BHARTI AIRTEL SERVICES LIMITED

IND AS Financial Statements

March 31, 2019

BHARTI AIRTEL SERVICES LIMITED

Ind AS Financial Statements – March 2019

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Independent Auditor's Report

Ind AS Financial Statements

Bharti Airtel Services Limited
Balance Sheet
(All amounts are in millions of Indian Rupee)

	Notes	As of March 31, 2019	As of March 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	6	450	350
Capital work-in-progress	6	72	68
Investment in fellow subsidiaries	7	47	47
Financial assets			
- Security deposits		5	6
Income tax assets		404	414
Deferred tax assets	8	410	461
Other non-current assets	9	123	84
		1,511	**1,430**
Current assets			
Inventories	10	414	299
Financial assets			
- Trade receivables	11	1,237	2,671
- Cash and cash equivalents	12	102	75
- Other bank balances	12	2	3
Other current assets	9	383	829
		2,138	**3,877**
Total assets		**3,649**	**5,307**
Equity and liabilities			
Equity			
Share capital	13	1	1
Other equity		(105)	(313)
		(104)	**(312)**
Non-current liabilities			
Financial liabilities			
- Borrowings	15	14	19
- Security deposit		2	731
Deferred revenue		259	642
Provisions	16	26	146
		301	**1,538**
Current liabilities			
Financial liabilities			
- Borrowings	15	1,664	1,320
- Current maturities of long-term borrowings	15	9	6
- Trade payables			
total outstanding dues of micro enterprises and small enterprises	17	0	0
total outstanding dues of creditors other than micro enterprises and small enterprises	17	926	1,030
- Others	18	332	721
Deferred revenue		244	432
Provisions	16	18	124
Current tax liabilities		181	294
Other current liabilities	19	78	154
		3,452	**4,081**
Total liabilities		**3,753**	**5,619**
Total equity and liabilities		**3,649**	**5,307**

The accompanying notes form an integral part of these financial statements.

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No: 117366W / W-100018)

Nilesh H. Lahoti
Partner
Membership No: 130054

Place : New Delhi

For and on behalf of the Board of Directors of Bharti Airtel Services Limited

Ajai Puri
Director
DIN : 06527868

Badal Bagri
Director
DIN : 00367278

Date July 15, 2019

Bharti Airtel Services Limited
Statement of changes in equity
(All amounts are in millions of Indian Rupee)

	Share capital		Other equity - Reserves and Surplus		
	No of shares (in '000)	**Amount**	**Retained earnings**	**Total**	**Total equity**
As of April 1, 2017	100	1	(1,010)	(1,010)	(1,009)
Profit for the year			688	688	688
Other comprehensive income			7	7	7
Total comprehensive income	-	-	**695**	**695**	**695**
Transaction with owners of equity					
Common control transactions	-	-	2	2	2
As of March 31, 2018	100	1	(313)	(313)	(312)
Profit for the year	-	-	200	200	200
Other comprehensive income	-	-	8	8	8
Total comprehensive income	-	-	208	208	208
As of March 31, 2019	100	1	(105)	(105)	(104)

The accompanying notes form an integral part of these financial statements.

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

Nilesh H. Lahoti
Partner
Membership No. 130054

For and on behalf of the Board of Directors of Bharti Airtel Services Limited

Ajai Puri
Director
DIN : 06527868

Badal Bagri
Director
DIN : 00367278

Place : New Delhi

Date July 15, 2019

DELOITTE HASKINS & SELLS LLP
Chartered Accountants

Bharti Airtel Services Limited
Statement of changes in equity
(All amounts are in millions of Indian Rupee)

	Notes	For the year ended March 31, 2019	March 31, 2018
Income			
Revenue from operations	21	3,749	4,877
Other income		29	98
		3,778	4,975
Expenses			
Network operating expenses		1,030	207
Cost of goods sold	22	1,695	1,344
Employee benefits expense	23	144	2,083
Sales and marketing expenses		52	43
Other expenses	24	396	673
		3,317	4,350
Profit from operating activities before depreciation and tax		461	625
Depreciation	6	156	98
Finance costs	25	31	3
Finance income	25	(44)	(72)
Profit before tax		318	596
Tax expense			
Current tax	8	72	369
Deferred tax		46	(461)
Profit for the year		200	688
Other comprehensive income			
Items not be reclassified to profit or loss:			
Re-measurement gains / (losses) on defined benefit plans		13	7
Income tax credit		(5)	0
Other comprehensive gains / (loss) for the year		8	7
Total comprehensive gains / (loss) for the year		208	695
Earnings per share (Face value of Rs.10/- each) (In Rupees)			
Basic and Diluted	26	2,000	6,880

The accompanying notes form an integral part of these financial statements.

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No: 117366W / W 100018)

For and on behalf of the Board of Directors of Bharti Airtel Services Limited

Mitesh H. Lahoti
Partner
Membership No: 130054

Ajai Puri
Director
DIN : 06527868

Badal Bagri
Director
DIN : 00367278

Place : New Delhi

Date July 15, 2019

DELOITTE HASKINS & SELLS LLP
Chartered Accountants

Bharti Airtel Services Limited
Statement of Cash Flows
(All amounts are in millions of Indian Rupee)

	For the year ended	
	March 31, 2019	**March 31, 2018**
Cash flows from operating activities		
Profit before tax	318	596
Adjustments for:		
Depreciation	156	98
Finance costs	31	3
Finance income	(44)	(72)
Other non-cash items	253	176
Operating cash flow before changes in working capital	**714**	**801**
Changes in working capital		
Trade receivables	1,255	(1,264)
Trade payables	(100)	(945)
Inventories	(44)	(192)
Provisions	(214)	(28)
Other financial and Non financial assets	383	19
Other financial and Non financial liabilities	(1,570)	374
Net cash generated from operations before tax	**424**	**(1,235)**
Income tax paid	(181)	226
Net cash generated from operationing activities (a)	**243**	**(1,009)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(555)	(43)
Investment in associates		(47)
Proceeds from sale of investment in associates		252
Interest received		72
Net cash used in investing activities (b)	**(555)**	**234**
Cash flows from financing activities		
Repayments of finance lease liabilities	(2)	
Proceeds from borrowings	6,398	5,684
Repayments of borrowings	(6,054)	(4,884)
Interest and other finance charges paid	(3)	(3)
Net cash generated from financing activities (c)	**339**	**797**
Net increase / (decrease) in cash and cash equivalents during the year (a + b +c)	**27**	**22**
Add : Cash and cash equivalents as at the beginning of the year	75	53
Cash and cash equivalents as at the end of the year (refer note 12)	**102**	**75**

The accompanying notes form an integral part of these financial statements.

