditure in Foreign Currency		
Repayment of Loans & Interest thereon.	477.05	532.25
Purchase of Stores Equipments/Repairs	528.62	495.69
Payments to Airlines	257.65	241.83
Other Misc. Payments	183.02	94.39
Total	1446.34	1364.16
(The above information is as certified by the Management and relied upon by the Auditors.)		
E. Payment to Auditors:	(Rs. in Lakh)	
(i) As Audit Fees.	9.98	6.50
(ii) As additional Audit Fee for previous year	1.05	
F. The remuneration paid/payable to the Managing Director is as under:	(Rs. in Lakh)	
Pay & Allowances	-	1.17
Perquisites		—
Total	—	1.17

SCHEDULE 'R' -SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING CONVENTION

These Accounts have been prepared under historical cost convention on an accrual basis and comply with the Accounting Standards referred in Section 211(3C) of the Companies Act, 1956, except as stated in Para G and L.

B. FIXED ASSETS

- (i) Aircraft are stated at purchase price converted at the rate of exchange prevailing on the date of acquisition, duly adjusted with exchange variation on conversion/repayment of loans taken for acquisition of aircraft. Other Assets are stated at historical cost.
- (ii) Major modifications to the aircraft involving expenditure, including material and labour, of more than Rs10 lakh are capitalised.
- (iii) Discrepancies observed in the course of physical verification of Assets are adjusted on a biennial basis, i.e. once in the block of two years' period. Discrepancies shown as Capital Stock Verification account are clubbed under Other Equipment pending write off action.
- (iv) Gain or loss arising out of sale/loss of Fixed Assets including aircraft over the net depreciated value is taken to Profit & Loss account as Non-Operating Revenue or Expenses.

C. DEPRECIATION

- (i) Depreciation has been provided on straight line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956 except for assets purchased before 1994 which are depreciated over remaining useful life.
- (ii) Depreciation for the increase/decrease in values of the Fixed Assets due to revaluation of the Long Term Liabilities is provided over the remaining period of the useful life.

D. INVESTMENTS

Long-term investments are stated at cost less permanent diminution in value, if any. Current investments are valued at lower of cost and fair market value.

E. INVENTORIES

- (i) Inventories are stated at cost on weighted average basis.
- (ii) Provision for obsolescence of Aircraft Stores and Spares is made over the depreciable life of the aircraft of 18 years. Besides, a sum equivalent to 20% of net additions during the year towards Other Engineering Stores, Computer Stores, Ground Support Rotables, Simulator & Link Trainers Spares and General Tools is also provided towards obsolescence.

F. RESERVES

- (i) Insurance Reserve in respect of uninsured risks is created at 0.5% of the gross value of Fixed Assets and 0.025% of value of stores inventory as at the close of the year, plus a sum equivalent to the three years' moving average of:

Actual compensation paid due to accidents involving Flight/Cabin Crew and Ground Staff.

Deductibles borne by the Company under risk covered with outside insurers.

- (ii) Manufacturers' credits received from Aircraft/Engine manufacturers are booked in the accounts on receipt and adjustments are made to the credit of Capital Reserve/Obsolescence Reserve Account on utilisation. Unutilised credits, based on the exchange rate prevailing during the month of receipt of such credits, are reflected under Sundry Creditors and Advances.

G REVENUE RECOGNITION

- (i) The revenue on account of Passenger Sales for the year is computed after deducting Advance Passengers Receipt. Advance

Passengers Receipt computation is based on five days' gross sale (Net of Commission) of the last month of financial year (excluding revenue realised on upliftment of other airlines' flight coupons) and adding thereto the estimated provision for Interline transactions.

(ii) The Revenue on Cargo Services is recognised on issue of airway bill irrespective of transportation of goods.

H. FOREIGN CURRENCY TRANSACTIONS

- (i) The transactions in foreign currency are recorded at the Bankers Selling Rates at the end of each quarter for the subsequent quarter.
- (ii) Long Term Liabilities as at the end of the year are revalued based on the Bankers' Selling Rate prevalent at the close of the year. The exchange variation on revaluation and during the year repayment to the extent of funds borrowed for purchase of Fixed Assets is adjusted in the cost of Fixed Assets and the balance amount is transferred to the Foreign Exchange Loss & Gain Account.
- (iii) Other foreign currency liabilities and assets are revalued at the year end Bankers' Selling Rate and exchange differences arising on settlement/conversion are transferred to Foreign Exchange Loss & Gain Account.

I. RETIREMENT BENEFITS

The provision for Gratuity, Privilege/Sick Leave Encashment and Post Retirement Medical Benefits Liability is made on the basis of actuarial valuation. The company has its own Provident Fund Trust to which contributions are made regularly.

J. BORROWING COST

- (i) Borrowing cost upto the date of acquisition, construction or production of fixed asset and that are directly attributable are capitalized.
- (ii) Borrowing cost other than stated in (i) above is treated as period cost.

K. MISCELLANEOUS

- (i) Outstanding Liabilities which are more than three years old are reversed unless such Liabilities are specifically known.
- (ii) The Company operates a Joint Frequent Flier Programme with M/s Air India Ltd. called "Flying Returns" that provides travel awards to Programme members based on accumulated mileage points. The estimated cost of providing free travel under this programme is provided for mileage points earned upto the year end.

