

AI Assets Holding Limited
CIN - U74999DL2018GOI328865
Audited Consolidated Financial Results for the year ended March, 2024

Sl. No	Particulars	Audited	Audited
		Year ended March 31, 2024 (in millions)	Year ended March 31, 2023 (in millions)
1	Total Income from Operations	-	-
2	Net Profit / (Loss) for the period (before Tax, Exceptional and/or Extraordinary items)	(4,116.52)	(10,564.00)
3	Net Profit / (Loss) for the period before Tax (after Exceptional and/or Extraordinary items)	(4,116.52)	(10,564.00)
4	Net Profit / (Loss) for the period after Tax from Continuing Operations (after Exceptional and/or Extraordinary items)	(356.08)	(10,564.00)
5	Total Comprehensive Income for the period [Comprising Profit / (Loss) for the period (after tax) and Other Comprehensive Income (after tax)]	900.80	(4,944.79)
6	Paid-up Equity Share Capital (Face value of Rs. 10 each)	6,29,654.50	6,23,654.50
7	Other equity	(6,78,940.98)	(6,79,831.11)
8	Net Worth (6+7)	(49,286.48)	(56,176.61)
9	Paid up Debt Capital /Outstanding Debt	1,49,850.00	1,49,850.00
10	Debt Equity Ratio (9/8)	(3.04)	(2.67)
11	Earnings Per Share – (for continuing and discontinued operations, not annualised (EPS)		
	1. Basic Earnings Per Equity Share (Rs.)	0.01	(0.08)
	2. Diluted Earnings Per Equity Share (Rs.)	0.01	(0.08)
12	Debenture Redemption Reserve (refer note no.4 below)		
13	Debt Service Coverage Ratio (DSCR) 1	0.05	0.03
14	Interest Service Coverage Ratio (ISCR) 2	0.63	0.28

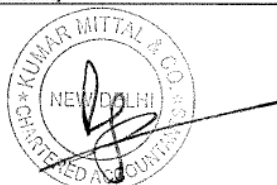
1 DSCR = Profit before finance costs and tax / (Interest expenses + Principal of long term loan repayment).

2 ISCR = Profit before finance costs and tax / Interest expenses.

Notes to audited consolidated financial results

- These Financial results have been prepared in accordance with recognition and measurement principles of Indian Accounting Standards ("Ind AS") prescribed under Section 133 of the Companies Act, 2013 (the "Act") read with the relevant rules issued thereunder and the other accounting principles generally accepted in India.
- The financial results have been prepared in accordance with the requirement of Regulation 52 of the SEBI (Listing and Other Disclosure Requirements) Regulation, 2015, as amended.
- The Audit Committee has reviewed the financial results and the same have been subsequently approved by the Board of Directors at their respective meetings held on 27th June 2024.
- Debenture Redemption Reserve not applicable to debt listed entities in terms of Rule 18(7) of Companies (Share Capital and Debentures) Rules 2014 as amended, hence no DRR created by the Company. The NCD's are assured for repayment by the Govt. of India.
- As on date of the results, the non-convertible debentures (NCDs) issued by the company are rated long term rating [ICRA]AAA(CE) (Stable) by ICRA and IND AAA(CE)/Stable by India Ratings and Research.
- Additional disclosure as per clause 52(4) of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation 2015:

Sl. No	Particulars	Year ended March 31, 2024 (in millions)	Year ended March 31, 2023 (in millions)
1	Current Ratio [Current Assets/Current Liabilities]	2.13	2.42
2	Long Term Debt to Working Capital [(Non-Current Borrowings + Current Maturities of Non-Current Borrowings)/(Current Assets - Current Liabilities excluding Current Maturities of Non-Current Borrowings)]	19.49	18.18
3	Current Liability Ratio [Current Liabilities /Total liabilities]	0.03	0.03
4	Total Debt to Total Assets [(Non - Current Borrowings + Current Borrowings)/Total Assets]	1.31	1.36
5	Debtors Turnover [Average Trade Receivable for the period/Revenue from Operations (excluding other operating revenue for the period) * No of days in period]	N.A.	N.A.
6	Bad Debts to Account Receivable Ratio	N.A.	N.A.
7	Inventory Turnover [Average inventory/Fuel, Oil and Water cost for the period * No of days in period]	N.A.	N.A.
8	Capital Redemption Reserve	N.A.	N.A.
9	Operating Margin (%) [Profit/(Loss) before Depreciation and amortisation expenses, Interest, Tax, less other Income/Revenue from Operations]	N.A.	N.A.
10	Net Profit Margin (%) [Profit/(Loss) after tax/Total Income]	9.91%	-69.04%



Place: New Delhi
Date: 27th June 2025

By order of the Board

[Signature]

Amit Kumar
Chairman and Managing Director
DIN 11001643



AI ASSETS HOLDING LIMITED
(Formerly Air India Assets Holding Limited)
CIN : U74999DL2018GOI328865

Consolidated Balance Sheet as at March 31, 2024

(₹ in million)

Particulars	As at March 31, 2024	As at March 31, 2023
I ASSETS :		
1 Non-current Assets		
(i) Property, Plant and Equipment	0.14	0.15
(ii) Financial assets:		
a) Cash and Cash equivalents	-	-
b) Bank balances other than (a) above	2,284.20	2,282.00
c) Other Financial Assets	114.00	114.00
(iii) Deferred tax asset (net)	3,760.44	-
Total Non-Current Assets	6,158.78	2,396.15
2 Current Assets		
(i) Financial assets:		
a) Cash and Cash equivalents	9,295.60	7,734.79
b) Bank balances other than (a) above	2.20	2,100.00
c) Other Financial Assets	1,793.22	1,099.36
d) Others- Recoverable from Air India Limited (AIL)	2,689.08	2,720.85
(ii) Current Tax Assets (Net)	613.69	261.00
(iii) Other Current Assets	81.75	135.02
Total Current Assets	14,475.54	14,051.02
3 Assets included in Disposal group held-for-sale	1,40,366.75	1,38,223.44
Total Assets	1,61,001.07	1,54,670.61
II EQUITY AND LIABILITIES :		
1 Equity		
a) Equity Share Capital	6,29,654.50	6,23,654.50
b) Other Equity	1,100.35	210.22
c) Fund transferred to the then AIL over and above assets/liabilities received	6,30,754.85	6,23,864.72
Total Equity	(6,80,041.33)	(6,80,041.33)
2 Liabilities :		
(i) Non-current Liabilities		
a) Financial Liabilities		
i) Borrowings	1,49,850.00	1,49,850.00
ii) Other Financial Liabilities	-	-
b) Provisions	-	-
Total Non-Current Liabilities	1,49,850.00	1,49,850.00
(ii) Current Liabilities		
a) Financial Liabilities		
i) Borrowings	-	-
ii) Trade Payables		
(a) Total outstanding, dues of micro and small enterprises	0.87	-
(b) Total outstanding, dues of creditors other than micro and small enterprises	4.91	3.74
iii) Other Financial Liabilities	5,113.14	5,096.93
b) Provisions	1,664.39	648.91
c) Other Current Liabilities	5.02	60.79
Total Current Liabilities	6,788.33	5,810.37
3 Liabilities against assets included in disposal group held for sale	53,649.22	55,186.85
Total Equity & Liabilities	1,61,001.07	1,54,670.61



For and on behalf of the Board of Directors

Amit Kumar

Amit Kumar
Chairman and Managing Director
DIN 11001643

Place: Delhi
Date: 27th Jun 2025



AI ASSETS HOLDING LIMITED
(Formerly Air India Assets Holding Limited)
CIN : U74999DL2018GOI328865

Consolidated Statement of Profit and Loss for the year ended March 31, 2024

(₹ in million, except EPS)

Particulars	Year ended March 31, 2024	Year ended March 31, 2023
I Revenue from Operations	-	-
II Other Income :		
Rent from properties held for sale	1,193.82	1,023.71
Other Misc. Income	7,895.39	6,185.37
III Total Income (I + II)	9,089.21	7,209.08
IV Expenses:		
Employee Benefit Expenses	17.30	18.27
Finance Cost	11,090.52	14,574.28
Depreciation & Amortization	0.02	0.02
Other Expenses	2,097.89	3,180.51
V Total Expenses	13,205.73	17,773.08
VI Profit / (Loss) before exceptional items and Tax (III-V)	(4,116.52)	(10,564.00)
VII Exceptional Items	-	-
VIII Profit / (Loss) Before Tax (VI-VII)	(4,116.52)	(10,564.00)
IX Tax Expense		
1. Current Tax	-	-
2. Short/ (Excess) Provision of Tax	-	-
3. Deferred Tax	(3,760.44)	-
X Profit / (Loss) For the Year From continuing operations (VIII-IX)	(356.08)	(10,564.00)
XI Profit/(Loss) from the entity included in disposal group held for sale (Discontinued operations)	2,833.80	8,100.04
XII Tax expense of entities included in disposal group held for sale (Discontinued operations)	1,500.92	2,513.55
XIII Profit/(Loss) from the entity included in disposal group held for sale (after tax) (Discontinued operations)	1,332.88	5,586.49
XIV Profit/(Loss) for the year after tax (X+XIII)	976.80	(4,977.51)
Other Comprehensive Income from Continuing operations	-	-
Other comprehensive income from Discontinued operations	(76.00)	32.72
XV Total Other Comprehensive Income	(76.00)	32.72
XVI Total Comprehensive Income/(Loss) for the year (XIV+XV)	900.80	(4,944.79)
XVII Earning per Equity Share of Rs. 10 each		
From continuing operations		
Basic (Rs.)	(0.01)	(0.17)
Diluted (Rs.)	(0.01)	(0.17)
From discontinuing operations		
Basic (Rs.)	0.02	0.09
Diluted (Rs.)	0.02	0.09
From continuing and discontinuing operations		
Basic (Rs.)	0.01	(0.08)
Diluted (Rs.)	0.01	(0.08)



For and on behalf of the Board of Directors

Amit Kumar

Amit Kumar
Chairman and Managing Director
DIN 11001643

Place: Delhi
Date: 27th Jun 2025



AI ASSETS HOLDING LIMITED
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CIN : U74999DL2018GOI328865

Consolidated Cash Flow Statement for the year ended 31st March, 2024

Accounting Policy

Cash flows are reported using the indirect method as set out in the Indian Accounting Standard 7 (IndAS-7) on "Cash Flow Statements", whereby profit for the year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated based on available information. The Company considers all highly liquid investments that are readily convertible to known amounts of cash to be cash equivalents.