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No: 117366W / W-100018)

Nilesh H. Lahoti
Partner
Membership No. 130054

For and on behalf of the Board of Directors of Bharti Airtel Services Limited

Ajai Puri
Director
DIN : 06527868

Badal Bagri
Director
DIN : 00367278

Place : New Delhi

Date July 15, 2019

DELOITTE HASKINS & SELLS LLP
Chartered Accountants

1. Corporate information

Bharti Airtel Services Limited ('the Company') is domiciled and incorporated in India on December 5, 1997 is a Company promoted by Bharti Airtel Limited ('Bharti'), a Company incorporated under laws of India. The registered office of the Company is situated at Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase II, New Delhi - 110070.

The Company is primarily engaged in selling of hardware for internet and satellite business, telecommunication equipments, handsets and rendering of manpower services.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements ('financial statements') have been prepared to comply in all material respects with the Indian Accounting Standard ('Ind AS') as notified by the Ministry of Corporate Affairs ('MCA') under section 133 of the Companies Act, 2013 ('Act'), read together with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and other relevant provisions of the Act.

The financial statements are approved for issue by the Company's Board of Directors on July 15, 2019.

The financial statements are based on the classification provisions contained in Ind AS 1, 'Presentation of Financial Statements' and division II of schedule III of the Companies Act 2013. Further, for the purpose of clarity, various items are aggregated in the statement of profit and loss and balance sheet. Nonetheless, these items are dis-aggregated separately in the notes to the financial statements, where applicable or required.

All the amounts included in the financial statements are reported in millions of Indian Rupees ('Rupees' or 'Rs.') and are rounded to the nearest million, except per share data and unless stated otherwise. Further, amounts which are less than a million are appearing as '0'.

The preparation of the said financial statements requires the use of certain critical accounting estimates and judgments. It also requires the management to exercise judgement in the process of applying the Company's accounting policies. The areas where estimates are significant to the financial statements, or areas involving a higher degree of judgement or complexity, are disclosed in note 3.

The accounting policies, as set out in the following paragraphs of this note, have been consistently applied, by the Company, to all the periods presented in the said financial statements, except in case of adoption of any new standards during the year.

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2.2 Basis of measurement

The financial statements have been prepared on the accrual and going concern basis, and the historical cost convention except where the Ind AS requires a different accounting treatment. The principal variations from the historical cost convention relate to financial instruments classified as fair value through profit or loss.

Fair value measurement

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants. The Company's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortized cost are required to be disclosed in the said financial statements.

The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The three levels of the fair-value-hierarchy are described below:
Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets
Level 2: Significant inputs to the fair value measurement are directly or indirectly observable
Level 3: Significant inputs to the fair value measurement are unobservable

2.3 Foreign currency transactions

The financial statements are presented in Indian Rupees which is the functional and presentation currency of the Company.

Transactions in foreign currencies are initially recorded in the relevant functional currency at the rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate prevailing as at the reporting date with the resulting foreign exchange differences, on subsequent re-statement / settlement, recognized in the statement of profit and loss within finance costs / finance income. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are

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measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – the resulting foreign exchange difference, on subsequent re-statement / settlement, recognized in the statement of profit and loss, except to the extent that it relates to items recognized in the other comprehensive income or directly in equity.

The equity items denominated in foreign currencies are translated at historical cost.

2.4 Current versus non-current classification

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

Deferred tax assets and liabilities, and all assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when it is expected to be settled in normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

2.5. Common control transactions

Business combinations arising from transfers of interest / business in entities that are under the common control, are accounted at historical cost. The difference, between any consideration paid / received and the aggregate historical carrying amounts of assets and liabilities of the interest acquired / disposed (other than impairment, if any), is recorded in retained earnings, a component of equity.

2.6 Property, plant and equipment ('PPE')

An item of PPE is recognized as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. PPE are initially recognized at cost. The initial cost of PPE comprises its purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

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Subsequent to initial recognition, PPE are stated at cost less accumulated depreciation and any impairment losses. When significant parts of PPE are required to be replaced at regular intervals, the Company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is de-recognized from the balance sheet and cost of the new item of PPE is recognized. Further, in case the replaced part was not being depreciated separately, the cost of the replacement is used as an indication to determine the cost of the replaced part at the time it was acquired.

The expenditures that are incurred after the item of PPE has been put to use, such as repairs and maintenance, are normally charged to the statement of profit and loss in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. The Company has established the estimated range of useful lives for different categories of PPE as follows:

Categories	**Years**
Building	20
Plant and machinery	2 – 10
Office equipment	2 - 5
Computer	3
Furniture and Fixtures	5

The useful lives, residual values and depreciation method of PPE are reviewed, and adjusted appropriately, at-least as at each financial year end so as to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives, residual values and / or depreciation method is accounted prospectively, and accordingly the depreciation is calculated over the PPE's remaining revised useful life. The cost and the accumulated depreciation for PPE sold, scrapped, retired or otherwise disposed off are de-recognized from the balance sheet and the resulting gains / (losses) are included in the statement of profit and loss within other expenses / other income.

The management basis its past experience and technical assessment has estimated the useful life, which is at variance with the life prescribed in Part C of Schedule II of the Companies Act, 2013 and has accordingly, depreciated the assets over such useful life.