L. ACCOUNTING ON SETTLEMENT BASIS

Settlement basis of accounting has been followed in the following cases as the same are not considered material:

- (a) Prepaid/accrued expenses upto Rs. 10,000/-.
- (b) Interest on staff loans for House, Vehicles and Miscellaneous.
- (c) Telephones, Trunk Calls, Contributory Family Medical Scheme (CFMS) and Travelling expenses.
- (d) Expenses on Motor Transport Fuel, Stationery and Medicines including stocks.
- (e) Payments/receipts arising out of Pool Agreements with Airlines.
- (f) Value of material at high seas.
- (g) Warranty claims on manufacturers/vendors in respect of jobs carried out to Aircraft/Engines/APUs, Credit Notes received from vendors and Profit Commission received from Insurers.
- (h) Interest and other claims from suppliers/other parties.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary	Airline Allied Services Ltd.	Vayudoot Ltd.
1. Financial year of the subsidiary ended on	31.3.2002	31.3.2002
2. Shares of the subsidiary held by the Company on the above date:		
(a) Number and face value	2,25,000 Equity Shares of Rs.100/- each fully paid.	3,64,200 Equity Shares of Rs. 1000/- each fully paid.
(b) Extent of holding	100%	100%
3. Net aggregate amount of Profit/(losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the Company.		
(a) dealt with in the accounts of the Company for the year ended 31 " March, 2002.	The Accounts of M/s Airline Allied Services Ltd. are under preparation.	The Accounts of M/s Vayudoot Ltd. are under preparation.
(b) not dealt with in the accounts of the Company for the year ended 31 " March, 2002.		
4. Net aggregate amount of profits/(losses) for previous financial years of subsidiary, since it became a subsidiary so far as they concern members of the Company.		
(a) dealt with in the accounts of the Company for the year ended 31"March,2002.		
(b) not dealt with in the accounts of the Company for the year ended 31 " March,2002.	The Accounts of M/s Airline Allied Services Ltd. are under preparation.	The Accounts of M/s Vayudoot Ltd. are under preparation.

For and on behalf of the Board

Sd/-
Sunil Arora
Chairman & Managing Director

Sd/-
V Subramanian
Director

Sd/-
H.S. Grover
Secretary

Sd/-
S.Chawla
Director (Finance)

New Delhi, Dec. 6, 2002

Balance Sheet Abstract And Company's General Business Profile

I. Registration Details

Registration No.	55-48582	State Code	55
Balance Sheet Date:	31	03	2002
	Date	Month	Year

II. Capital raised during the year (Amount in Rs. Thousand)

Public Issue	—	Right Issue	—
Bonus Issue	—	Private Placement	—

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	Total Assets
45225474	45225474

Sources of Funds:

Paid Up Capital	1051936	Reserves & Surplus	5593424
Secured Loans	2758637	Unsecured Loans	10167426

Application of Funds:

Net Fixed Assets	23797776	Investments	28330
Net Current Assets	(13461787)	Misc. Expenditure	7378
Accumulated Losses	9199726		

IV. Performance of Company (Amount in .Rs. Thousand)

Turnover	38772852	Total Expenditure	41240367
Profit/(Loss) before Tax	(2467515)		
Profit/(Loss) after Tax	(2467515)		
Earning per share in Rs.	—	Dividend rate %	—

V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

Not Applicable

STATEMENT OF EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR ENDED 31.3.2002

Sl. No.	Particulars	31-3-2002 (Rupees)	31-3-2001 (Rupees)
1.	Expenditure on Township including depreciation on Housing Colony.	7,11,67,207	4,69,75,221
2.	Maintenance of Schools and Educational Facilities	49,93,682	57,09,143
3.	Provision of Medical Facilities over and above those which are statutorily required to be maintained by the Company.	62,79,50,425	26,69,24,454
4.	Provision of the Subsidised Transport	3,96,43,646	3,67,86,134
5.	Subsidy in regard to social and Cultural Activities	70,75,155	63,34,733
	Total	75,08,30,115	36,27,29,685
	Less: Recoveries from Staff on account of Township	55,03,828	45,59,924
	Net	74,53,26,287	35,81,69,761

AUDITORS' REPORT

To the Members of Indian Airlines Limited

1. We have audited the attached Balance Sheet of Indian Airlines Limited, as at 31st March 2002 and the annexed Profit & Loss Account of the Company for the year ended, on that date, in which are incorporated:

1.1. Accounts of Head Office, Central Revenue Accounts, Northern, Western, Hyderabad, Southern and Eastern Regions audited by us in accordance with the letter of appointment of Comptroller and Auditor General of India, Government of India.

1.2. Foreign offices Returns merged in the regional accounts.

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion **except that, on account of inadequacy of appropriate internal control systems and accounting procedures as detailed hereinafter, we were unable to apply in entirety audit standards necessary for the purposes of our audit.**

3. In terms of Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order (to the extent applicable to the Company).

4. We further report as under:

4.1. Accounting Policy 'L' (a) to (f) regarding accounting of certain transactions on settlement basis, including income/expenditure crystallized before the finalisation of accounts, which is not in accordance with the fundamental accounting assumption of accrual basis of accounting as well as Accounting Standard AS-1 read with AS-9.

4.2. **Computing revenue on account of passenger sales, after deducting advance passenger receipts, based on estimate of five days gross sales, instead of booking revenue on flown basis and of considering revenue on cargo services on issue of airway bills irrespective of transportation (Accounting Policy G) which are not in accordance with the fundamental accounting assumption of accrual as well as Accounting Standard AS-1 read with AS-9.**

4.3. Considering Rotables including Grounds Support Rotables aggregating Rs. 189.31 crore (excluding freight, duty & insurance) in the nature of stand by and/ or servicing equipments as inventory, though in line with past practice, is not in consonance with Accounting Standard "Accounting for Fixed Assets" (AS -10) nor as per generally accepted accounting principles. Similarly provision for obsolescence thereon, though in line with significant accounting policy of the Company, but is not in consonance with AS-6 - Depreciation Accounting and AS-10.

