

PREFACE

This Performance Audit Report has been prepared under the provisions of Article 151 of the Constitution. The audit has been carried out in accordance with the Performance Audit Guidelines and the Regulations on Audit and Accounts, 2007 of the Comptroller and Auditor General of India.

This Report contains the results of the Performance Audit on the “Turnaround Plan (TAP) and Financial Restructuring Plan (FRP) of Air India Limited”. The Audit covered the period from 2010-11 to 2015-16. The Report is based on the scrutiny of documents pertaining to the Ministry of Civil Aviation (MoCA), Director General of Civil Aviation (DGCA), Air India Limited etc. The Report has been prepared for submission to the President of India under Article 151 of the Constitution and is in furtherance to Report No. 18 of 2011-12, which covered the Performance of Civil Aviation of India.

The Turnaround Plan and Financial Restructuring Plan of AIL was approved by Government of India in April 2012. Several of the turnaround measures were to be completed by March 2015. Government had committed to infuse equity of ₹42182 crore during the period from 2011-12 to 2031-32. It is in this context that the audit of TAP and FRP was taken up for review in audit.

The audit revealed erosion of the benefits of financial restructuring due to high volume of short term loans of AIL, shortfall in equity releases in the initial years and shortfall in monetisation of assets. AIL faced an acute shortage of narrow body aircraft, requiring expeditious leasing of additional aircraft. Operational performance of AIL relating to utilisation of aircraft, on-time-performance has to improve to achieve the targets in TAP. While AIL has achieved surplus over its variable cost and all services recovered their fuel costs, this could be attributed largely to the sharp fall in Air Turbine Fuel prices. The Company is yet to recover its total cost of operation. Improvements in human resource management and integration of IT systems are required for successful implementation of TAP. While granting bilateral rights to foreign carriers government should also take into consideration its impact on AIL.

Audit wishes to acknowledge the co-operation and assistance extended by the officers and Staff of MoCA, DGCA and AIL during the Performance Audit.