(₹ in million)		
Particulars	Year ended March 31, 2024	Year ended March 31, 2023
A Cash Flow From Operating Activities		
Net Profit / (Loss) Before tax	(4,116.52)	(10,564.00)
Adjustments for:		
Depreciation / Amortisation	0.02	0.02
Finance Cost	11,090.52	14,574.28
Interest Income	425.33	947.87
Other adjustments *	5,006.66	(5,071.08)
Operating profit before working capital changes	11,555.35	8,133.51
(Increase) / Decrease in Trade Receivables	-	-
(Increase) / Decrease in Other Current & Non Current Assets	(4,835.90)	(3,693.22)
Increase / (Decrease) in Trade Payables	0.87	2.77
Increase / (Decrease) in other Current & Non current Liability	(577.14)	2,891.63
Cash Generated from Operations	6,143.18	7,334.69
Income Tax Paid (net of refund)	-	-
Net Cash from Operating Activities	6,143.18	7,334.69
B Cash Flow From Investing Activities		
Acquisition of fixed assets	(0.01)	(0.13)
Interest Income on FDRs	491.57	862.06
Receipt of assets/investment in consideration of financial assistance to AIL	-	(2,523.07)
Net Cash From Investing Activities	491.56	(1,661.14)
C Cash Flow From Financing Activities		
Proceeds from Borrowings	-	-
Proceeds from issue of Share Capital	6,000.00	-
Proceeds from Government Budgetary Support for repayment of Series-I Bond	-	70,000.00
Interest Expense	(11,073.92)	(14,761.96)
Repayment of Borrowings	-	(70,000.00)
Net Cash From Financing Activities	(5,073.92)	(14,761.96)
Net (Decrease)/Increase in Cash and Cash Equivalents	1,560.81	(9,088.40)
Add: Cash and Cash Equivalents at the beginning of the Year	7,734.79	16,823.19
Cash and Cash Equivalents at the end of the Year	9,295.60	7,734.79
Component of Cash and Cash Equivalents		
Cash on hand	-	-
Balance in Current Account	7.79	250.81
Other Deposit Account	9,287.81	7,483.98
	9,295.60	7,734.79

Cash Flow Statement of Entities included in disposal group held for sale

(₹ in million)		
Particulars	Year ended March 31, 2024	Year ended March 31, 2023
Net Cash Flow(Used in)/ from Operating Activities	(717.22)	4,009.62
Net Cash Flow used in Investing Activities	(229.02)	(1,436.65)
Net Cash Flow(Used in)/ from Financing Activities	2,442.88	(5,039.85)
Net Increase/ (Decrease) in Cash and Cash equivalents	1,496.64	(2,466.88)
Cash and Cash equivalents (Opening balances)	1,076.20	3,543.09
Cash and Cash equivalents (Closing balances)**	2,572.84	1,076.20

* other adjustment represents elimination of revenue & interest income & expenses recoverable from subsidiaries and adjustment in Holding Company's assets and liabilities as a result of elimination amongst Holding and Subsidiaries.

** Cash & cash equivalent (closing balance) excludes cash & cash equivalent of entities included in disposal group held for sale amounting to ₹ 2,572.84 million.



Amit Kumar
Amit Kumar
Chairman and Managing Director
DIN 11001643

Place: Delhi
Date: 27th June 2025



**KUMAR MITTAL & CO.**

Chartered Accountants

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GSTIN: 07AAAFK6551G1ZG

Independent Auditor's ReportTo the Members of **AI Assets Holding Limited (formerly Air India Assets Holding Limited)****Report on the Audit of the Consolidated Ind AS Financial Statements****1. Qualified Opinion**

We have audited the accompanying Consolidated Ind AS Financial Statements of AI Assets Holding Limited (formerly Air India Assets Holding Limited) (herein after referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31st March, 2024, and the Consolidated Statement of Profit & Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Ind AS Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the Consolidated Ind AS financial statements).

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, except for the possible effects of the matters described in the Basis for Qualified Opinion Section of our report, the aforesaid Consolidated Ind AS Financial Statements give the information required by the Companies Act 2013, as amended ("the Act") in the manner so required and give a true and fair view, in conformity with the Indian Accounting Standards prescribed under Section 133 of the act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended (Ind AS) and accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2024, and its consolidated loss (including consolidated other comprehensive income), the consolidated statement of changes in equity and its consolidated cash flows for the year ended on that date.

2. Basis for Qualified Opinion

In respect of two of the subsidiaries viz Hotel Corporation of India Limited and Alliance Air Aviation Limited whose independent auditors have given a qualified opinion vide their Independent Auditor's Report dated 28th February, 2025 and 16th January, 2025 respectively. The same is reproduced hereunder:-

SI No.	Qualifications															
<u>In case of Hotel Corporation of India Limited</u>																
1.	<p>Implementation of AMRD order on resolution of Centaur Lake View Hotel (CLVH):</p> <ul style="list-style-type: none">• The Centaur Lake View Hotel (CLVH) dispute involves the Hotel Corporation of India (HCI) and the Union Territory (UT) of Jammu & Kashmir concerning ownership, management, and liabilities related to the hotel property.• The conflict arose from the termination of a management agreement between HCI and BD&P Hotels (Pvt.) Ltd., leading to legal proceedings and disputes between the parties involved. Various notices, appeals, and petitions were filed by HCI across different judicial levels, including District Magistrate, the Hon'ble High Court of J&K, and the Supreme Court.• Government interventions, notably by the Civil Aviation Ministry, attempted to resolve the matter. It culminated in the referral of the dispute to the Administrative Mechanism for Resolution of Disputes (AMRD).• The AMRD resolution plan, dated July 17, 2023, resulted in the transfer of CLVH ownership to the UT of J&K,<ul style="list-style-type: none">- UT of J&K took over 145 employees of HCIL working at CLVH- The UT of J&K agreed to assume liabilities as follows: <table><tr><th>Sr. No.</th><th>Particulars</th><th>Rs. In million</th></tr><tr><td>1.</td><td>Valuation of CLVH at Net Block as of 31st March, 2022</td><td>60.7</td></tr><tr><td>2.</td><td>Employee liability for the Govt. of J&K from 1st March, 2023 onwards</td><td>175.8*</td></tr><tr><td>3.</td><td>Salary payments for workers (March-June 2023)</td><td>30.8</td></tr><tr><td></td><td>Total payable by UT of J&K (Agreed Liabilities)</td><td>267.3</td></tr></table>	Sr. No.	Particulars	Rs. In million	1.	Valuation of CLVH at Net Block as of 31 st March, 2022	60.7	2.	Employee liability for the Govt. of J&K from 1 st March, 2023 onwards	175.8*	3.	Salary payments for workers (March-June 2023)	30.8		Total payable by UT of J&K (Agreed Liabilities)	267.3
Sr. No.	Particulars	Rs. In million														
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3.	Salary payments for workers (March-June 2023)	30.8														
	Total payable by UT of J&K (Agreed Liabilities)	267.3														



	<p>* The Company has not accounted the employee liability for the current financial period which is payable in foreseeable future.</p> <ul style="list-style-type: none"> ➤ UT of J&K would further examine the claims of HCI with regard to the revision of rates for CRPF/BSF - ₹19.69 crore on submission of further justification/ details. ➤ UT of J&K needs further justification/details/documentation for examining the claim of HCI for cost sharing of expenses as on 31.03.2022- ₹ 12.61 cr. On such provision by HCI, the UT of J&K will examine and settle the claims within 45 days. <p>(Refer note no. 43(A) of Consolidated Ind - AS Financial Statements)</p> <p>Attention is drawn to the fact that the figures of CLVH for the year ended March 31, 2024 as reported in the financial Statement contains the value of Gratuity expense and Provision for Gratuity but does not include the Leave Encashment Expenses and Provision for Sick Leave Liability and Provision for Privilege Leave Liability.</p> <p>The Financial Statements consists of CLVH total assets of Rs. 580.07 million as at March 31, 2024 and total revenue of Rs. 35.68 million for the year end.</p> <p>Attention is drawn to the fact that the figures of CLVH for the year ended March 31, 2024 as reported in the financial Statement obtained from the Books of Accounts made available by the Management without any supporting documents/details and hence the relevant financial year figures has only been reviewed and it is subject to audit.</p>
2.	<p>Inventory:</p> <p>Inventory records and accounting records are not integrated. Further, there was no system of internal control on inventories on which we could rely for the purpose of our audit except for manual records. There are no satisfactory audit procedures that we could adopt to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the existence, quantities and condition of these inventories and to access their valuation.</p> <p>Any adjustments that might have been found necessary in respect of the above would have a consequential significant effect on the financial position of the company as at 31 March 2024 and the related disclosures in the Ind AS financial statements.</p> <p>Further the valuation of regular consumed inventory is derived as 50% cost of the closing inventory at year end, instead of any proper standard mechanism for arriving at closing valuation of inventory.</p> <p>(Refer Note 9.1 of the Consolidated Ind – AS Financial Statements)</p>
3.	<p>MSMED Act compliances:</p> <p>The Company has classified MSME Vendors registered under Micro Small and Medium Enterprises Development (MSMED) Act, 2006. The compliances of provision for interest on outstanding dues to MSME units has been declared via notes and shall be paid as and when demanded by the vendor.</p> <p>(Refer Note 35.5 of the Consolidated Ind – AS Financial Statements)</p>
In case of Alliance Air Aviation Limited	
1.	<p>In June 2024, a whistleblower complaint was filed with the Chairman regarding certain allegations against the erstwhile Chief Financial Officer (CFO). The whistleblower complaint revealed a fraudulent payment of ₹4.85 Million to a SAP vendor based on forged documents. The same was confirmed by the internal auditor's verification report dated 11.07.2024. An internal committee was constituted vide Office Order No. dated 10.06.2024 to investigate the matter. The committee submitted its report to the CEO and subsequently to the Chairman on 15th July 2024 as well as to the vigilance department. This indicates deficiencies in the Company's controls over vendor payment authenticity and procurement processes. Additionally, Whistleblower has also complained that Company has paid additional increased remuneration amounting to Rs.0.21 Million to the erstwhile CFO of the Company for a period of 3 months effective from the month of January 2024 to March 2024. This excess remuneration was later on not approved by the Board of Directors. Accordingly, the amount has been shown as recoverable from the CFO in the books of accounts. We have been informed by the Company that an internal committee investigated the matter and submitted their report to the Vigilance department which is further investigating this matter. This indicates a material weakness in the Company's HR controls and approval processes for remuneration.</p>
2.	<p>Internal control weaknesses regarding the maintenance and recording of the inventory:</p> <ul style="list-style-type: none"> - AAAL used Air India's MMD module (RAMCO) for inventory management until the disinvestment of Air India. Post disinvestment from Air India Ltd, AAAL migrated to own inventory system Laminar from 18th May 2022 onwards. Inventory balances from RAMCO as of March 31 2022 were transferred to Laminar. Purchases and consumption



entries from 2022-23 (up to September 2022) were interfaced to AAAL's SAP system since there was direct interface between RAMCO and SAP.