The cost of capital work-in-progress is presented separately in the balance sheet.

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2.7 Impairment of non-financial assets

Property, plant and equipment

PPE with definite lives, are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable.

For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis.

Reversal of impairment losses

Impairment losses are reversed in the statement of profit and loss and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the said asset in previous years.

2.8 Financial instruments

a. Recognition, classification and presentation

The financial instruments are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument.

The Company determines the classification of its financial instruments at initial recognition.

The Company recognizes its investment in fellow subsidiaries at cost less any impairment losses. The said investments are tested for impairment whenever circumstances indicate that their carrying values may exceed the recoverable amount (viz. higher of the fair value less costs to sell and the value-in-use). The Company classifies its financial assets in the following categories: a) those to be measured subsequently at fair value through profit or loss, and b) those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.
The Company has classified all the non-derivative financial liabilities measured at amortised cost.

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the balance sheet, if and only when, the Company currently has a legally

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BHARTI AIRTEL SERVICES LIMITED

enforceable right to set-off the related recognized amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

b. Measurement – Non-derivative financial instruments

I. Initial measurement

At initial recognition, the Company measures the non derivative financial instruments (except financial guarantee) at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Otherwise transaction costs are expensed in the statement of profit and loss.

II. Subsequent measurement - financial assets

The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

i. Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective-interest rate ('EIR') method (if the impact of discounting / any transaction costs is significant). Interest income from these financial assets is included in finance income.

ii. Financial assets at fair value through profit or loss ('FVTPL')

All financial assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. Interest (basis EIR method) income from FVTPL is recognized in the statement of profit and loss within finance income/ finance costs separately from the other gains / losses arising from changes in the fair value.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, twelve month ECL is used to provide for impairment loss, otherwise lifetime ECL is used.

However, only in case of trade receivables, the company applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables.

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iii. Subsequent measurement - financial liabilities

Financial liabilities are initially recognized at fair value less any directly attributable transaction costs. They are subsequently measured at amortised cost using the EIR method (if the impact of discounting / any transaction costs is significant).

c. Derecognition

The financial liabilities are de-recognized from the balance sheet when the under-lying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released. The financial assets are de-recognized from the balance sheet when the rights to receive cash flows from the financial assets have expired, or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The difference in the carrying amount is recognized in statement of profit and loss.

2.9 Leases

The determination of whether an arrangement is a lease is based on whether fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the lessor transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance lease and other leases are classified as operating lease.

Operating lease receipts / payments are recognized as an income / expense on a straight-line basis over the lease term unless the lease payments increase in line with expected general inflation.

a. Company as a lessee

Assets acquired under finance leases are capitalised at the lease inception at lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges (recognized in the statement of profit and loss) and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability for each period.

b. Company as a lessor

Assets leased to others under finance lease are recognized as receivables at an amount equal to the net investment in the leased assets. Finance lease income is recognized based on the periodic rate of return on the net investment outstanding in respect of the finance lease.

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Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized in statement of profit and loss on a straight-line basis over the lease term.

The Company enters into 'Indefeasible right to use' ('IRU') arrangement wherein the assets are given on lease over the substantial part of the asset life. However, the title to the assets and significant risk associated with the operation and maintenance of these assets remains with the Company. Hence, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the balance sheet.

2.10 Taxes

The income tax expense comprises of current and deferred income tax. Income tax is recognized in the statement of profit and loss, except to the extent that it relates to items recognized in the other comprehensive income or directly in equity, in which case the related income tax is also recognized accordingly.

a. Current tax

The current tax is calculated on the basis of the tax rates, laws and regulations, which have been enacted or substantively enacted as at the reporting date. The payment made in excess / (shortfall) of the Company's income tax obligation for the period are recognized in the balance sheet under non-current assets as income tax assets / under current liabilities as current tax liabilities.

Any interest, related to accrued liabilities for potential tax assessments are not included in Income tax charge or (credit), but are rather recognized within finance costs.

b. Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax are not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

The unrecognised deferred tax assets / carrying amount of deferred tax assets are reviewed at each reporting date for recoverability and adjusted appropriately.

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Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the balance sheet, if and only when, (a) the Company currently has a legally enforceable right to set-off the current income tax assets and liabilities, and (b) when it relate to income tax levied by the same taxation authority and where there is an intention to settle the current income tax balances on net basis.

2.11 Inventories

Inventories are stated at the lower of cost (determined using the first-in-first-out method) and net realisable value. The costs comprise its purchase price and any directly attributable cost of bringing to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated variable costs necessary to make the sale. The Company provides for obsolete and slow moving inventory based on management estimates of the usability of inventory.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and any deposits with original maturities of three months or less (that are readily convertible to known amounts of cash and cash equivalents and subject to an insignificant risk of changes in value). However, for the purpose of the statement of cash flows, in addition to above items, any bank overdrafts / cash credits that are integral part of the Company's cash management, are also included as a component of cash and cash equivalents.

2.13 Share capital

Ordinary shares are classified as equity when the Company has an un-conditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect.

2.14 Employee benefits

The Company's employee benefits mainly include wages, salaries, bonuses, contribution to plans, defined benefit plans, compensated absences, deferred compensation. The employee benefits are recognized in the year in which the associated services are rendered by the Company employees.

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BHARTI AIRTEL SERVICES LIMITED

a. Defined contribution plans

The contributions to defined contribution plans are recognized in the statement of profit or loss as and when the services are rendered by employees. The Company has no further obligations under these plans beyond its periodic contributions.

b. Defined benefit plans

In accordance with the local laws and regulations, all the employees in India are entitled for the Gratuity plan. The said plan requires a lump-sum payment to eligible employees (meeting the required vesting service condition) at retirement or termination of employment, based on a pre-defined formula.

The Company provides for the liability towards the said plans on the basis of actuarial valuation carried out quarterly as at the reporting date, by an independent qualified actuary using the projected-unit-credit method.