4.4. **The liability for interest for the year 1996-2002 on unsecured loan shown in current liabilities of Rs. 60 crore from Air India Limited has been provided on the basis of simple interest after considering a sum**

of Rs. 30 crore out of the dues from Air India Limited under the Joint Venture as a set-off against loan liability. No counter-party confirmation has been obtained for this and no adjustments have been made in the accounts for the set-off of dues against loan liability. This has resulted in lower provision for interest by Rs. 24.69 crore, thus under stating the liability to this extent and understatement of loss for the current year by Rs. 3.90 crore.

- 4.5. **Note No. 9 on Schedule 'Q' regarding non reconciliation of general ledger balances with subsidiary records, non availability of balance confirmation for receivables and payables including old and unadjusted credits/debits in Debtors account and consequential impact on the outstanding and ageing which can neither be determined nor quantified arising out of effect of adjustments on balancing/ clearance/ identification/ confirmation/ reconciliation in various accounts of income, expenditure, assets and liabilities.**
- 4.6. Note No. 17 on Schedule 'Q' - Non disclosure of revenue as well as assets and liabilities as per geographical segments in terms of Accounting Standard AS-17 on Segment Reporting.
- 4.7. **Non-adhering to certain laws and regulations at some regions inter-alia:**
- 4.7.1. **Non-charging of work tax on repair jobs in terms of clause (a) of Section 2(42) of the West Bengal Sales Tax Act, 1994;**
- 4.7.2. **Non-charging of sales tax on sale of spares to Air India Ltd.;**
- 4.7.3. **Non-registering/ paying excise duty for manufacturing activities undertaken at Dum Dum Airport;**
- 4.7.4. **Non-deduction of State Tax for local parties engaged at outstations selected through tender for doing civil jobs ;**
- 4.7.5. **Non-deduction of tax to professionals, contractors, rent, interest etc., at the time of credit.**
- 4.7.6. **Not collecting/deposit of Inland Airport Travel Tax for upgraded ticket particularly in case of staff as required in IATT Act/Rules;**
- 4.8. Attention is invited to the following notes in Schedule 'Q' of Notes on Accounts.
- 4.8.1. Note No. 6 - Non-availability of Lease/Title Deeds;
- 4.8.2. Note No. 12 - Regarding accounting of joint venture arrangement with Air India Limited on estimate;
- 4.8.3. **Note No. 13 - Regarding Debts due for more than three years amounting to Rs.146.58 crore from Government or Government owned companies being considered good for the recovery, though such amounts from other parties are being provided for;**
- 4.8.4. Note No. 14 - Provision of liability for wage arrears on estimate basis; and
- 4.8.5. **Note No. 15 - Regarding estimated liability of Rs. 183 crore of Vayudoot Limited on its eventual take over.**
- 4.9. The accounts do not give the disclosures as required by Schedule VI of the Companies Act, 1956 in respect to:
- 4.9.1 Unsecured interest bearing loan of Rs. 60 crore from Air India Limited shown under "Current Liabilities" instead of "Unsecured Loans;

4.9.2 Amount of surplus on sale of Aircraft/Engines included in Capital reserves upto 31.3.1996 and being in the nature of revenue surplus as per Accounting Standards 10, not set off against accumulated revenue loss as on 31.3.2002. The amount involved in set off is yet not ascertained;

4.9.3 Netting of Ad-hoc compensation of Rs.38.26 crore in respect to Maintenance cost guarantee received from foreign supplier up to 31.03.1999 against material consumed rather than disclosing the same separately, which is also not in accordance to accounting standard AS-5, and generally accepted accounting principles/practices; and

4.9.4 Carrying balances particularly of Air India Ltd. & Airports Authority of India Ltd., in debits as well as credits without netting/adjusting, resulting in overstating debtors and liabilities aggregating Rs. 211.53 crore.

4.10 Contingent liabilities include Demand of Rs. 10.49 crore on non-charging of sales tax on sales of scrap, used oils and canteen sales which is being disputed by the Company and for which no provision has been made in the accompanying accounts.

4.11 In the absence of information, we are unable to comment on the possible impact of items 4.1, 4.2, 4.5, 4.7, 4.8 and 4.9.2 above, on the loss for the year as per the Profit and loss account or the State of Affairs as per the Balance Sheet as at 31st March 2002.

4.12 We further report that without considering the items mentioned in paragraph 4.11 above, the effect of which could not be determined, had the observations made by us in paragraph 4 been considered, the loss for the year would have been Rs.261.14 crore (as against the reported figure of Rs.246.75 crore), Unsecured Loans would have been Rs.1101.43 crore (as against the reported figure of Rs.1016.74 crore), Current Liabilities would have been Rs. 1904.90 crore (as against the reported figure of Rs.2190.63 crore), Net Fixed Assets would have been Rs. 2560.28 crore (as against the reported figure of Rs. 2370.97 crore), Gross inventories would have been Rs.334.61 crore (as against reported figure of Rs.523.92 crore), Sundry Debtors would have been Rs.535.88 crore (as against reported figure of Rs.747.41 crore) and Profit and Loss (Dr.) balance would have been Rs.934.36 crore (as against reported figure of Rs.919.97 crore).

The financial statements of the Company for the financial year ended March 31, 2001 were audited by other independent Accountants, whose report dated October 29, 2001 expressed a qualified opinion on those statements. Balances on April 1, 2001 have been considered as opening balances for the purpose of these Accounts.