- Inventory was previously managed based on weighted average but switched to FIFO from 2023-24 onwards, subject to approval by competent authority on post-facto basis. Pursuant to a technical glitch in the MMD System (LAMINAAR) the system could not correlate ROE (Rate of Exchange) of USD value of the spare, due to which the actual INR figure could not be portrayed in the LAMINAAR system. Adjustments have been made in SAP to reflect accurate INR figures, impacting financial statements by Rs 10.00 million in 2023-24.
- AAAL conducted physical verification of inventory as on March 31 2024, using Laminaar system records. Discrepancies in physical stock led to a provision of Rs 170.07 million in the financial statements for FY 2023-24. A shortage of Rs 170.07 million was identified, prompting the formation of a committee to investigate causes. Company has planned to appoint an independent auditor to review the committee's findings, and necessary accounting actions will be taken in FY 2024-25 based on the report after arriving at final conclusion. There was an existing provision for shortage in inventory created during the year 2021-22 which was made subject to assessment of actual loss by the company.
There is no progress in assessment of actual loss by the Company incurred on account of shortages observed during the year 2021-22. Hence the provision for expected losses on account of shortages reported in physical verification is still existing in the Financial Statements in absence of approval of actual loss from the competent authority.
- AAAL has plotted all the inventory purchased since inception in Laminaar and after considering the actual ROE, the month wise purchase and consumption has been arrived at, the net effect of which is Rs. 10.00 million pertaining to FY 22-23 which has been accounted as purchase in the FY 23-24. Since the amount is within the threshold limits of materiality as per the accounting policy of the company, hence the previous year accounts have not been restated. During the FY 23-24 there was No interface between SAP and LAMINAAR which is still pending to be implemented.

The impact of above qualifications on Consolidated Ind - AS financial statements, if any, is not ascertainable.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Ind - AS Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the Consolidated Ind AS Financial Statements under the provisions of The Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us together with audit evidence obtained by the other auditors in terms of their reports referred to in the "Other Matters" section below is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Ind - AS Financial Statements.

3. **Emphasis of Matter**

We draw attention to: -

A) In respect of AI Asset Holding Limited (Holding Company), Vide our Report on Standalone Financials Statements dated 18th October 2024.

- (i) Note no. 3.1 and 3.2 of the Consolidated Ind AS financial statement regarding the excess amount transferred by the Company over and above the assets/liabilities received amounting to Rs. 6,80,041.32 million during disinvestment which has been classified as a separate line item under "Equity & Liabilities". However, details about the component of differential amount (viz. provision of ECL/doubtful debts, provision for non-moving/scrapped inventories, any other provision of assets etc.) has not been provided for by the then AIL and hence could not be verified.
- (ii) Note no. 3.3 and 23.i.e of the Consolidated Ind AS financial statements regarding levy of Rs. 318.35 million for liquidated damages against the recoverable amount of Rs. 2,657.43 million from DRDO. The same has not been accounted for as a firm liability as the company has taken up the matter of liquidated damages with DRDO, AIL and AIESL for deletion/waiver as aircraft was delivered within the extended date of delivery.



- (iii) Note no. 3.4 of the Consolidated Ind AS financial statements Rs.3,000 million was withheld by the then AIL towards the maintenance of 6 aircrafts against which the company had received details of expenditure of Rs.2,564.77 million, which is adjusted against the amount withheld by AIL, with unadjusted amount of Rs. 435.23 million in absence of confirmation from AIL.
- (iv) Note no. 3.5 of the Consolidated Ind AS financial statement regarding balance confirmation from Air India Ltd. (AIL), against the recoverable of Rs. 2,689.08 million as on 31.03.2024 (Previous Year Rs. 2,720.85 million), AIL has confirmed Rs. 1,422.61 million (Previous Year Rs. 1,494.70 million) as payable by the company to AIL. Consequently, the differential amount of Rs. 4,111.69 million is under reconciliation.
- (v) Note no. 3.9 of the Consolidated Ind AS financial statement regarding claims raised by AIL against medical facilities provided by AIL to retired employees amounting to Rs. 1,813.31 million, for the period from the date of disinvestment i.e. 27th January 2022 to 31st December 2022 which includes Rs. 36.43 million which has not been accepted & accounted for by the Company and Rs. 588.60 million for which bills/supporting documents are yet to be provided by AIL to the Company. However, the liability for the said amount has been provided in anticipation that AIL will provide the supporting documents before reimbursement of the said amount to AIL by the Company.
- (vi) Note no. 9.1.a of the Consolidated Ind AS financial statement regarding assets received from the then AIL has been classified as "Assets included in disposal group held for sale". However, these assets have been accounted for at carrying value instead of at lower of carrying cost or fair value less cost to sell. Further, the last physical verification of such movable assets was carried out by the management during the previous financial year in accordance with the policy. However, in absence of proper records of movable assets included in disposal group held for sale, the existence and reconciliation of movable assets cannot be commented upon.
- (vii) Note nos. 9 and 17 of the Consolidated Ind AS financial statement regarding certain immovable assets transferred by the then AIL classified under "Assets included in disposal group held for sale" for which either lease period has been expired or assets are under encroachment /legal disputes. Further, the company has surrendered/ in the process of surrendering of certain properties to the allotting authority without any compensation as there is no clause of compensation in the lease agreement on surrendering of property in lieu of unexpired lease period.
- (viii) Note 9.6 of the Consolidated Ind AS financial statements on disinvestment plan of the subsidiaries, roadshows were conducted by DIPAM and draft PIM for AIESL, AIASL & AAAL have been prepared for discussion with the Government, though these subsidiaries are classified/ carrying as "Assets included in Disposal group held-for-sale" for a period of more than one year.
- (ix) Note no. 17 of the Consolidated Ind AS financial statements, the company has classified Rs.911.59 million under "Liabilities against assets included in disposable group held-for-sale". These liabilities were transferred by the then AIL to the company on the basis of debit notes/credit notes only, however out of the said amount, other supporting/confirmation for Rs. 426.90 million are not available on record.
- (x) Note 21.1 of the Consolidated Ind AS financial statements regarding rates & taxes of Rs.1,010.33 million towards the provision made in the books of the company in respect of property tax, state levies and stamp duty on certain properties for which the payment is uncertain since the sale of such properties are not yet confirmed. Also, no provision has been created in respect of some of the properties as in the opinion of the management those properties are non-transferable to the company due to ambiguities in title and ownership.
- (xi) Note 23.i.d of the Consolidated Ind AS financial statements regarding contingent liability which includes demand raised by BSE amounting to Rs. 8.90 million. The same has been considered as contingent liability instead of firm liability as in the opinion of the management this will be waived off in the light of company's impending request for waiver to BSE.
- (xii) Note 31 of Consolidated Ind AS financial statements regarding non-reconciliation of GST Input Tax Credit as per books of accounts vis-à-vis GST portal which includes certain amount of GST ITC which is not appearing on the GST portal and as per information provided to us the amount involved is Rs.53.86 million, in the opinion of the management the company is in the process to get this amount validated by the GST department.
- (xiii) Note 38 of the Consolidated Ind AS financial statements, the company has not allocated the expenditure on CSR activity as required under section 135 of the Companies Act, 2013 on Corporate Social Responsibility (CSR) for previous years as the company has an obligation to transfer unspent amount to a Fund specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year in compliance with second proviso to



sub-section (5) of the section 135 of the said Act. As represented by the management, in the absence of the CSR committee/ appointment of Independent Director by the Competent Authority, the allocation/ expenditure on CSR activities relating to earlier years is not made. Such non-compliance may further entails penal provisions under section 135 (7) of The Companies Act, 2013.

- (xiv) Note no. 9 of the Consolidated Ind AS financial statement regarding unreconciled net balance of Rs. 30.57 million as on 31st March 2024 among holding and subsidiaries pending inter-company reconciliation.

B) In respect AI Engineering Services Limited (Formerly known as Air India Engineering Services Limited) (Subsidiary) – Vide their Auditor's Report dated 26th March 2025.

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

- (ii) a) As per para 9 of Ind-AS 2 on Inventories

AIESL has been using two software for maintaining accounts RAMCO for Billing, material movement, inventory and Financial accounts are maintained on SAP which is not interlinked. Both software operate on independent data whereas RAMCO is Prime DATA which maintains Aircraft Inventory and Non-Aircraft inventory is maintained in SAP only. RAMCO data is pulled in SAP by automatic process for accounting entries and there is no process of reconciliation of data. Inventory valuation for balance sheet has been taken from SAP Software and there is difference of Rs. 91.57 million in year 2023-24 without opening balance in both the software which cannot be verified. Automatic data entry's control of SAP GRIR & Supplier suspense reconciliation is also not done by the company. Inventory as per SAP on year end Mar'24 is Rs. 683.96 million where there is provision of Rs. 500 million unverifiable inventory continuing from Last year. In some cases quantity detail as per RAMCO software is negative whereas for valuation quantity shows positive value. In the absence of any cross/Physical verification of inventory and non-reconciliation data of RAMCO & SAP Inventory Value reports cannot be trusted. In the absence of reconciliation of the value, we are unable to comment for the impact of above on the profit, asset and liabilities figure of the company as some balances are negative since opening. Since long material and services received but invoices not booked especially import related and even advances to vendor including old debit balances in vendor. Invoices booked in many cases after more than one year of material or services received, due to not receiving invoices from Boeing / MMD department. Account statement/confirmation is not available from import vendors. There is no control system of timely submission and follow-up of Import invoices and account statement.