The obligation towards the said benefits is recognized in the balance sheet, at the present value of the defined benefit obligations. The present value of the said obligation is determined by discounting the estimated future cash outflows, using interest rates of government bonds.

The interest expenses are calculated by applying the above mentioned discount rate to defined benefits obligations. The interest expenses on the defined benefits obligations are recognised in the statement of profit and loss. However, the related re-measurements of the defined benefits obligations are recognised directly in the other comprehensive income in the period in which they arise. The said re-measurements comprise of actuarial gains and losses (arising from experience adjustments and changes in actuarial assumptions). Re-measurements are not re-classified to the statement of profit and loss in any of the subsequent periods.

c. Other long-term employee benefits

The employees of the Company are entitled to compensated absences as well as other long-term benefits. Compensated absences benefit comprises of encashment and availment of leave balances that were earned by the employees over the period of past employment.

The Company provides for the liability towards the said benefit on the basis of actuarial valuation carried out quarterly as at the reporting date, by an independent qualified actuary using the projected-unit-credit method. The related re-measurements are recognized in the statement of profit and loss in the period in which they arise.

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2.15 Provisions

a. General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the said obligation, and the amounts of the said obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the relevant obligation, using a pre-tax rate that reflects current market assessments of the time value of money (if the impact of discounting is significant) and the risks specific to the obligation. The increase in the provision due to un-winding of discount over passage of time is recognized within finance costs.

b. Provision for Warranty

Provision for warranty services @1% p.a. on hardware sales is made. The provision is retained till 12 months from the month of sale booked.

2.16 Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2.17 Revenue recognition

Effective April 1, 2018, the Company has adopted Ind AS 115, 'Revenue from Contracts with Customers'. Further during the quarter ended March 31, 2019, the Company has finalised the transition method as the fully retrospective method applied retrospectively. The effect on adoption of the said standard is insignificant on these financial statements and hence the comparative information has not been restated.

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties, discounts and process waivers. When determining the consideration to which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether it is primarily responsible for fulfilling the performance obligation and whether it controls the promised service before transfer to customers. To the extent that the intermediary is considered a principal, the consideration to which the Company is entitled is determined to be that received from the intermediary.

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Revenue is recognised when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

a. Service revenues

Service revenues mainly pertain to manpower services, audio-conferencing, sale of Airtel products and other support services.

Revenue from rendering of manpower services is recognized on a man-month basis as and when services are rendered.

Revenue from audio-conferencing is recognized on the actual usage basis and is net of discount.

Services revenue on sale of Airtel products and on account of prepaid recharge/postpaid collection services are recognized as and when services are rendered.

Support service fee is recognized when services are rendered.

The billing/ collection in excess of revenue recognized is presented as deferred revenue in the statement of financial position whereas unbilled revenue is recognized within other current financial assets.

b. Multiple element arrangements

The Company has entered into certain multiple-element revenue arrangements which involve the delivery or performance of multiple products, services or rights to use assets. At the inception of the arrangement, all the deliverables therein are evaluated to determine whether they represent distinct performance obligations, and if so, they are accounted for separately. Total consideration related to the multiple element arrangements is allocated to each performance obligation based on their standalone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells equipment and network services separately.

c. Sale of products

Sale of products consists primarily of revenue from sale of telecommunication equipment, handsets and related accessories. Revenue from equipment sales is recognized when the control of such equipment is transferred to the customer. Installation charges are recognized on completion of performance obligation.

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d. Interest income

The interest income is recognized using the EIR method. For further details, refer note 2.8.

2.18 Borrowing costs

Borrowing costs consist of interest and other ancillary costs that the Company incurs in connection with the borrowing of funds. The borrowing costs directly attributable to the acquisition or construction of any asset that takes a substantial period of time to get ready for its intended use or sale are capitalised. All the other borrowing costs are recognized in the statement of profit and loss within finance costs of the period in which they are incurred.

2.19 Earnings per share ('EPS')

The Company presents the Basic and Diluted EPS data.

Basic EPS is computed by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted EPS is computed by adjusting, the profit for the year attributable to the shareholders and the weighted average numbers of shares considered for deriving basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Further, the dilutive potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.

3. Critical accounting estimates, assumptions and judgements

The estimates and judgements used in the preparation of the said financial statements are continuously evaluated by the Company, and are based on historical experience and various other assumptions and factors (including expectations of future events), that the Company believes to be reasonable under the existing circumstances. The said estimates and judgements are based on the facts and events that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates - even if the assumptions under-lying such estimates were reasonable when made, if these results differ from historical experience or other assumptions do not turn out to be substantially accurate. The changes in estimates are recognized in the financial statements in the year in which they become known.

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3.1 Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

a. Impairment reviews

PPE (including CWIP) with definite lives, are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable.

In calculating the value in use, the Company is required to make significant judgements, estimates and assumptions inter-alia concerning the growth in Earnings before interest, taxes, depreciation and amortization ('EBITDA'), long-term growth rates and discount rates to reflect the risks involved.

The Company operates in developing market and in such market, the plan for shorter duration is not indicative of the long-term future performance. Considering this and the consistent use of such robust ten year information for management reporting purpose, the Company uses ten year plans for the purpose of impairment testing.

b. Taxes

Deferred tax assets are recognized for minimum alternative tax credits for which there is probability of utilisation against the future taxable profit. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, future tax planning strategies and recent business performances and developments.

c. Property, plant and equipment

Refer note 2.6 and 6 for the estimated useful life and carrying value of property, plant and equipment respectively.

d. Allowance for impairment of trade receivables

The expected credit loss is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case-to-case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances.

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e. Contingent liability

The Company is involved in various legal, tax and regulatory matters, the outcome of which may not be favorable to the Company. Management in consultation with the legal, tax and other advisers assess the likelihood that a pending claim will succeed. The Company has applied its judgement and has recognised liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable.

Refer note 20 for details of contingent liabilities.