Further to our comments in the Annexure referred to in paragraph 3 above and **subject to any adjustment that we might have found to be necessary in terms of limitations as specified in paragraph 2 above and further subject to our comments in the preceding paragraphs, the impact of which on the Profit and Loss Account and Balance Sheet is not determinable except to the extent wherever specified**, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and returns received from stations generally found to be adequate for the purposes of our audit including overseas stations which were not visited by us except two;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet & Profit and Loss Account dealt with by this report comply with the accounting standards referred in Sub Section (3C) of Section 211 of the Companies Act, 1956;

- (v) On the basis of written representations received from the directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Schedule 'Q' - Notes to Accounts and Schedule 'R' -Accounting Policies, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
- (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For GUPTA & GUPTA
Chartered Accountants
Sd/-
(V.N. SETH)
Partner

For G.S. MATHUR&CO
Chartered Accountants
Sd/-
(AJAY MATHUR)
Partner

Place: New Delhi
Date : 6-12-2002

(Annexure referred to in paragraph (3) of the Auditors' Report of even date on the accounts of Indian Airlines Limited for the year ended 31st March, 2002)

1. The Company has generally maintained proper records showing particulars including quantitative details and location of fixed assets. The management at the end of the year has physically verified Aircraft's and Simulators. The Company physically verifies other fixed assets once in every two years. Physical verification for the year 2002 is being conducted in the biennial period of 2000-2002. We understand that the process of physical verification of other fixed assets is being conducted on different dates even in respect of the same items where there is more than one location in the same city. Discrepancies noticed on physical verification done during the biennial period 1998-2000 have not been adjusted in the accounts. Also, physical verification for the biennial period 2000-2002 is in progress and the Company is currently in the process of reconciling the Fixed Assets figure as shown in the financial books with subsidiary records. The effect, if any, on the balance sheet as at March 31, 2002 and loss for the year ending on that date as a result of these pending adjustments and on reconciliation is unascertainable.
2. None of the fixed assets have been revalued during the year.
3. As informed to us physical verification of stores and spares for the year has been completed by Internal Audit Department in accordance with their regular programme of verification. **The Company has not obtained confirmation for goods sent to outside agencies for repairs and does not physically verify ground support/stand by rotables.** In our opinion and having regard to the nature of the Company's business, the Company should obtain confirmation for goods sent to outside agencies for repairs and should physically verify ground support /stand by rotables.
4. In our opinion, and according to the information and explanations given to us and subject to our comments in 3 above, the procedure of physical verification of stores and spares followed by management are generally reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The results of Physical Verification for the biennial period ended March 31, 2000 that revealed shortages of approximately Rs.38 lac and excesses of approximately Rs.24 lac have been approved by the Board of Directors and will be adjusted in the year 2002-03. As regards Physical Verification for the biennial period ended March 31,2002, discrepancies noted have not been adjusted as the Company is in the process of reconciling the same with its Stock Register.
6. The valuation of inventory is at cost on a weighted average basis which is consistent with the previous year. **Detailed lists of inventory as at March 31,2002 have not been made available to us to perform our audit procedures, in entirety, and consequently, inventory as certified by Management has been relied upon by us. Costs directly attributable to the acquisition of inventories that includes freight, insurance, duties and other incidental charges are allocated to inventory at the end of the year on the basis of their proportionate value. This method does not take into account different goods having different direct costs related to acquisition and in the absence of any procedures in place by management to identify variances had actual amounts been used, we are unable to comment on the reasonableness of the same.** In our opinion, subject to the above and para 4.3 of the main report, stocks and valuation of stores and spares is fair and proper in accordance with normally accepted accounting principle.
7. The Company has taken an interest bearing unsecured loan of Rs. 60 crore from Air India Limited that is listed in the register maintained under Section 301 of the Companies Act, 1956. In our opinion, the terms and conditions of this loan are prima facie not prejudicial to the interest of the Company. However, the Company has, without counter party confirmation provided for interest only on Rs. 30 crore portion of the loan. Provisions of sub-section (1B) of Section 370A of the Act are not applicable to the Company.
8. The Company has granted unsecured loan of Rs.10 crore to Vayudoot Limited a Company required to be listed in the register maintained under Section 301 of the Companies Act, 1956. The said loan is doubtful of recovery and

has been fully provided for in the accompanying financial statements. Provisions of Sub-section (1B) of Section 370 of the Act are not applicable to the Company.

9 The Company has given loans and advances in the nature of loans to its employees and they are generally regular in the repayment of principal and interest amounts as stipulated.

10. In our opinion, and according to the information and explanation given to us, on account of inadequacies in systems and procedures arising from lack of periodic review of legal and accounting compliance, delay in recording of transactions, delay in receipt of information from stations regarding operating costs, delay in compilation of periodic accounts, non reconciliation of control and subsidiary records as well as accounts of head office with regions particularly in respect to stores accounting and lack of adequate management reporting systems in respect of region & other accounting information including :-