Inventories shall be measured at cost or net realizable value. The Company has valued the inventories during the year at weighted average cost. Valuation of inventories has not been done as per Ind-AS 2 at year end. Hence, we are unable to comment on the impact of the same.

- (iii) Fixed Assets capitalization is not done on date of acquisition or date of usage as in most of the cases assets are capitalized at year end and depreciation is charged for full year in case of addition to fixed assets. Company does not have a proper system of capitalization value of assets, as in certain cases on test check value of incidental expenses at the time of purchase of assets are not accounted properly and in one case fixed asset capitalized on purchase order due to mismatch in invoice value. Physical verification of assets has surplus and unidentified items out of which Rs. 45.92 million has been capitalized with adjustment to inventory. We are unable to verify since some assets are quite old which may have depreciated by now and action for unidentified items is pending.
- (iv) MSME vendors payment and interest applicability is maintained on manual basis whereas SAP has full system of identification which is not operative hence we are unable to verify the MSME payment and interest.
- (v) Company has worked out ageing manually from SAP generated report; there are numerous debit and credit entries in same customer account. As there is no proper system of accounts confirmation from Customers, we are unable to verify ageing reports.



- (vi) Unbilled revenue is identified on annual basis out of current year billing which is debited in two ways, one by debit to Customer account directly and other to Outstanding recoveries. Unbilled revenue is debited to customer account directly where same should be accounted for in a separate head and on quarterly basis as against existing practice of annual basis, for better control. During the year with our audit observation of supplier suspense loan order IAF SESF (Rs. 538.38 million) not accounted by company properly out of Rs. 1,956.06 million Unbilled revenue was booked out of which Rs. 149.22 million relates to previous year. This system error needs to be strengthened in RAMCO/SAP which missed its billing.
- (vii) Company has numerous un-reconciled employees debit and credit balances as in two test cases R KALAICHELVAN of Rs. 1.63 million since 2012 and S D AUGUSTINE DIVAKAR of Rs. 0.15 million since 2018 recoverable. The reconciliation and matching of certain unmatched receivables/ recoverable from staff and payables including certain control ledger is in the process.
- (viii) Company has two overseas establishments in Dubai & Kathmandu, no separate books are maintained and there is no asset and liabilities of the Branches. Only Cash Flows in form of bank statement is maintained by HO for Dubai and there is no separate bank for Kathmandu.
- (ix) Customer and Vendor accounts have debit and credit balances in separate ledgers wherein balance sheet net balance is shown as recoverable or payable. In the absence of reconciliation of parties we are unable to verify and comment on its realizability and payment due.
- (x) Company has not deducted Income tax at source while accounting for provision for expenses. The impact of such non-compliance cannot be ascertained.
- (xi) Company has not maintained proper records of foreign exchange earned and expended as foreign exchange earned as per note 37 Note of Consolidated Ind AS financial statements as details of figure mentioned are not from SAP and worked manually which cannot be verified.
- (xii) Company has not complied with Ind AS 36 on Impairment of assets.
- (xiii) A) Company does not have proper system of reconciliation of Trade receivable, Deposits received, deposits paid and trade payable hence we are unable to comment for correctness of its due and payable amount.
B) Company does not maintain TDS/TCS receivable details on real time Customer wise of Rs. 660.99 million and there is no year wise reconciliation in absence of payment details. Moreover year wise breakup of excess tax paid of Rs. 9.22 million is also not available. The Company is in process of reconciliation of revenue and tax deducted at source as accounted in financials and as per 26 AS. There are advance TDS payments for salary & others which remain unconsumed by Rs. 5.12 million for so many years. It implies that there is no control or procedure for regular deposit of TDS and set off with regard to liability of TDS.
C) Good & Service Tax (GST) has Opening Negative Liability of Rs. 57.03 million which has still closing balance of Rs. 82.63 million besides GST accounts net debit balances of Rs. 342.78 million which is in the process of reconciliation with the returns filed and statutory records maintained by the company. Opening Negative Liability and Other Debit balances are quite old and no year wise breakup is available.
- (xiv) As per the policy of the company, for the physical verification of PPE, the Company has appointed:
A) a professional firm of Chartered Accountant including for the assets tagging of the PPE (Delhi) in a phased manner. The firm has submitted its report dated 11th July, 2024 showing unidentified not found 25 items having WDV of Rs. 1.12 million as per Report and found 6857 excess items.
B) Professional firm at Kolkata whose report dated 22nd July 2024 reported as not found 82, excess found 1059.
C) Thiruvananthapuram report dated 15th July, 2024 not found 11, excess found 1978. The discrepancies and excess found will be adjusted / accounted for after taking approval from the competent authority.
Further, as per report submitted, number of assets could not be verified due to non-availability of product/assets code to identify the assets code given in the assets list.
- (xv) Prior period expenses NIL and Prior period income related to previous year 2022-23 to the tune of Rs.149.22 million has been booked in the year 2023-24 (P.Y. Prior period income Rs. 175.66 million & Prior period expenses Rs. 517.49 million). The book of 2022-2023 has been restated and consequential adjustments/ disclosure has been made in respective years.



C) In respect of Alliance Air Aviation Limited (Formerly known as Airline Allied Services Limited) (Subsidiary) - Vide their Auditor's Report dated 16th January 2025.

- (i) Note No. 44 to the Consolidated Ind AS financial statements, wherein the Company addresses its use of the going concern basis for the preparation of its financial statements. The Company has incurred net loss of Rs. 5,665.73 million in the previous financial year and has continued incurring losses amounting to Rs. 6,210.20 million in the current financial year ended March 31, 2024, and that the net worth of the company being fully eroded as of the year-end date, thereby giving rise to significant uncertainty regarding the Company's ability to continue as a going concern.

However, the Company has received financial support from its holding company, AI Assets Holding Limited, in the form of an equity infusion of Rs. 6,000 million during the current financial year. This assistance, combined with other factors detailed in the note, mitigates the uncertainty regarding the going concern assumption. Therefore, the financial statements have been prepared on the going concern basis as determined by management.

- (ii) Note No. 28(a) to the Consolidated Ind AS financial statements wherein the company has stated that "A fire took place in CAMO office of AAAL on date 23rd April 2024 due to short circuit. The premises were on lease and temporary structure in form of work station had been inherited from Air India. The assets consisting of Computer System were destroyed in fire with book value of approx. Rs. 0.07 million. The necessary accounting for the same will be affected in FY 2024-25."

D) In respect of Hotel Corporation of India Limited (Subsidiary)- Vide their Auditor's Report dated 28th February, 2025.

(i) Amount Receivables:

Note No. 31 to the Consolidated Ind AS financial statements regarding the Company has sent letters/e-mails for confirmation of balances, whereas responses are received by the management. However, the whole process of obtaining confirmations need to be further strengthened. We are unable to obtain audit evidence for the amount recoverable and periodicity thereof.

- It has come to our attention that there are potential additional amounts receivable pertaining to CLVH. These amounts, upon proper scrutiny and validation of claims by the concerned authorities, could bolster the current receivables. These potential receivables item from Revision of Rates for CRPF/BSF and we believe that with careful assessment and verification, these sums could significantly augment overall receivable balance, Revenue as well as Tax impact, if any. We propose a detailed examination and validation process to ensure the accuracy and realization of these prospective receivables and its accounting treatment, ultimately enhancing financial position.
- Agreed Receivable from UT of J&K amounting to Rs. 267.3 million was not received during the year. However, few transactions amounting to Rs. 14.6 million towards gratuity payment and receipts from debtors amounting to Rs. 0.7 million and Bank interest amounting to Rs. 0.08 million have been incurred by the company on behalf of CLVH during the year.
- Regular Customers are having debit balances beyond credit policy for which no check chart is prepared for adequate recovery steps, if, taken. After completion of outstanding of 3 years, provision is made treating them as Doubtful debts. However, the recovery process needs to be strengthened. Even, the same are not shown as disputable until and unless there are legal proceedings. In absence in obtaining any audit evidence with regards to recoverability, periodicity or disputable or otherwise, we are unable to comment whether the same are disputable/recoverable or not.
- The Company has made provision for Bad & doubtful debts on account of legal notice/ cases pertaining to few parties apart from provision made in accordance with the usual policy of the Company.

(ii) Amount Payables:

- Note No. 31 to the Consolidated Ind AS financial statements regarding the company is obtaining confirmations and performing reconciliations and/ or assessment of correct balances in respect of amount payable to Trade Payables; Deposits received (SD/EMD); Government Departments and other parties. Accordingly amount payable to various parties are subject to confirmations, reconciliations and/or assessments.
- Trade Payables have been bifurcated into two parts i.e., MSME and others and further sub-divided as disputable or otherwise. Disputed trade payables taken only in cases where matter is under litigation. In case of delayed outstanding against MSME/ others, beyond the period of Credit policy of the Company have been considered as undisputable by the management. Assessment for identifying disputable one is not available. In absence of any audit evidence



with regards to assessment of disputable or otherwise, we are unable to comment thereon and impact thereof on standalone financial statements.

(iii) Untraceable Employee Advance:

- Amount receivable from Staff amounting to Rs. 0.36 million is outstanding from more than 5 years. The management is unable to identify the recoverable dues and persons for recovery of the same. In absence in obtaining any audit evidence with regards to recoverability, periodicity or disputable or otherwise, we are unable to comment whether the same are disputable/recoverable or not.

(iv) Loss/shortage of Property, Plant & Equipment:

- Records maintained for Property Plant Equipment (Fixed Assets) are not properly updated as per their Item/Quantity wise. Physical verification of PPE has been conducted by the management during the current financial year (Management represents last inspection was conducted in FY 2023-24). Further, the quantity shown in the physical verification report are not matching with the quantities shown under the valuation report. Due to non-tagging of Fixed Assets and no proper item wise details reconciliations with the Books of Accounts or Fixed Assets Records would be difficult to identify (if any). Hence impact of loss/ shortage/ scrap of assets remains indeterminable.

(v) Lease Rentals/Turnover Levy payable to AAI/MIAL/DIAL:

- Note No. 23.i.(i) to the Consolidated Ind AS financial statements regarding lease rentals and turnover levy payable to Airport Authority of India (AAI)/Delhi International Airport Limited (DIAL)/ Mumbai International Airport Limited (MIAL) are provided in the books of accounts of the Company and duly reflected in the financial statement. Further in view of the dispute between the Company and AAI/DIAL/MIAL, interest on account of outstanding payable is not provided but disclosed under the head Contingent Liability and are not in conformity with the accounting principles generally accepted in India.