4. Standards issued but not effective until the date of authorisation for issuance of the said financial statements

The new and applicable significant standards, amendments to Standards that are issued but not yet effective until the date of authorisation for issuance of the said financial statements are discussed below. The Company has not early adopted these amendments and intends to adopt when they become effective.

Ind AS 116, 'Leases'

In March 2019, MCA has notified the Ind AS 116, Leases. It will replace the existing leases Standard, Ind AS 17 'Leases', and related interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lease is required to recognise a right-of-use asset representing its right to use and the underlying leased assets and a lease liability representing its obligation to make lease payments.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The Company is in the process of evaluating its impact on the financial statements.

The following pronouncements, which are potentially relevant to the Company, have been issued and are effective for annual periods beginning on or after April 1, 2019. The Company does not expect that the adoption of the said amendments will have any significant impact on the financial Statements.

- Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments : According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax

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credits and tax rates. The Company does not expect that the adoption of the said amendment will have any significant impact on the financial Statements.

- Amendment to Ind AS 12 – Income taxes : The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity accordingly to where the entity originally recognised those past transactions or events whereas hitherto it was being recognised in equity.

5. Significant transactions / new developments

(i) During the year ended March 31, 2018, the Company has sold 6,824 shares of Seynse Technologies Private Limited of associate of the Company for a consideration aggregating of Rs. 252 and accordingly the excess of proceed over the cost of investment amounting to Rs. 2 has been recognised under retained earnings.

(ii) During the year ended March 31, 2018 the Company has acquired 4,696,358 equity shares of Telesonic Networks limited for a consideration of Rs. 47.

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6 Property, Plant and equipment

The following table presents the reconciliation of changes in the carrying value of PPE for the year ended March 31, 2019 and 2018:

	Freehold land	Building	Plant and machinery#	Furniture & fixture	Office equipment#	Computer	Total
Gross carrying value							
Balance of April 1, 2017	**44**	**25**	**1,423**	**3**	**5**	**17**	**1,517**
Additions	-	-	125	-	-	-	125
Disposals / adjustments	-	-	(45)	-	-	-	(45)
As of March 31, 2018	**44**	**25**	**1,503**	**3**	**5**	**17**	**1,597**
Balance of April 1, 2018	**44**	**25**	**1,503**	**3**	**5**	**17**	**1,597**
Additions	-	-	604	-	1	0	605
Disposals /adjustments	-	-	(348)	-	(1)	(8)	(357)
As of March 31, 2019	**44**	**25**	**1,759**	**3**	**5**	**9**	**1,845**
Accumulated depreciation							
Balance of April 1, 2017	-	**20**	**1,112**	**3**	**1**	**15**	**1,151**
Charge	-	1	96	-	-	1	98
Disposals / adjustments	-	-	(2)	-	-	-	(2)
As of March 31, 2018	-	**21**	**1,206**	**3**	**1**	**16**	**1,247**
Balance of April 1, 2018	-	**21**	**1,206**	**3**	**1**	**16**	**1,247**
Charge	-	1	154	-	0	1	156
Disposals /adjustments	-	-	(4)	-	4	(8)	(8)
As of March 31, 2019	-	**22**	**1,356**	**3**	**5**	**9**	**1,395**
Net carrying value							
As of March 31, 2018	44	4	297	-	4	1	350
As of March 31, 2019	44	3	403	-	0	0	450

The carrying value of capital work-in-progress as at March 31, 2019 and 2018 is Rs. 72 and Rs. 68, respectively, mainly pertains to plant and machinery.

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

#The following table summarises the detail of significant part of assets given on operating lease:-

	As of	
Plant and machinery & office equipment	**March 31, 2019**	**March 31, 2018**
Gross carrying value	1,764	1,508
Accumulated depreciation	1,361	1,207
Net carrying value	**403**	**301**

#The following table summarises the detail of significant part of assets taken on finance lease:-

	As of	
Plant and machinery	**March 31, 2019**	**March 31, 2018**
Gross carrying value	24	28
Accumulated depreciation	9	2
Net carrying value	**15**	**26**

7 Investment in fellow subsidiaries

	As of	
	March 31, 2019	**March 31, 2018**
Non-current		
Investment in fellow subsidiaries	47	47
	47	**47**
Investment in fellow subsidiaries		
Nettle Infrastructure Investments Limited (5,000 equity shares of Rs 10 each fully paid up as of March 31, 2018) (March 2018 : 5,000)	0	0
Telesonic Networks Limited (46,96,358 equity shares of Rs 10 each fully paid up as of March 31, 2018) (March 2018 : 46,96,358)	47	47

All the above investments are unquoted.

(All amounts are in millions of Indian Rupee; unless stated otherwise)

8 Income taxes

	For the year ended	
	March 31, 2019	**March 31, 2018**
Current income tax		
- For the year	78	292
- Adjustments for prior periods	(6)	77
	72	369
Deferred tax		
- Origination and reversal of temporary differences	40	(84)
- Adjustments for prior periods	6	(377)
	46	(461)
Income tax (credit) / expense	**118**	**(92)**
Statement of Other Comprehensive Income		
Deferred tax related to items charged or credited to Other Comprehensive Income during the year:		
- Re-measurement losses on defined benefit plans	(5)	0
Deferred Tax charged to Other Comprehensive Income	**(5)**	**0**

The reconciliation between the amount computed by applying the statutory income tax rate to the (loss) / profit before tax and income tax (credit) / expense is summarised below

	For the year ended	
	March 31, 2019	March 31, 2018
Profit before tax	318	596
Tax expense @ 34.944% / 34.608%	111	206
Effect of:		
Adjustments in respect to previous years	(6)	77
Adjustment in respect to deferred tax of previous years	6	(377)
(Income) / expense not (taxable) / deductible (net)	7	2
Income tax (credit) / expense	118	(92)

The analysis of deferred tax assets is as follows:

	As of	
	March 31, 2019	**March 31, 2018**
Deferred tax asset / (liabilities)		
Provision for impairment of debtors / advances	278	276
Employee benefits	12	87
Property, plant and equipment / intangible assets	100	98
Minimum tax credit	20	-
Net deferred tax asset	**410**	**461**