- a) **Deficiencies in recognition of revenue and control over outstanding such as (i) Non-reconciliation of outstanding debtors with subsidiary records maintained; (ii) Non-maintenance of records for the full year operations in Debtors Accounts relating to computerised debtors; (iii) Non-monitoring of credit balances including unmatched credits of material amounts leading to a failure to record revenue and misapplication of receipts with a consequential effect on revenue and debtors (iv) Non-availability or calling for confirmation from debtors; (v) Lack of monitoring of Agents outstanding; (vi) Delay in processing and dispatch of billing; (vii) Lack of controls for "collect shipments"; (viii) Non matching of Airline Tickets/Airway Bills to the journey performed/transportation provided; (ix) Non-generation of revenue based on lifted coupons; (x) Parking of tax collected as revenue at foreign stations etc. (xi) Non-analyzing of status of provisions being carried over for number of years for considering write off, and making provisions, generally only based on the period of outstanding rather than arising out of correspondence follow up;(xii) Lack of control over tickets/Airway Bills issued to Agents and utilization thereof as instances of variances in seriatim of the same was noticed including delayed reporting of sales from the actual when the transaction took place; (xiii) Non-claiming GST refund at Singapore since inception though available as per local laws.**
- b) **(i) Non matching of GRANs with payments/credit notes; (ii) Non-linking of old unadjusted entries in various heads; (iii) Unreconciled differences between the book figure considered in financial statement and the figures as per records of the Stores; (iv) Non monitoring or considering defective material sent to foreign supplier; (v) delay in recording of transactions;**
- c) **Suspense Debits and Credits of significant amounts appear under stores in transit, advance to foreign suppliers, foreign supplier suspense, outstanding liabilities, liabilities for engineering goods and expenses, taxes at foreign stations which are temporarily parked and have not been properly distributed to appropriate accounts pending reconciliation; and**
- d) **Delays on the part of user/source departments including Stores and purchases, Engineering (PPC) and EDP in timely submission of relevant data as well as supporting documents to enable timely validation, entry and compilation of the same in the financial accounts;**

There is need to improve the internal control systems to be commensurate with the size of the company and nature of its business.

11. The register maintained under Section 301 of the Companies Act does not contain the particulars of contract or arrangements required to be entered therein. However, the Companies in which some of the directors are interested are Government companies as defined under Section 619 of the Companies Act, 1956, and in the opinion of the Management, the terms of contract and arrangements between them, even though some of these are yet to be finally agreed upon, would not prima facie be prejudicial to the interest of the Company.

12. As explained to us, unserviceable and damaged stores and spares are determined on the basis of non-movement of such items for a specified period. Being a technical matter, we are unable to state whether the determination of such stores and spares on this basis is adequate or not.
13. The Company has not accepted any deposits from the public during the year.
14. In our opinion, the Company for the sale and disposal of realizable scraps has maintained reasonable records.
15. The Company has in-house internal audit departments stationed at various regions and Head Office. The Audit is conducted based on Minimum Audit programme inspite of which, **internal audit as a separate component of internal control was not found to be effective resulting in errors remaining undetected and unreported.** We are of opinion that scope of Internal Audit needs to be widened to cover all legal and accounting areas to be commensurate with size and nature of its business.
16. The Central Government has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Companies Act, 1956.
17. The Company is generally regular in depositing provident fund dues with appropriate authorities. As explained to us, the provident fund dues relating to wage revision provided shall be deposited as and when the wage revision is finalized and final payments are made to the employees. The Company is also generally regular in depositing Employees State Insurance dues with appropriate authorities.
18. There were no undisputed amounts payable in respect of income-tax, sales-tax, custom duty and excise duty outstanding as at the last date of financial year for a period of more than six months from the date they became payable. Taxes payable outside India have not been considered for the said purpose.
19. According to the information and explanations given to us, and the records of the Company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practice.
20. The Sick Industrial Companies (Special Provisions) Act, 1985 is not applicable to the Company.
21. (a) The Company has a reasonable system of recording receipts, issues and consumption of material and stores and allocating material consumed to the relative jobs, commensurate with its size and nature of its business. However, in some cases it is noticed that the system gets affected by late/ wrong processing of GRANs and may affect the recording of issues to respective jobs.

(b) The Company has a reasonable system of allocating man-hours utilized to the relative aircraft repair jobs commensurate with its size and nature of its business.

(c) The Company has a reasonable system of authorization at proper levels and an adequate system of internal control commensurate with the size of the company and nature of its business, on the issue of stores and allocation of stores and labour to aircraft repair jobs.

For GUPTA & GUPTA
Chartered Accountants
Sd/-
(V.N. SETH)
Partner

For G.S. MATHUR&CO
Chartered Accountants
Sd/-
(AJAY MATHUR)
Partner

Place : New Delhi
Date : 6-12-2002

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF INDIAN AIRLINES LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2002.

I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Indian Airlines Limited, New Delhi for the year ended 31 March 2002.

Sd/-
(Roy Mathrani)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-I
New Delhi.

Place : New Delhi

Dated : 30 December, 2002

REVIEW OF ACCOUNTS OF INDIAN AIRLINES LIMITED FOR THE YEAR ENDED 31 MARCH 2002 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Note: Review of Accounts has been prepared without taking into account qualifications contained in the Statutory Auditor's Report.

1. FINANCIAL POSITION

The table below summarizes the financial position of the Company under broad headings for the last three years:

	(Rupees in crore)		
	1999-2000	2000-2001	2001-2002
LIABILITIES			
a) Paid up Capital			
i) Government	105.19	105.19	105.19
ii) Others	—	—	—
b) Reserve & Surplus			
i) Free Reserves & Surplus	—	—	—
ii) Capital/Other Reserves	551.39	554.78	559.34
iii) Share Premium Account	—	—	—
c) Borrowings			
i) From Government of India	—	—	—
ii) From Financial Institutions	—	—	—
iii) Foreign Currency Loans	1627.88	1336.53	1016.74
iv) Cash Credit	51.05	91.28	243.51
v) Others	—	32.05	32.36
vi) Interest accrued and due	—	—	—
d) Current Liabilities & Provisions			
i) Current Liabilities & Provisions	1730.18	2039.53	2296.61
ii) Provision for Gratuity	178.98	194.50	268.80
e) Deferred Tax Liability	—	—	—
Total	4244.67	4353.86	4522.55