(vi) Provision of Wage Revision of Differential Liability:

- Note No. 32 to the Consolidated Ind AS financial statements regarding the earlier wage agreement was expired on 31 December, 2006 and the union has submitted Charters of demands. The Company had negotiations between Wage Negotiation Committee of the Management and Co-Ordination Committee of HCI Unions and after receipt of final approval from the Ministry of Civil Aviation, the Memorandum of Understanding dated 08.08.2019 was entered into between the unions and the Company for implementing wage revision for the Unionized category of employees for a period of 10 years effective 18.08.2008. The wage revision was implemented in the financial year 2019-20. The total estimated provision for arrears of wage revision for the unionized category of employees of the company as on 31.03.2024 is Rs. 146.36 million. The Management had announced an interim relief of Rs. 5,000/- per month per employee for officers effective from 1 January, 2017 which continues to be paid and has been expensed out through the Statement of Profit and Loss Account amounting to Rs. 70.74 million as on 31.03.2024. As and when wage revision is approved, this amount would be adjusted against arrears payable, if any, for which employee wise details have been maintained separately in the books of accounts. Further, the calculations for arrears payable to employees effective 08.08.2008 are in progress. The management is of the opinion that in case the wages provided is inadequate then the provision for differential liability will be made in the year it is finalized.

(vii) Legal expense/ interest etc. on contingent liabilities:

- Amount indicated as contingent liabilities/ claims against the company reflects basic values. Legal expenses, interest and other costs are *not* considered being indeterminable as will be booked as and when incurred.

(viii) Non-Compliance of certain provisions of Companies Act:

- The Company has not appointed Independent Directors as required under the provisions of Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and hence, no meeting of the Independent Directors could be held during the Audit Period.
- Since the Company has not appointed Independent Directors, the Company has not complied with the provisions of Section 177(2) and Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 as regards the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board.
- The above non-compliance was also reported by us in our previous audit report dated 28th December, 2023 to the standalone financial statements for financial year 2022-2023.



(ix) **Event Occurred after Balance Sheet Date:**

- A court order was passed on 4th Nov 2024 against the company in a case N. S Associates Private Limited Vs Hotel Corporation of India (shown as Contingent liability), for which the liability was determined and therefore, a total provision for Rs. 19.8 million upto 05.08.2024 [award amount (Rs. 8.84 million) + interest amount @ 12% per annum from 01.10.2014 to 05.08.2024 (Rs. 10.42 million) + cost (Rs. 0.5 million)] was made in the books of accounts.
- Funding: Ministry of Civil Aviation via its order no. AV.17046/60/2023-AI dated 15th July 2024 had advanced an amount of Rs. 571.4 million from contingency fund of India to AIAHL for onward investment to its subsidiary HCI towards payment of statutory dues & overdue vendor payments and wages arrears to employee (retired/ Serving).

(x) **Some Inconsistencies in Accounting Records:**

- During our review of the accounting records, we noted some discrepancies, incomplete entries, and areas requiring reconciliations/clarifications. These include instances of incorrect accounting entries, unclear documentation, and transactions recorded in incorrect periods. Some entries appear to be misallocated, and certain supporting documentation is missing, which could affect the accuracy and transparency of the financial records. GST return data was maintained manually and the same is not reconciled with the Books of Accounts. The company is in the process of Reconciliation and filing of the GST Annual returns. The misalignment of entries across periods presents challenges to maintaining the consistency of the financial statements. Addressing these matters, would resolve ambiguities which are important to ensure the reliability of our financial reporting. We recommend timely attention to these matters to enhance the integrity of the accounting records.

(xi) **Internal Control System:**

Note No. 33 to the Consolidated Ind AS financial statements regarding:

- Strengthening the internal audit process so as to ensure adequate coverage of all the areas and ensure effective internal controls at all units of the Company.
- Laying down Standard Operating Procedures with regard to operational control and real-time accounting of all transactions to ensure that proper books of accounts are maintained.
- The above non-compliance was also reported by us in our previous audit report dated 28th December, 2023 to the standalone financial statements for financial year 2022-2023.

(xii) **Fair value of the financial assets and financial liabilities:**

- Fair value of the financial assets and financial liabilities is arrived based upon best information available or provided by the management. We have relied upon the management information for fair valuation in the absence of other required information.

(xiii) **Going Concern:**

- Note No. 44 to the Consolidated Ind AS financial statements regarding the Company has incurred a net loss of Rs. 638.86 million during the year ended March 31, 2024 and, as of that date, the Company's current liabilities exceeds its total assets by Rs. 670.63 million and it has accumulated losses of Rs. 8,839.09 million which has resulted in complete erosion of the net worth of the company. However, based on the assessment conducted by the Management and other factors mentioned in the aforementioned note, these financial statements have been prepared on a going concern basis and no adjustment has been made to the carrying value of the assets and liabilities of the Company as at the reporting date.

E) In respect of AI Airport Services Limited (Formerly known as Air India Air Transport Services Limited) (Subsidiary)- Vide their Auditor's Report dated 03rd January, 2025.

- (i) Note 33 to the consolidated Ind AS financial statements regarding M/s Uniq Data Solutions Private Limited (UDSPL), implementer of ERP accounting software (Odoo) has unilaterally suspended the ERP accounting software on 15th June, 2024 against which Company has filed the suit against M/s UDSPL (matter is under sub judice). Due to unavailability of ERP accounting software, Company has prepared its financials from the accounting data extracted from the said ERP on June 8, 2024 after passing closing entries.
- (ii) The Company has inventories consisting of stores and spares gross amounting to Rs. 22.50 million (Provision of Rs. 2.94 million has been made for obsolescence of such inventories). These inventories were transferred from Air India Limited and AI Engineering Services Limited, which are not used for more than three years. We have relied on the management contention that such inventories have value in use and is at-least equal to the carrying value in the books based on the confirmation received from the user (technical) department of the Company.
- (iii) Note 31 to the consolidated Ind AS financial statements regarding amounts receivable and payable to various parties are subject to confirmation and reconciliation.
- (iv) The Company has corrected prior period errors by restating the affected financial statements line items for the prior year.



Our report is not modified in respect of matters stated above.

4. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the Key Audit matters to be communicated in this report based on Key Audit matters reported in Audit Report issued by us of Holding Company and reported in Audit Reports issued/ communicated to us by respective auditors of the Subsidiaries, reproduced by us, except for the matters eliminated on consolidation or not considered material at Group level.

S. No.	Key Audit Matters	How Our Audit addressed the key audit matters
1	<p>In respect of Holding Company,</p> <p>Transactions relating to disinvestment of Air India Limited (refer note no. 3 to the consolidated Ind AS financial statements)</p> <p>We consider this matter to be of most significance in our audit due to the materiality of the balances in the standalone Ind AS financial statements: -</p>	<p>In terms of decision of Government of India for financial assistance to the then AIL for the disinvestment, the company had transferred Rs.8,31,949.58 million during the year 2021-22 (excluding Grant of Rs.1,46,296.70 million), against this assets/liabilities/monetization proceeds for Rs.1,51,908.26 million were transferred by the then AIL till 31st March 2024. The company has accounted for the funds transferred to the then AIL over and above the assets/liabilities amounting to Rs.6,80,041.32 million as separate line item under "Equity & Liabilities" as on 31st March 2024. Further, AIL has not provided the details of above balance amount and detail of current assets equal to current liabilities retained by AIL in their books.</p> <p>We have relied on the records relating to approvals by the Government of India through the various letters referred in the notes and restated framework agreement for the disinvestment of the then AIL and its subsidiaries. These assets and liabilities of the then AIL transferred to the company shall be monetized for the utilization of repayment of debts paid by the company to the then AIL. Further, it was also explained to us that the purpose for which the company was created as SPV is for the said matter, hence we have relied on the same. Further the current assets equal to current liabilities retained by the AIL for which details were not provided, however, we have relied on the self-certified documents provided by AIL.</p> <p>We have relied on the information/ documents provided by the management as received from AIL. We have not been provided with any Utilization certificate of funds utilized by AIL during previous years for the purpose these were intended to by either statutory auditors of AIL or from any independent agency.</p>
2.	<p>Independent Director under Companies Act, 2013 (refer Note no. 39.a to the consolidated Ind AS financial statements)</p> <p>We consider this matter to be of most significance in our audit due to the non-compliance of the statutory requirements under the provisions of the Companies Act, 2013 -</p> <p>Appointment of independent directors as the company's NCDs are listed on Bombay Stock Exchange.</p>	<p>In terms of section 149 of the Companies Act, 2013, read with Companies (Appointment and Qualification of Directors) Rules, 2014, the Company is required to appoint at least two independent directors on their Board of Directors. The Company does not have any independent director since the date of its listing of NCDs on stock exchange.</p>