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

	For the year ended	
	March 31, 2019	**March 31, 2018**
Deferred tax (expense) / income		
Provision for impairment of debtors / advances	2	276
Minimum Tax Credit	20	-
Employee benefits	(70)	87
Property, plant and equipment / intangible assets	2	98
Net deferred tax (expense) / income	**(46)**	**461**

The movement in deferred tax assets / liabilities during the year is as follows:

	As of	
	March 31, 2019	**March 31, 2018**
Opening balance	**461**	-
Tax Expense / (credit) recognised in profit or loss	(46)	461
Tax expense / (credit) recognised in OCI	(5)	-
Closing balance	**410**	**461**

9 Other non-financial assets

Non-current

	As of	
	March 31, 2019	**March 31, 2018**
Prepaid expenses	111	72
Advances paid under protest*	12	12
	123	**84**

* It mainly includes amount paid for Entry Tax and Income Tax.

Current

	As of	
	March 31, 2019	**March 31, 2018**
Prepaid expenses	142	246
Employee receivables	0	17
Advances to suppliers	3	12
Taxes recoverable#	221	189
Unbiled revenue	-	317
Others	17	48
	383	**829**

#Taxes recoverable mainly include goods & service tax ('GST').

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

10 Inventories

	As of	
	March 31, 2019	**March 31, 2018**
Stock in trade *	414	299
	414	**299**

*Net of provision for diminution in value Rs. 238 and Rs.302 as of March 31, 2019 and March 31, 2018.

11 Trade receivables

	As of	
	March 31, 2019	**March 31, 2018**
Unsecured		
Trade receivable - unsecured*	1,846	3,267
Less: Allowances for doubtful receivables	(609)	(596)
	1,237	**2,671**

*It includes amount due from related parties (refer note 28)

Refer note 29 for credit risk

The Movement in allowances for doubtful debts is as follows:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Opening balance	596	417
Additions	179	210
Write off (net of recovery)	(192)	(31)
Other adjustments	26	-
	609	**596**

12 Cash & cash equivalents ('C&CE')

	As of	
	March 31, 2019	**March 31, 2018**
Balances with banks		
- On current accounts	87	69
Cheques on hand	3	-
Cash on hand	12	6
	102	**75**

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

Other bank balances

	As of	
	March 31, 2019	March 31, 2018
Other bank balances		
Margin money deposits	2	3
	2	**3**

For the purpose of statement cash flows, C&CE comprise of following:-

	As of	
	March 31, 2019	March 31, 2018
C & CE as per balance sheet	102	75
	102	**75**

13 Share capital

	As of	
	March 31, 2019	March 31, 2018
Authorised shares		
1,000,000 equity shares of Rs. 10 each	**10**	**10**
Issued, Subscribed and fully paid-up shares		
100,000 equity shares of Rs.10 each	1	1
	1	**1**

a) **Terms/ rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

b) **Details of shareholders (as per register of shareholders) holdings more than 5% Shares in the Company**

	As of			
	March 31,2019		March 31,2018	
	No. of shares	% holding	No. of shares	% holding
Equity shares of Rs.10 each fully paid				
Bharti Airtel Limited, the parent company	99,994	99.99%	99,994	99.99%

14 Reserve and surplus

Retained earnings: Retained earnings represent the amount of accumulated earnings of the Company and re-measurement differences on defined benefit plans.

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

15 Borrowings

Non-current

	As of March 31, 2019	As of March 31, 2018
Unsecured		
Finance lease obligations (Refer Note 20)	23	25
Total	**23**	**25**
Less: Current portion	(9)	(6)
	14	**19**
Current maturities of long term borrowings	**9**	**6**

Current

	As of March 31, 2019	As of March 31, 2018
Unsecured		
Loan from parent company (refer note 28)	1,664	1,320
	1,664	**1,320**

15.1 Analysis of borrowings

Details on analysis of borrowings i.e maturity profile, interest rate and currency of borrowings

For the year	Borrowings	Rate of interest (Weighted average)	Total	Payable on demand	Maturity Profile: within One year	between one year and two year	between two year and five year	over five year
March 31, 2019	Loan from Parent company	0.00%	1,664	1,664	-	-	-	-
March 31, 2019	Finance Lease Obligation	8.05%	23	3	6	6	8	-
March 31, 2018	Loan from Parent company	0.00%	1,320	1,320	-	-	-	-
March 31, 2018	Finance Lease Obligation	8.05%	25		6	7	12	-

15.1.2 Unused Lines of Credit

The below table provides the details of un-drawn credit facilities that are available to company.

	As of March 31, 2019	As of March 31, 2018
Unsecured*	836	1,180

*excludes non-fund based facilities

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16 Provisions

Non-current	**As of**	
	March 31, 2019	**March 31, 2018**
Gratuity	25	127
Other employee benefit plan	1	19
	26	**146**

Current	**As of**	
	March 31, 2019	**March 31, 2018**
Gratuity	4	33
Other employee benefit plan	9	86
Provision fo warranty	5	5
	18	**124**

Refer note 23 for movement of provision towards employee benefits.

The movement of provision toward warranty provision is as below:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Opening balance	5	8
Net (reversal) / additions	(0)	(3)
	5	**5**

17 Trade payables

	As of	
	March 31, 2019	**March 31, 2018**
Due to Micro and Small enterprises	0	0
Trade payables*	926	1,030
	926	1,030

*It includes amount due to related parties (refer note 28)

Micro, small & medium enterprises development act, 2006 ('MSMED') disclosure

The dues to micro and small enterprises as required under MSMED Act, 2006, based on the information available with the Company, is given below:

Sr No	**Particulars**	**As of** March 31, 2019	**As of** March 31, 2018
1	Principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	0	-
2	Amount of interest paid by the buyer in terms of section 16 of the MSMED ACT 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	0.00	0.40
3	Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED ACT 2006.	-	-
4	Amount of interest accrued and remaining unpaid at the end of each accounting year;	-	0
5	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED ACT 2006.	-	-

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18 Financial liablities

Others

Current

	As of	
	March 31, 2019	March 31, 2018
Payables against capital expenditure	188	384
Employee payables	143	321
Others	1	16
	332	**721**

19 Other non-financial liabilities

Current

	As of	
	March 31, 2019	March 31, 2018
Taxes payable*	73	149
Others	5	5
	78	**154**

*Taxes payable mainly pertains to GST and other taxes payable.