ASSETS

f) Gross Block	5369.74	5484.49	5492.77
g) Less Cumulative depreciation	2660.38	2933.60	3121.80
h) Net Block	2709.36	2550.89	2370.97
i) Capital Work-in-Progress	13.55	5.35	8.81
j) Investments	2.36	2.39	2.83
k) Current Assets, Loans and Advances	1005.35	1121.52	1219.23
l) Deferred Tax Assets			
m) Miscellaneous Expenditure not written-off		0.49	0.74
n) Accumulated Loss	514.05	673.22	919.97
Total	4244.67	4353.86	4522.55
o) Working Capital (k-d(i)-c(vi))	(724.83)	(91801)	(1077.38)
p) Capital Employed {h+o}	1984.53	1632.88	1293.59
q) Net Worth {a+b(i)+b(iii)-m-n}	(408.86)	(568.52)	(815.52)
r) Net Worth per rupee of Paid up Capital (in Rupees)	(3.89)	(5.40)	(7.75)

2. SOURCES AND UTILIZATION OF FUNDS

Funds amounting to Rs.296.43 crore from internal and external sources were generated and utilized during the year as given below:

(Rupees in crore)

A. Sources of Funds

Funds from operations

i) Loss for the year	(246.75)	
Add: Depreciation	301.46	
Add: Increase in Insurance Reserve	4.56	
Less: Profit on sale of Fixed Assets	98.14	
		(38.87)
ii) Sale proceeds/ adjustment of Fixed Assets		101.63
iii) Decrease in Working Capital		233.67
Total		296.43

B. Utilisation of Funds

i) Increase in Fixed Assets and Capital Work-in-Progress		128.49
ii) Decrease in Loans		167.25
iii) Increase in Investments		0.44
iv) Increase in Miscellaneous Expenditure		0.25
Total		296.43

3. WORKING RESULTS

The working results of the Company for the last three years are given below :

		(Rupees in crore)		
		1999-2000	2000-2001	2001-2002
i)	Operating Revenue	3549.17	3793.34	3769.91
ii)	Excise Duty	—	—	—
iii)	Net Operating Revenue	3549.17	3793.34	3769.91
iv)	Other or Miscellaneous Income	16.71	60.56	107.38
v)	Profit/(Loss) before tax and Prior Period Adjustment	37.40	(183.12)	(248.02)
vi)	Prior Period Adjustments (+) Income/ (-) Expenditure	(+) 14.02	(+) 23.95	(+) 1.27
vii)	Profit/(Loss) before tax	51.42	(159.17)	(246.75)
viii)	Tax Provisions	6.15	—	—
ix)	Profit/(Loss) after tax	45.27	(159.17)	(246.75)
(x)	Proposed Dividend	—	—	—.

4. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of last 3 years are as under:

		(In percentages)		
		1999-2000	2000-2001	2001-2002
A.	Liquidity Ratio			
	Current Ratio (Current Assets to Current Liabilities and Provisions and Interest accrued & due but excluding Provision for Gratuity) [k/d(i)+c(vi)]	58.11	54.99	53.09
B.	Debt Equity Ratio			
	Long term Loans to Paid-up Capital	15.48:1	12.71:1	9.67:1
C.	Profitability Ratios			
	a) Profit before tax to:			
	i) Operating Revenue	1.45	(4.20)	(6.55)
	ii) Capital Employed	2.59	(9.75)	(19.07)
	iii) Net Worth	(12.58)	(28.00)	(30.26)

b) Profit after tax to:			
i) Equity	43.04	(151.32)	(234.58)
c) Earnings per share (in Rupees). Share of Rs.10/- each	4.30	(15.13)	(23.46)

5. FLEET POSITION AND UTILISATION

The fleet position and its utilisation by the Company for the last three years are given below:

Type of Aircraft	1999-2000(as on 31.3.2000)		2000-2001 (as on 31.3.2001)		2001-2002(as on 31.3.2002)	
	Number of aircraft	Utilisation per aircraft per annum in hours	Number of aircraft	Utilisation per aircraft per annum in hours	Number of aircraft	Utilisation per aircraft per annum in hours
A-300	11	2,274	11	2,400	7*	2,491
A-320	30	2,954	30	3,048	35 "	3,178
B-737	12**		11***		11**	-
Total	53		52		53	

*Includes two A-300 B4 on lease and excludes three aircraft VT-EDW VT-ELW and VT-EDZ withdrawn from service and written-off during the year and also excludes VT-EFW which was involved in a ground incident at Delhi and written-off during the year.

** Includes five A 320 aircraft taken on lease during the year.

*** All the B-737 aircraft have been transferred to AASL on lease.

Analysis of Routes Operated

An analysis of the routes/services operated during the year revealed that out of the total 70 domestic services operated during the year, 11 services met the total cost of operations, 35 services met the direct (cash) cost of operations and 24 services did not met even the direct (cash) cost of operations.

Forty two services were operated in the international sectors, out of which 20 services met the total cost of operations, 17 services met the direct (cash) cost of operations and 5 services did not met even the direct (cash) cost of operations.