3	<p>Utilization of Grants (refer Note 4.2 to the consolidated Ind AS financial statements)</p> <p>We consider this matter to be of most significance in our audit due to the materiality of the balances in the Standalone Ind AS financial statements -</p> <table border="1"> <tr> <td data-bbox="304 274 812 957"> <p>1. Grant in aid received from Govt. of India of Rs.6,500 million towards servicing of interest for the two NCDs series of Rs.1,49,850 million issued by the company.</p> </td><td data-bbox="812 274 1397 957"> <p>Our procedures of utilization of Government Grants include obtaining and understanding of the process involving the utilization of the Government Grants.</p> <p>Note no. 1.A of the notes to standalone Ind AS financial statements of the company describe the purpose of formation of the company as "SPV" for transfer of identified debts of AIL to "SPV" duly approved by the Government of India and Board of Directors of both the companies.</p> <p>The grant received from Government is being accounted as "other income" to the extent of the equivalent amount expensed off during the year. The company has received Rs.6,500 million as Budgetary support / grant from the Government during the year which is fully utilized hence, accounted as "other income".</p> <p>We reviewed the relevant sanction letters embodying the purpose and utilization thereof of such grants in terms of rules framed under GFR.</p> </td></tr> <tr> <td data-bbox="304 957 812 1367"> <p>2. Grant in aid received from Government of India of Rs.510 million for medical expenses and utilized for the purpose for which it is received.</p> </td><td data-bbox="812 957 1397 1367"> <p>Our procedures of utilization of Government Grants include obtaining and understanding of the process involving the utilization of the Government Grants.</p> <p>In line of the medical scheme for retired and retiring employees of the then AIL, Government of India released grant of Rs. 510 million to be utilized for the purpose of medical expenses of such retired and retiring employees.</p> <p>We reviewed the relevant sanction letters embodying the purpose and utilization thereof of such grants in terms of rules made under GFR.</p> </td></tr> </table>	<p>1. Grant in aid received from Govt. of India of Rs.6,500 million towards servicing of interest for the two NCDs series of Rs.1,49,850 million issued by the company.</p>	<p>Our procedures of utilization of Government Grants include obtaining and understanding of the process involving the utilization of the Government Grants.</p> <p>Note no. 1.A of the notes to standalone Ind AS financial statements of the company describe the purpose of formation of the company as "SPV" for transfer of identified debts of AIL to "SPV" duly approved by the Government of India and Board of Directors of both the companies.</p> <p>The grant received from Government is being accounted as "other income" to the extent of the equivalent amount expensed off during the year. The company has received Rs.6,500 million as Budgetary support / grant from the Government during the year which is fully utilized hence, accounted as "other income".</p> <p>We reviewed the relevant sanction letters embodying the purpose and utilization thereof of such grants in terms of rules framed under GFR.</p>	<p>2. Grant in aid received from Government of India of Rs.510 million for medical expenses and utilized for the purpose for which it is received.</p>	<p>Our procedures of utilization of Government Grants include obtaining and understanding of the process involving the utilization of the Government Grants.</p> <p>In line of the medical scheme for retired and retiring employees of the then AIL, Government of India released grant of Rs. 510 million to be utilized for the purpose of medical expenses of such retired and retiring employees.</p> <p>We reviewed the relevant sanction letters embodying the purpose and utilization thereof of such grants in terms of rules made under GFR.</p>
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4	<p>We consider this matter to be of most significance in our audit due to the materiality of the non-availability of Tripartite Share Purchase Agreement (SPA) -</p> <table border="1"> <tr> <td data-bbox="304 1468 812 2008"> <p><i>Sub para 3 of para 3 "Undertaking" of Restated Framework Agreement dated 05.01.2022 executed between AIL and the Company stipulates that "notwithstanding anything to the contrary contained in this agreement, in case of any inconsistency between the provision of this agreement (or any agreement executed pursuant to this agreement) and the provisions of the SPA, the provisions in the SPA shall override and prevail over such inconsistent provisions as contained in this agreement) or any agreements executed pursuant to this agreement)</i></p> </td><td data-bbox="812 1468 1397 2008"> <p>Copy of SPA has not been provided to us, hence we have relied on the restated framework agreement signed between the company and the then AIL for all the transactions made between AIL and the Company.</p> </td></tr> </table>	<p><i>Sub para 3 of para 3 "Undertaking" of Restated Framework Agreement dated 05.01.2022 executed between AIL and the Company stipulates that "notwithstanding anything to the contrary contained in this agreement, in case of any inconsistency between the provision of this agreement (or any agreement executed pursuant to this agreement) and the provisions of the SPA, the provisions in the SPA shall override and prevail over such inconsistent provisions as contained in this agreement) or any agreements executed pursuant to this agreement)</i></p>	<p>Copy of SPA has not been provided to us, hence we have relied on the restated framework agreement signed between the company and the then AIL for all the transactions made between AIL and the Company.</p>		
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	In respect of Subsidiary Company: Hotel Corporation of India Limited	
5.	Going Concern	
	<p>The company is in loss, net worth is fully eroded, going concern needs to be examined.</p>	<p>As per the management projection and clarification, management are of the view that though the company is in a loss but continuous support from Government of India will ensure the company runs its business as going concern. Also, the Company has signed Master Service Agreements with Air India which is valid up to 31.03.2025 and a new customer has been on-boarded i.e. Spicejet Limited with Catering Agreement up to 01.05.2025 which ensures that company will be able to run its business as going concern in near future.</p> <p>(Refer note no. 44 to the consolidated Ind AS financial statements).</p> <p>The Company is also tapping Online Travel Agents, Walk-in Customers, Event Booking, Corporates for increasing the business. The Company is also planning of introducing additional capex for operationally essential matters, obtaining ISO Certification in order to upgrade the present properties.</p> <p>Refurbishment of existing 30 Guest Rooms at Centaur Hotel Delhi are in process to increase the occupancy level.</p> <p>The Company does not have any loan from financial institutions and none of the creditors have applied for insolvency against the Company. Based upon the above facts and data, we have performed our audit procedure and make opinion accordingly.</p>
6.	<p>Contingent Liabilities: (refer Note 23.i to the consolidated Ind AS financial statements)</p> <p>There are various litigations pending before various forums against the Company and management's judgement is required for estimating the amount to be disclosed as contingent liability.</p> <p>We identified this as a key audit matter because the estimates on which these amounts are based involve a significant degree of management judgement in interpreting the cases and it may be subject to management bias.</p>	<p>We have obtained an understanding of the Company's internal instructions and procedures in respect of estimation and disclosure of contingent liabilities and adopted the following audit procedures:</p> <ul style="list-style-type: none"> - understood and tested the design and operating effectiveness of controls as established by the management for obtaining relevant information for pending litigation cases; - discussing with management any material developments and latest status of legal matters - read various correspondences and related documents pertaining to litigation cases produced by the management and relevant external legal opinions obtained by the management and performed substantive procedures on calculations supporting the disclosure of contingent liabilities; - examining management's judgements and assessments whether provisions are required; - considering the management assessments of those matters that are not disclosed as the probability of material outflow is considered to be remote - reviewing the adequacy and completeness of disclosures

		Based on the above procedures performed, the estimation and disclosures of contingent liabilities are considered to be adequate and reasonable
7.	Uncertain Taxation Matters The Company has material uncertain tax matters under dispute which involves significant judgement to determine the possible outcome of these disputes.	We assessed the management's underlying assumptions in estimating the tax provision and the possible outcome of the disputes. We also considered legal precedence and other rulings, including in the Company's own case, in evaluating management's position on these uncertain tax positions.
8.	Other Matter – Goods and Service Tax	In certain units, the Company has received advances from its customers, on which GST has not deposited as per provisions of Goods and Services Tax Act/Rules, the amount whereof is not ascertainable and quantifiable in absence of appropriate records. Further Company has availed GST Input (ITC) on the invoices of the Creditors/ Vendors but the same has not been surrendered back in case wherein payment has not been made within stipulated timelines under the GST. The amount whereof is not ascertainable and quantifiable in absence of appropriate records. In both the above cases, GST liability has not been provided which will impact on the results of Standalone Financial Statements, but the amount thereof is not ascertainable/ determinable in absence of appropriate records.
In respect of Subsidiary Company:		
AI Engineering Services Limited		
9.	AIESL has been using two software for maintaining accounts RAMCO for Billing, material movement, inventory and Financial accounts are maintained on SAP which is not interlinked. Both software operate on independent data whereas RAMCO is Prime DATA which maintains Aircraft Inventory and Non-Aircraft inventory is maintained in SAP only. RAMCO data is pulled in SAP by automatic process for accounting entries and there is no process of reconciliation of data .Inventory valuation for balance sheet has been taken at a value from SAP Software and there is difference of Rs. 91.56 million in year 2023-24 without opening balance in both the software which cannot be verified. Automatic data entry's control of SAP GRIR & Supplier suspense reconciliation is also not done by the company. Inventory as per SAP on year end Mar'24 is Rs. 683.96 million where there is provision of Rs. 500.00 million unverifiable inventory continuing from Last year. In some cases quantity detail as per RAMCO software is negative whereas for valuation quantity shows positive value .In the absence of any cross/Physical verification of inventory	



	<p>and non-reconciliation data of RAMCO & SAP Inventory Value reports cannot be trusted. In the absence of reconciliation of the value, we are unable to comment for the impact of above on the profit, asset and liabilities figure of the company as some balances are negative since opening. Since long material and services received but invoices not booked especially import related and even advances to vendor including old debit balances in vendor. Invoices booked in many cases after more than one year of material or services received, due to not receiving invoices from Boeing/ MMD department. Account statement/confirmation is not available from import vendors. There is no control system of timely submission and follow-up of Import invoices and account statement.</p>	
10.	<p>Fixed Assets capitalization is not done on date of acquisition or date of usage as in most of the cases assets are capitalized at year end and depreciation is charged for full year in case of addition to fixed assets. Company does not have a proper system of capitalization value of assets, as in certain cases on test check value of incidental expenses at the time of purchase of assets are not accounted properly and in one case fixed asset capitalized on purchase order due to mismatch in invoice value. Physical verification of assets has surplus and unidentified items out of which Rs. 45.92 million has been capitalized with adjustment to inventory. We are unable to verify since some assets are quite old which may have depreciated by now and action for unidentified items is pending.</p>	
11.	<p>MSME vendors payment and interest applicability is maintained on manual basis whereas SAP has full system of identification which is not operative hence we are unable to verify the MSME payment and interest.</p>	
12.	<p>Company has worked out ageing manually from SAP generated report; there are numerous debit and credit entries in same customer account. As there is no proper system of accounts confirmation from Customers, we are unable to verify ageing reports.</p>	

13.	Unbilled revenue is identified on annual basis out of current year billing which is debited in two ways, one by debit to Customer account directly and other to Outstanding recoveries. Unbilled revenue is debited to customer account directly where same should be accounted for in a separate head and on quarterly basis as against existing practice of annual for better control. During the year with our audit observation of supplier suspense loan order IAF SESF (Rs. 538.38 million) not accounted by company properly out of Rs. 1,956.06 million Unbilled revenue was booked out of which Rs. 149.22 million relates to previous year. This system error needs to be strengthening in RAMCO/SAP which missed its billing.	
15.	Customer and Vendor accounts have debit and credit balances in separate ledgers wherein balance sheet net balance is shown as recoverable or payable. In the absence of reconciliation of parties we are unable to verify and comment on its realizability and payment due.	

5. Other matters

- (i) We did not audit the financial statements/ financial information of four subsidiaries included in the Consolidated Ind – AS Financial Statements, whose financial statements reflects the total assets (classified under Asset included in disposal group held for sale) as at 31st March, 2024, total revenue and net cash inflow/ (outflow) for the period ended on that date as considered in the consolidated financial statements.