20 Contingent liabilities and commitments

(i) Contingent liabilities

Claims against the Company not acknowledged as debt:

	As of	
	March 31, 2019	March 31, 2018
Taxes, duties and other demands (under adjudication/appeal/dispute)		
-Service tax and Sales tax	174	173
-Income tax	7	7
-Others	12	10
	193	**190**

The category wise detail of the contingent liability has been given below:-

a) Service Tax

The Service tax demand relates to Wrong availment and utilization of 100% Cenvat credit taken on common input services used in trading as well as provision of taxable output service.

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b) Sales Tax

U.P Sales Tax Authority has raised a Sales tax demand under Right to Use Act on the Internet connectivity provided to customers in U.P.

c) Income Tax demand

Income tax demands under appeal mainly included the appeals filed by the Company before various appellate authorities against the disallowance by the income tax authorities of certain expenses being claimed.

Guarantees:

Guarantees outstanding as of March 31, 2019 and March 31, 2018 amounting to Rs. 263 and Rs. 92 respectively have been issued by banks and financial institutions on behalf of the Company.

(ii) Commitments

Capital commitments

The Company has contractual commitments towards capital expenditure (net of related advances) of Rs. 1,124 and Rs. 550 as of March 31, 2019 and March 31, 2018 respectively.

Lease commitments

a) Operating lease

As lessor

The Company has given VSAT assets like BIT, routers, modem etc. on operating lease to various customers, which are capitalised under tangible assets. The agreements are cancellable and are generally of one year. The lease rentals recognized in the statement of profit and loss on a straight line basis over the lease term amount to Rs. 212 (March 31, 2018 Rs. 352).

b) Finance lease

As lessee

Finance lease obligation of the Company as of March 31, 2019 is as follows:-

	Future minimum lease payments	Interest	Present value
Not later than one year	10	1	9
Later than one year but not later than five years	15	1	14
Later than five years	-	-	-
	25	**2**	**23**

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Finance lease obligation of the Company as of March 31, 2018 is as follows:-

	Future minimum lease payments	Interest	Present value
Not later than one year	8	2	6
Later than one year but not later than five years	22	3	19
Later than five years	-	-	-
	30	**5**	**25**

The above lease arrangements are mainly pertaining to routers.

21 Revenue from operations

	For the year ended	
	March 31, 2019	March 31, 2018
Types of goods or services		
Service revenue	1,694	3,353
Sale of traded goods*	2,055	1,524
	3,749	4,877

* includes price differential on dongles sales received from parent company.

Disaggregation of Revenue

	For the year ended	
	March 31, 2019	March 31, 2018
Timing of revenue recognition		
Products transferred at a point in time	2,055	1,524
Services transferred over time	1,694	3,353
	3,749	**4,877**

Contract Balances

The following table provides information about unbilled revenue and deferred revenue from contract with customers

	For the year ended	
	March 31, 2019	March 31, 2018
Unbilled Revenue	-	317
Deferred Revenue	503	1,074
	503	**1,391**

Significant changes in the unbilled revenue and deferred revenue balances during the year are as follows:

	During the year ended March 31, 2019	
	Unbilled Revenue	**Deferred Revenue**
Revenue recognised that was included in the deferred revenue balance at the beginning of the period	-	934
Increases due to cash received, excluding amounts recognised as revenue during the period	-	363
Transfers from Unbilled Revenue recognised at the beginning of the period to receivables	317	-
Unbilled Created during the Year but still o/s	-	-

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

22 Cost of goods sold

	For the year ended March 31, 2019	For the year ended March 31, 2018
Inventory at the beginning of the year	299	107
Add: Purchases	1,810	1,536
Less: Inventory at the end of the year	414	299
	1,695	1,344

23 Employee benefit expense

	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries and bonus	93	1,764
Contribution to provident and other funds	7	108
Staff welfare expenses	27	103
Defined benefit plan / other long-term benefits	14	72
Share based payment expense	2	17
Others	1	19
	144	2,083

23.1 Employee benefits

The details of significant defined benefit obligations are as follows:

	For the year ended March 31, 2019		March 31, 2018	
	Gratuity	Compensated absence	Gratuity	Compensated absence
Obligation				
Balance as at beginning of the year	160	87	178	99
Current service cost	2	1	32	24
Interest cost	12	7	13	7
Benefits paid	(10)	(4)	(42)	(19)
Transfers	(122)	(74)	(14)	(11)
Remeasurements	(13)	(8)	(7)	(13)
Present value of obligation	29	9	160	87
Current portion	4	9	33	87
Non-current portion	25	-	127	-

The expected contribution for the year ended March 31, 2019 and March 31, 2018 for gratuity plan is Rs.5 and Rs. 46, respectively.

Amount recognized in other comprehensive income

	For the year ended March 31, 2019	For the year ended March 31, 2018
Experience gains / (losses)	11	-
Gains / (losses) from change in demographic assumptions	(1)	7
Gains / (losses) from change from financial assumptions	3	-
Remeasurements on liability	13	7

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Due to its defined benefit plans, the Company is exposed to the following significant risks:

Changes in bond yields - A decrease in bond yields will increase plan liability.

Salary risk - The present value of the defined benefit plans liability is calculated by reference to the future salaries of the plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The financial (per annum rates) and demographic assumptions used to determine defined benefit obligations are as follows:

	As of	
	March 31, 2019	**March 31, 2018**
Discount Rate	7.65%	7.85%
Rate of Return on Plan Assets	N.A.	N.A.
Rate of salary increase	7.00%	9.00%
Rate of attrition	14% to 27%	19% to 24%
Retirement age	58	58

Sensitivity analysis

The Company regularly assesses these assumptions with the projected long-term plans and prevalent industry standards.