6. OPERATIONAL PERFORMANCE

Particulars	1999-2000	2000-2001	2001-2002		Variations in percentage over previous year	
	Actual	Actual	Budgeted	Actual	budgeted	
Capacity- Available Tonne Kilometers(million)	1120.93	1153.68	1185.86	1200.32	4.04	1.22
Utilisation- Revenue Tonne Kilometers (million)	740.29	777.34	751.00	755.55	(2.80)	0.61
Overall Load factor (in percentage)	66.00	67.40	63.30	62.90	(6.68)	(0.63)
Passenger Load factor (in percentage)	64.00	65.30	61.20	60.50	(7.35)	(1.14)
Operating cost per ATKM (Rupees)	28.75	32.35	32.51	31.61	(2.29)	(2.77)
Yield per passenger (Rupees)	4632.62	4982.01	5418.23	5388.20	8.15	(0.55)
Number of Passengers (million)	5.93	5.99	5.58	5.53	(7.68)	(0.90)

7. SUNDRY DEBTORS

The following table indicates the position of Sundry debtors and Operating revenue for the last three years:

(Rupees in crore)

As on	Sundry Debtors		Total	Operating revenue	Sundry Debtors as a percentage of Operating revenue
	Considered good	Considered doubtful			
31.3.2000	608.68	118.15	726.83	3549.17	20.48
31.3.2001	679.80	118.59	798.39	3793.34	21.05
31.3.2002	747.41	116.35	863.76	3769.91	22.91

The age-wise analysis of total sundry debtors as on 31 March 2002 is as under:

(Rupees in crore)

Sundry Debtors outstanding for :	Govt. Deptts.	Airlines	Agents	Others	Total
Upto one year	80.39	260.47	160.32	23.85	525.03
More than one year but less than two years	5.80	32.03	2.38	(0.49)	39.72
More than two years but less than three years	3.08	26.71	3.82	3.55	37.16
More than three years	35.30	149.77	5.81	70.97	261.85
Total	124.57	468.98	172.33	97.88	863.76

Place : New Delhi
Dated : 30 December, 2002

Sd/-
(Roy Mathrani)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-I
New Delhi.

Nine Year Financial Statistics

S. No.	Particulars	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
1		2	3	4	5	6	7	8	9	10
1	Passenger Revenue (Rs. Crs.)	2,976.98	2,985.39	2,745.70	2,621.43	2,522.55	2,267.04	2,019.51	1,672.13	1,540.17
2	Operating Revenue (Rs. Crs.)	3,769.91	3,793.34	3,549.17	3,423.57	3,243.45	2,848.54	2,466.81	2,044.72	1,781.79
3	Operating Expenses (Rs. Crs.)	3,990.56	3,878.66	3,349.36	3,129.33	2,984.56	2,713.23	2,310.30	2,008.48	1,849.76
4	Operating Profit/(Loss) (Rs. Crs.)	(220.65)	(85.32)	199.81	294.24	258.89	135.31	156.51	36.24	(67.97)
5	Total Revenue (Rs. Crs.)	3,877.29	3,853.91	3,565.88	3,445.61	3,268.25	2,914.38	2,489.84	2,070.24	1,816.37
6	Total Expenses (Rs. Crs.)	4,124.04	4,013.08	3,514.46	3,431.44	3,220.98	2,928.97	2,599.82	2,258.97	2,074.83
7	Profit/(Loss) (Rs. Crs.)	(246.75)	(159.17)	51.42	14.17	47.27	(14.59)	(109.98)	(188.73)	(258.46)
8	Foreign Exchange Earnings (Rs. Crs.)	1,320.90	1,409.42	1,313.20	1,400.88	1,256.48	1,102.94	894.67	668.08	565.21
9	Interest Payment to Govt. on Loan Capital (Rs. Crs.)	-	-	-	-	-	-	0.83	4.56	4.56
10	Contribution to Central Exchequer on account of Duty on Aviation Fuel (Rs. Crs.)	58.76	71.62	40.04	40.89	38.87	41.30	37.64	39.12	16.03
11	Contribution to State Exchequer on account of Sales Tax on Aviation Fuel (Rs. Crs.)	136.28	158.76	111.54	104.95	105.83	108.44	96.22	92.20	96.18
12	Equity Capital (Rs. Crs.)	105.19	105.19	105.19	105.19	105.19	105.19	105.19	55.15	55.15
13	Loan Capital (Rs. Crs.)	-	-	-	-	-	-	-	50.04	50.04
14	Current Assets (Rs. Crs.)	1,219.23	1,121.52	1,005.35	1,094.12	1,024.14	1,051.80	893.26	860.40	1,003.57
15	Current Liabilities (Rs. Crs.)	2,565.41	2,234.03	1,909.16	1,803.71	1,560.53	1,544.55	1,271.54	1,059.67	849.34
16	Net Working Capital (Rs. Crs.)	(1,346.18)	(1,112.51)	(903.81)	(709.59)	(536.39)	(492.75)	(378.28)	(199.27)	154.23
17	Net Block (Rs. Crs.)	2,370.97	2,550.89	2,709.36	2,909.76	3,026.55	3,006.95	3,125.63	3,171.15	2,703.29
18	Investments (Rs. Crs.)	2.83	2.39	2.36	2.25	2.25	2.25	2.25	20.46	20.46
19	Loan Funds (Rs. Crs.)	1,292.61	1,459.86	1,678.93	2,114.65	2,417.60	2,547.09	2,759.90	2,878.51	2,593.05
20	Capital Employed (Rs. Crs.)	1,028.36	1,441.26	1,807.91	2,202.42	2,492.41	2,516.45	2,749.61	2,992.34	2,877.97
21	Net Worth (Rs. Crs.)	(255.44)	(13.25)	142.53	94.41	79.75	30.26	25.01	161.45	326.31
22	Operating Cost per ATKm (Rupees)	31.61	32.35	28.75	26.79	26.18	24.18	21.18	18.78	17.27
23	Operating Revenue per ATKm (Rupees)	29.86	31.63	30.46	29.31	28.45	25.39	22.62	19.12	16.63
24	Operating Cost per RTKm (Rupees)	50.73	48.48	43.81	42.38	40.84	37.24	30.73	28.10	26.25
25	Operating Revenue per RTKm (Rupees)	47.93	47.41	46.42	46.36	44.39	39.10	32.81	28.61	25.28
26	Operating Ratio (Ratio of Operating Expenses to Operating Revenue) (%)	105.85	102.25	94.37	91.41	92.02	95.25	93.66	98.23	103.81

Per unit Revenue/Cost has been worked out after taking into account the Joint Venture operations with Air India, Hub & Spoke flights and Haj operations on behalf of Air India.