(Rs. in million)

Name of the Subsidiary	Total Assets	Net Assets	Total Revenues	Net Cash Inflows/ (Outflow)
Alliance Air Aviation Ltd (AAAL)	29,345.63	(36,838.81)	9,625.53	78.33
AI Engineering Services Limited (AIESL)	26,759.46	(5,393.71)	21,803.53	1,815.43
Hotel Corporation of India (HCI)	801.65	(7,463.08)	632.17	51.51
AI Airport Services Ltd (AIASL)	11,396.06	4,601.64	8,759.78	(448.62)

- (ii) These financial statements have been audited by other auditors whose reports have been furnished to us by the Holding Company's Management and our opinion on the Consolidated Ind – AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report on the Consolidated Ind - AS Financial Statements in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors and the procedures performed by us are as stated in Auditor's Responsibility section above, after considering the requirement of Standards on Auditing (SA 600) on 'Using the work of Another Auditor including materiality.

Our opinion on the Consolidated Ind – AS financial statements is not modified in respect of the above matters.



6. Information other than the Consolidated Ind – AS Financial Statements and auditors' report thereon

The Holding Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's information, but does not include the consolidated financial statements and our auditor's report thereon. These reports are expected to be made available to us after the date of this Auditor's Report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

When we read the reports containing the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions necessitated by the circumstances and the applicable laws and regulations.

7. Management responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's management and Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these Consolidated Ind AS Financial Statements that give a true and fair view of the Consolidated financial position, consolidated financial performance, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended. The respective Board of Directors of the Companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Ind – AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purposes of presentation of the Consolidated Ind – AS Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Ind – AS Financial Statements, the Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

8. Auditor's Responsibilities for the Audit of the Consolidated Ind – AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Ind – AS Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting



from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Holding Company and its subsidiaries have adequate internal financial controls with reference to the Consolidated Ind – AS Financial Statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Ind – AS Financial Statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Ind – AS Financial Statements. We are responsible for the direction, supervision and performance of the audit of the Consolidated Ind – AS Financial Statements of such entities included in the Consolidated Ind – AS Financial Statements of which we are the independent auditors. For the other entities included in the Consolidated Ind – AS Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

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

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

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

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

9. Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of the subsidiary companies, as noted in the "Other Matter" paragraph, we give in the **Annexure – A**, a statement on the matters specified in paragraph 3(xxi) of the Order.
2. As required by Section 143 (3) of the Act, based on our audit and on the consideration of the report of the other auditors on separate financial statements and other financial information of subsidiaries as noted in the "Other Matters" paragraph we report, to the extent applicable, that:



- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the Consolidated Ind – AS Financial Statements read with matters as reported in "Emphasis of Matter" and "Key Audit Matters" paragraph above.
 - b) Except, for the possible effects of the matters described in the basis of qualified opinion section above, in our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Ind – AS Financial Statements have been kept so far as appears from our examination of those books and reports of other auditors.
 - c) The consolidated Balance Sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of change in equity and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Ind – AS Financial Statements.
 - d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India.
 - e) In view of exemption given vide notification no. GSR 463(E) dt. 5th June 2015, issued by the Ministry of Corporate Affairs, Government of India, provision of section 164(2) of the Companies Act, 2013, regarding disqualification of Directors, are not applicable to Holding Company and its subsidiaries.
 - f) With respect to the adequacy of the internal financial controls of the Holding Company and its subsidiaries and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B' which is based on the Auditor's Reports of the Holding Company and its Subsidiary Companies.
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, we report that, in terms of Ministry of Corporate Affairs, Government of India, notification no. G.S.R. 463 (E) dated 5th June 2015 provisions of section 197 of the act are not applicable to the Group.
 - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements and the other financial information of subsidiaries, as referred in the "Other Matters" paragraph:
- i. The Consolidated Ind – AS Financial Statements disclose the impact of pending litigations as at 31st March, 2024 on the consolidated financial position of the Group in the note number 23 of the Consolidated Ind AS Financial Statements.
 - ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its Subsidiary Companies.
 - iv. (a) The respective managements of the Holding Company and its subsidiary companies have represented to us, that to the best of their knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the holding company or its subsidiary company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company and its subsidiary companies ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
(b) The respective managements of the Holding Company, its subsidiary companies have represented to us that, to the best of it's knowledge and belief, no funds have been received by the holding company or its subsidiary companies from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or its subsidiary companies shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and



(c) Based on such audit procedures that have been considered reasonable and appropriate in the circumstances and based on audit report of other auditors, nothing has come to our or other auditor's notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material mis-statement.

- v. No dividend have been declared or paid during the year by the Holding Company or its subsidiaries.
- vi. Based on our examination, which included test checks, the holding company has used an accounting software for maintaining its books of account for the financial year ended March 31, 2024 which has a feature of recording audit trail (edit log) facility. However, in the absence of Service Organisation Controls Report, we are unable to comment on whether audit trail feature of the said software was enabled and operated throughout the period for all relevant transactions recorded in the software or whether there were any instances of the audit trail feature being tampered with.
- As per the proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 applicable from April 1, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended March 31, 2024.
- Further, in respect of the subsidiary companies, the status of audit trail feature in the accounting software is as follows:

a. In respect of Alliance Air Aviation Limited

The company uses software called Laminaar (MMD Software) in which data is extracted and uploaded in the SAP Accounting software for recording the consumption in books of accounts. The same is being done manually and that there is no direct interface between these two software's. Hence the audit trail is limited to the extent the data is uploaded in SAP Software.

b. In respect of AI Engineering Services Limited

The Company has SAP for maintenance of accounts and RAMCO for billing, material management and Inventory. Material movement data is not maintained properly in RAMCO Software which has chances of leakage/pilferage of records and basic reports of software are also not correct and not readily available on real time basis. Company has to take all reports from consultant and there is no in-house system to take & cross checks reports. Integration of data of both software also needs review. Most of the entries passed do not contain supporting attached with it. The system needs to be strengthened regarding the same.

Company has passed lot of duplicate/rectification entries and significant numbers of entries are posted on 31st March 2024 in back date during the audit period.

c. In respect of Hotel Corporation of India Limited

Based on the examination which included test checks, the Company has used an accounting software (Tally Prime) for maintaining its books of account which has a feature of recording audit trail (edit log) facility except that audit trail was not enabled at the database level to log any direct changes for the accounting software used for maintaining the books of account. For accounting software for which audit trail feature is enabled, the audit trail facility has been operating throughout the year for all relevant transactions recorded in the software and we did not come across any instance of audit trail feature being tampered with during the course of our audit.


d. In respect of AI Airport Services Limited

Based on the examination, the company, w.e.f April 1, 2023, has used an accounting ERP software "Odoo" developed by Ms. Uniq data Solutions Private Limited (who was also responsible for handling the back-end IT support for the said ERP software), for maintaining its books of account. As represented to us by the management, audit trail feature of the said software was enabled and operated throughout the year, however due to the fact that the said ERP software was suspended as disclosed in Note no. 33 of the financial statements and in absence of audit trail control report we are unable to verify and comment whether audit trail feature of the said software was enabled and operated throughout the year for all relevant transactions recorded in the software or whether there were any instances of the audit trail feature been tampered with.



As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended March 31, 2024.

For Kumar Mittal & Co.
Chartered Accountants
ICAI Firm Registration No. 010500N


(Rohtash Mohan)
Partner
M. No. 094292
UDIN: 25094292 BMK TGV 2704



Place: New Delhi
Date : 27.06.2025

ANNEXURE – A TO THE INDEPENDENT AUDITOR'S REPORT


Referred to in Paragraph 9.1. under the heading "Report on Other Legal and Regulatory Requirements" of our Independent Auditor's 'Report of even date to the members of AI Assets Holding Limited (formerly Air India Assets Holding Limited) on the Consolidated Ind – AS Financial Statements for the year ended 31st March, 2024

With respect to the matters specified in paragraph 3 (xxi) of the Companies (Auditors Report) Order, 2022 (the "order/CARO") we state that:

Qualifications or adverse remarks in the Companies (Auditors Report) Order (CARO) reports of the Holding and four subsidiaries are hereunder included in the Consolidated Ind – AS Financial Statements who have been subject to audit are:

Sr. No.	Name	CIN	Holding company/ subsidiary company	Clause number of the CARO report which is qualified or is adverse
1.	AI Assets Holding Limited	U74999DL2018GO1328865	Holding Company	(i) (a) (A) (i) (b) (i) (c) (iii) (b) (iii) (c) (iv) (xiv) (a) (xx)
2.	Alliance Air Aviation Limited	U51101DL1983GOI016518	Subsidiary Company	(ii) (b) (vii) (a) (vii) (b) (ix) (a) (xi) (a) (xi) (c) (xiv) (a)
3.	AI Airport Services Limited	U63090DL2003PLC120790	Subsidiary Company	(i) (b) (vii) (a) (vii) (b)
4.	AI Engineering Services Limited	U74210DL2004GOI125114	Subsidiary Company	(i) (a) (i) (i) (c) (ii) (a) (vii) (a) (vii) (b) (viii) (xiv) (a) (xiv) (b)
5.	Hotel Corporation of India Limited	U55101DL1971GOI394499	Subsidiary Company	(i) (a) (A) (i) (b) (i) (c) (ii) (a) (vii) (a) (vii) (b) (xiii) (xiv) (b)

For Kumar Mittal & Co.
Chartered Accountants
ICAI Firm Registration No. 010500N


(Rohtash Mohan)
Partner

M. No. 094292

UDIN: 25094292 BMKTGV2704

Place: New Delhi
Date : 27.06.2025



ANNEXURE – B TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Paragraph 9. 2(f) under the Heading "Report on Other equal and regulatory requirements" of our Independent Auditor's Report of even date to the members of AI Assets Holding Limited (formerly Air India Assets Holding Limited) on the Consolidated Financial Statements for the year ended 31st March, 2024.

Report on the Internal Financial Controls with reference to the Consolidated Ind – AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of AI Assets Holding Limited (formerly Air India Assets Holding Limited) ("the Holding Company") and its subsidiaries as of 31st March, 2024 in conjunction with our audit of the Consolidated Ind AS financial statements of the Company for the year ended on that date.

1. Management's Responsibility for Internal Financial Controls

The respective management of the Holding Company and its subsidiary Companies are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

2. Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company and its subsidiary companies based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Consolidated Ind – AS Financial Statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor's in terms of the reports referred to in the "Other Matter" paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system with reference to Consolidated Ind – AS Financial Statements of the Holding Company and its subsidiary companies.