Nine-Year Operating and Traffic Statistics

S.No.	Particulars	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
1		2	3	4	5	6	7	8	9	10
1	Revenue Hours									
	(a) A-300B	19,629	24,804	24,886	26,440	25,470	23,412	21,766	19,427	22,537
	(b) A-320	98,042	84,346	81,680	78,966	77,401	71,371	58,894	58,487	50,641
	(c) Boeing-737	670	431	905	542	534	11,447	27,060	28,483	34,177
	(d) Dornier-228	2,965	3,020	2,392	1,606	-				
	(e) Total IA Revenue Hours	1,21,306	1,12,601	1,09,863	1,07,554	1,03,405	1,06,230	1,07,720	1,06,397	1,07,355
	(f) Aircraft Hired Out	5,784	5,720	5,611	5,891	5,630	22,688	5,265	5,660	1,808
2	Revenue Aircraft Km's (Million)	72.802	66.833	64.877	63.408	60.730	60.907	60.751	60.007	59.676
3	Available Tonne Km's (Million)	1,200.315	1,153.684	1,120.926	1,122.922	1,094.132	1,075.238	1,045.813	1,025.754	1,056.888
4	Revenue Tonne Km's (Million)									
	(a) Passenger	638.745	651.321	616.358	594.532	591.677	588.175	604.093	573.349	584.932
	(b) Mail	13.528	14.944	15.042	14.016	14.074	15.136	17.537	20.149	20.147
	(c) Cargo including Excess Baggage	103.274	111.077	108.885	100.531	95.145	94.805	101.056	92.831	90.212
	(d) Total RTKms	755.547	777.342	740.285	709.079	700.896	698.116	722.686	686.329	695.291
5	Available Seat Km's(Million)	11,776.173	11,185.008	10,911.266	10,803.962	10,408.437	10,143.229	9,973.103	10,065.616	10,566.802
6	Revenue Passenger Km's(Million)	7,121.488	7,307.216	6,982.502	6,846.820	7,015.477	7,052.771	7,323.688	7,014.315	7,246.001
7	Passenger Load Factor (%)									
	(a) A-300B	57.2	61.6	60.4	61.3	65.7	67.8	70.3	63.7	66.4
	(b) A-320	61.7	67.3	66.0	64.6	68.4	70.3	74.8	72.0	69.7
	(c) Boeing-737	-	-	-	-	-	72.0	75.5	72.7	69.8
	(d) All Types	60.5	65.3	64.0	63.4	67.4	69.5	73.4	69.7	68.6
8	Overall Load Factors (%)									
	(a) A-300B	61.2	65.7	63.9	60.8	62.9	63.6	66.1	60.8	62.4
	(b) A-320	63.7	68.4	67.4	64.7	64.8	65.4	70.5	69.8	68.3
	(c) Boeing-737	-	-	-	-	-	68.5	71.7	70.5	67.3
	(d) All Types	62.9	67.4	66.0	63.1	64.1	64.9	69.1	66.9	65.8
9	Revenue Passenger Carried									
	(a) International	13,03,085	13,12,573	12,23,658	11,61,605	11,12,651	9,64,446	8,10,599	7,13,491	6,54,566
	(b) Domestic	42,21,918	46,79,765	47,03,232	49,06,970	52,50,769	61,33,704	69,30,954	69,21,777	72,36,550
	(c) Total IA Revenue Passengers	55,25,003	59,92,338	59,26,890	60,68,575	63,63,420	70,98,150	77,41,553	76,35,268	78,91,116
10	Mail Carried (Tonnes)	11.813	12,784	12,814	12,131	11,985	13,271	15,769	18,291	18,327
11	Cargo Carried including Excess Baggage (Tonnes)	80,236	91,418	91,392	86,317	82,150	85,766	93,566	87,949	85,204
12	Unduplicated Route Km's (Year-end)	1,30,784	1,16,740	1,12,188	1,07,670	1,07,935	1,11,236	1,14,646	1,17,024	1,07,085
13.	Aircraft Utilisation per aircraft per annum on Total Hours									
	(a) A-300B	2,491	2,400	2,274	2,528	2,727	2,356	2,182	1,947	2,130
	(b) A-320	3,178	3,048	2,954	2,834	2,770	2,581	2,148	2,357	2,291
	(c) Boeing-737	-	-	-	-	-	2,166	1,629	1,657	1,903
	(d) All Types	2,897	2,751	2,657	2,628	2,760	2,436	2,000	2,053	2,121
14	Number of Employees at Year-end	20,012	20,554	21,173	21,922	21,990	22,153	22,582	22,683	22,182
15	Available Tonne Km's per Employee	62,240	57,474	54,072	53,209	51,656	50,166	48,187	47,673	47,983

Notes:

- Operational Statistics include those on Indian Airlines Network only, unless otherwise specified.
- Indian Airlines Limited came into operations w.e.f 1/3/94 by taking over the Assets and Liabilities of erstwhile Indian Airlines Corporation. Figures for 1993-94 represents full 12 months' operations.
- During 1996-97. entire fleet of B-737 was made available in phases to Alliance Air for its operations. The hours operated by Alliance Air during 1996-97 have been shown under the head 'Aircraft Hired Out'.
- ATKms per employee has been worked out after considering the Joint Venture operations with Air India, Hub & Spoke flights and Haj operations on behalf of Air India.
- W.e.f. 1998-99, totals, wherever appearing, also include Dornier Data.