3. Meaning of Internal Financial Controls Over Financial Reporting with reference to Consolidated Ind – AS Financial Statements

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

that



1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of Consolidated Ind – AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

4. Inherent Limitations of Internal Financial Controls with reference to Consolidated Ind – AS Financial Statements

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

A) In respect AI Engineering Services Limited (Formerly known as Air India Engineering Services Limited) (Subsidiary) – Vide their Auditor's Report dated 26th March 2025 has identified the following weaknesses:

According to the information and explanation given to us and based on our audit, the following weaknesses have been identified as at 31st March, 2024.

- i) The Company did not have an effective system for timely accounting of entries, to prevent duplicate / rectification accounting entries. Accounting books in SAP are not freeze as some entries are passed even after the signing of Balance sheet. Internal control for freeze of one year financial statement and passing of the entry rights are with one person which needs check to control by senior position person.
- ii) There should be maker checker process to have better control process. One single entry of Rs. 5,992.71 million (SAP Document No 8103013661) passed and then corrected by reversal which should have been check by the approval authority .There are lot of repetitive corrective entries which should be avoided.
- (iii) In SAP most of the entries and entries pertaining to expenses borne by other group companies and then reimbursed by the Company had no supporting's to check the validity of entry.
- (iv) The Company did not have effective system of reconciliation of balance with other parties.
- (v) The Company has internal audit conducted by chartered accountant firm wherein scope of audit work is not exhaustive as per size and volume business done by company. Compliance of internal audit report is still pending and hence we are unable to comment on any consequential effect in the books of accounts of company. We suggest that internal audit reports along with compliance may be placed before Audit Committee of Board at regular interval.

5. Material Weakness

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.



6.

Qualified Opinion

A. In respect of Hotel Corporation of India (Subsidiary)- vide their Auditor's Report Dated 28th February, 2025 has expressed qualified opinion

According to the information and explanation given to us, the Company has undergone review of internal financial Controls over financial reporting. Based on the report received the company has adequate scope for improvement to strengthen its internal control on criteria based on or considering the essential components of internal control stated in the Guidance Note on the Audit of Internal financial controls over financial Reporting issued by the Institute of Chartered Accountants of India. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether such internal financial controls over financial reporting and whether such internal financial controls were fully operating effectively as at March 31, 2024.

Material Weaknesses

Accordance to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at 31st March, 2024 with regards to :-

Non-compliance of MSMED Act in respect of Interest provision; Non-confirmation/reconciliation/ assessment of Debit/ Credit balances of Long outstanding ; Books of Accounts of past financial year are not freeze/locked; Manual maintenance of Inventory records and valuation thereof; Non reconciliation of TDS; Non maintenance of proper records of PPE at certain units in respect of tagging of assets and non-reconciliation between physical reports and Books of Account quantity wise; Non-recruitment of employees and rotation of duties; No direct integration of inventory software (eg. champagne) and revenue billing (Portal) Software with that of the accounting software "Tally ERP".

B. In respect of AI Airport Services Limited (Subsidiary)- vide their Auditor's Report Dated 03rd January, 2025 has expressed qualified opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2024:

- (a) Deficiencies in the design of internal control over the preparation of the financial statements being audited:
- (i) Detailed documented Standard Operating Procedures as required by the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by ICAI for critical processes are not in place.
 - (ii) Authorization controls such as maker/checker controls in accounting and billing software needs further strengthening.
 - (iii) Optimum utilization of information technology (IT) general and application controls needs to be strengthened to provide complete information consistent with financial reporting objectives and current needs.
 - (iv) Payroll is a significant process considering the size of Company's Operations. However, it has been observed that various processes such as attendance, leave records, details of new joiners and resigned employees, payment of statutory dues, etc. are not fully automated and maintained manually.
- (b) The controls for reconciliation of physical inventory and property, plant & equipment with the books of account can be further strengthened.
- (c) Timely reconciliations of certain significant accounts such as accounts receivables, accounts payables, statutory dues with returns and payroll balances are not done in an accurate manner.
- (d) Wise Cargo software to account cargo handling and APEDA (Agricultural and Processed Food Products Export Development Authority) and ERP Accounting Software are not integrated.
- (e) MBS software to raise invoices for IATA and ERP Accounting Software are not integrated.
- (f) No scrap register is maintained w.r.t property, plant and equipment (Ramp Equipment's & Others)



- (g) Records of procurement of material by MMD are not fully automated and maintained manually.
- (h) Records of Ramp Assistance Form (RA Forms) issued are not fully automated and maintained manually.
- (i) Due to suspension of ERP Accounting Software, the depreciation is calculated in excel.
- (j) Non restoration of the suspended ERP accounting software led to IT controls not being tested.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

C. In respect of Alliance Air Aviation Limited (Subsidiary)- vide their Auditor's Report Dated 16th January, 2025 has expressed qualified opinion

According to the information and explanations given to us and based on our audit carried out on test check basis, we are of the opinion that the Company has failed to establish proper internal controls over financial reporting on criteria based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. Consequently, a material weakness has been identified which indicates a deficiency in the overall effectiveness of the internal financial controls implemented by the Company during the year:

- a) The audit of internal financial controls over financial reporting and review of the whistleblowers complaint have identified material weaknesses in the Company's procure-to-pay and HR processes. A whistleblower complaint revealed that a fraudulent payment was made to an SAP vendor based on forged documents, as confirmed by the internal auditor's verification report dated 11.07.2024. The internal committee formed by Company to investigate the matter has submitted its report to CEO and the vigilance department. Also, higher remuneration amounting to ₹ 0.21 Million was paid to the CFO for three months (January to March 2024) without Board approval, with the excess amount recorded as recoverable, pending investigation by the vigilance department. Furthermore, the complaint also revealed that contracts were awarded by the CFO to certain parties on a nomination basis, deviating from Central Vigilance Commission guidelines. These issues highlight significant control deficiencies in the Company's procurement and remuneration processes.
- b) The audit of the Company's internal financial controls over financial reporting identified material weaknesses in inventory management processes, including the lack of integration between the LAMINAAR inventory system and the SAP accounting system, which necessitates manual data uploads, increasing the risk of errors. A technical glitch in LAMINAAR caused incomplete recording of inventory transactions in the prior year, with corrections made in the current year without comprehensive reconciliation. Additionally, the transition from the previous RAMCO system to LAMINAAR in FY 2022-23 was inadequately monitored, with delays in physical verification and reconciliation of inventory. Further, significant inventory shortages amounting to ₹46.99 million from prior periods and an additional ₹170.07 million recorded in FY 2023-24 remain unexplained, with the investigation into their root causes still pending. These weaknesses reflect deficiencies in the Company's controls over inventory accuracy and reconciliation processes.

The Company's internal financial control with regard to the whistleblower complaint and inventories as fully explained in the 'Basis for qualified opinion' of our main report, were not operating effectively, which could result in the Company not providing for adjustments, if any, that may be required to be made and its consequential impact on the financial statements.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.



In our opinion and based on the audit reports of the competent auditors made available to us on which we had placed reliance, the Holding Company, its subsidiary companies, except for the effects/possible effects of the material weaknesses/ qualification described above on the achievement of the objectives of the control criteria, qualified opinion in respect of subsidiary company, Hotel Corporation of India Limited, AI Airport Services Limited, Alliance Air Aviation Limited and weakness in respect of subsidiary company, AI Engineering Services Limited, have maintained, in all material respects, an adequate internal financial controls with reference to Consolidated Ind – AS Financial Statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2024, based on the internal controls with reference to financial statements criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India, except as follows in case of Holding company:

- The company does not have documented policies and procedures in place for certain processes and documentation.
- The company does not have a formalized Delegation of Authority Matrix for certain transactions.
- Testing of Internal Financial Controls over Financial Reporting has not been carried out by any independent external expert after the financial year 2021-22.

We have, to the extent possible, considered the material weaknesses identified and qualifications as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the Consolidated Ind – AS Financial Statements as at and for the year ended 31st March 2024 of the material weakness identified and qualifications as reported by the respective Auditors of subsidiaries, and these material weaknesses and qualifications have affected our opinion on the Consolidated financial statements and we have issued a qualified opinion on the Consolidated Ind - AS Financial Statements.

7. Other Matter

Our aforesaid reports under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to Consolidated Ind – AS Financial Statements in so far it relates to four subsidiaries is based on the corresponding reports of the auditors of respective subsidiaries and we have relied on the same.

For Kumar Mittal & Co.
Chartered Accountants
ICAI Firm Registration No. 010500N


(Rohtash Mohan)

Partner

M. No. 094292



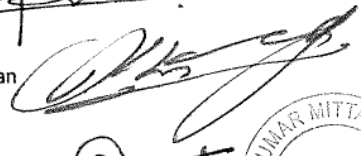



UDIN: 25094292BMKTGV2704

Place: New Delhi

Date : 27.06.2025



Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results - (Consolidated)

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2024				
(in millions)				
I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1	Turnover / Total income	9,089.21	
	2	Total Expenditure	13,205.73	
	3	Net Profit/(Loss)(Including Net Profit from entities included in disposal group- "help for sale")	900.80	
	4	Earnings Per Share	0.01	
	5	Total Assets	1,61,001.07	
	6	Total Liabilities	1,61,001.07	
	7	Net Worth	(49,286.48)	
	8	Any other financial item(s) (as felt appropriate by the management)	-	
II.	<p>Audit Qualification (each audit qualification separately):</p> <p>a. Details of Audit Qualification: As per Audit Report dated 27th Jun 2025</p> <p>b. Type of Audit Qualification : Qualified Opinion</p> <p>c. Frequency of qualification: repetitive</p> <p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: N.A.</p> <p>e. For Audit Qualification(s) where the impact is not quantified by the auditor:</p> <p>(i) Management's estimation on the impact of audit qualification:</p> <p>(ii) If management is unable to estimate the impact, reasons for the same: Qualifications are about accounting systems & controls- impact unascertainable</p> <p>(iii) Auditors' Comments on (i) or (ii) above: Unascertainable</p>			
III.	<p>Signatories:</p> <p>Chairman & Managing Director </p> <p>CFO </p> <p>Audit Committee Chairman </p> <p>Statutory Auditor </p> <p>Date: 27th Jun 2025 Place: New Delhi</p> <div style="text-align: right;">   </div>			