The impact of sensitivity due to changes in the significant actuarial assumptions on the defined benefit obligations is given in the table below:

		As of			
		March 31, 2019		March 31, 2018	
	Change in assumption	**Gratuity**	**Compensated absence**	**Gratuity**	**Compensated absence**
Discount Rate	+1%	(1)	(0)	(6)	(4)
	-1%	1	1	6	4
Salary Growth Rate	+1%	1	1	6	4
	-1%	(1)	(0)	(6)	(4)

The above sensitivity analysis is determined based on a method that extrapolates the impact on the net defined benefit obligations, as a result of reasonable possible changes in the significant actuarial assumptions. Further, the above sensitivity analysis is based on a reasonably possible change in a particular under-lying actuarial assumption, while assuming all other assumptions to be constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

The table below summarises the maturity profile of the Company's gratuity liability:

	As of	
	March 31, 2019	March 31, 2018
Within one year	4	33
Within one - three years	7	42
Within three - five years	5	28
Above five years	13	57
Total	**29**	**160**
Weighted average duration (in years)	5.33	3.61

24 Other expenses

	For the year ended	
	March 31, 2019	March 31, 2018
Legal and professional charges*	34	17
Telephone, telex and postage	-	1
Travelling and conveyance	6	175
Repair and maintenance	11	135
Provision for doubtful debts (net)	(13)	176
Collection and recovery charges	30	23
Charity and donation #	6	-
Consultancy charges	-	19
Bad Debts written off	192	31
Others	130	96
	396	**673**

*Details of Auditor's remuneration included in legal and professional charges.

	For the year ended	
	March 31, 2019	March 31, 2018
-Audit fee*	1	1
-Reimbursement of expenses	0	-
	1	**1**

*excluding goods and service tax

#As per the requirements of section 135 of the Companies Act, 2013, the Company was required to spend an amount of Rs. 6 for the year ended March 31, 2019 on Corporate Social Responsibility expenditure. During the year ended March 31, 2019, the Company has spent Rs. 6 towards Corporate Social Responsibility.

25 Finance costs and income

	For the year ended	
	March 31, 2019	March 31, 2018
Finance costs		
Interest on finance lease liabilities	2	2
Net exchange loss	28	-
Other finance charges	1	1
	31	**3**
Finance income		
Net exchange gain	-	19
Interest income on deposits	0	0
Interest income on others	44	53
	44	**72**

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BHARTI AIRTEL SERVICES LIMITED

(All amounts are in millions of Indian Rupee; unless stated otherwise)

26 Earnings / (loss) per share ('EPS')

The following is a reconciliation of the equity shares used in the computation of basic and diluted EPS:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Weighted average shares outstanding ('000) for basic / diluted EPS	100	100
Profit for the year	200	688

27 Segment reporting

The Company's operating segments are organized and managed separately through the respective business managers according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products & serves different markets. The business units are reviewed by the directors of the company ('CODM').

The amounts reported to CODM are based on the accounting principles used in the preparation of financial statements as per Ind AS. Segment's performance is evaluated based on segment revenue and segment result viz. profit or loss from operating activities before tax. Accordingly, finance costs / income are not allocated to individual segment.

Inter-segment pricing and terms are reviewed and changed by the management to reflect changes in market conditions and changes to such terms are reflected in the period in which the change occurs.

Inter-segment revenues are eliminated upon consolidation of segments and reflected in the 'Eliminations' column.
Segment assets / liabilities comprise assets / liabilities directly managed by each segment. Segment assets primarily include receivables, property, plant and equipment, capital work-in-progress, inventories and cash and cash equivalents. Segment liabilities primarily include operating liabilities.

Segment capital expenditure comprises additions to property, plant and equipment, intangible assets and capital advances.
The reporting segments of the Company are as follows:

Hardware and support services (previously Trading Division)-This division covers sale of hardware for Internet and Satellite business, telecommunication equipments, handsets and other related accessories and services.

Resource Management Division-This division covers provision of manpower to the holding company and other fellow subsidiaries.

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

Unallocated – Unallocated includes other income, profits/ (losses), assets and liabilities of the Company which are not allocated to the business segments and is primarily related to the corporate headquarter of the Company. It mainly includes current tax assets.

Summary of the segmental information for the year ended and as of March 31, 2019 is as follows:

	Hardware & support services	Resource Management Division	Unallocated	Total
Revenue from external customers	3,694	55	-	3,749
Inter segment revenue	-	-	-	-
Total revenue	**3,694**	**55**	**-**	**3,749**
Segment results	385	(80)	-	305
Less :				
Finance costs				31
Finance income				(44)
Profit before tax				318
Other segment items				
Capital expenditure	608	-	-	608
Depreciation and amortisation	156	-	-	156
As of March 31, 2019				
Segment assets	1,789	997	863	3,649
Segment liabilities	1,304	604	1,845	3,753

Summary of the segmental information for the year ended, as of March 31, 2018 is as follows:

	Hardware & support services	Resource Management Division	Unallocated	Total
Revenue from external customers	2,465	2,412	-	4,877
Inter segment revenue	-	-	-	-
Total revenue	**2,465**	**2,412**	**-**	**4,877**
Segment results	484	43	-	527
Less :				
Finance costs				3
Finance income				(72)
Profit before tax				596
Other segment items				
Capital expenditure	87	-	-	87
Depreciation and amortisation	98	-	-	98
As of March 31, 2018				
Segment assets	2,584	1,801	922	5,307
Segment liabilities	2,666	1,339	1,614	5,619

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

Geographical information*:

(a) Revenue from external customers

	For the year ended	
	March 31, 2019	March 31, 2018
India	3,547	4,657
Africa	107	155
Others	95	65
	3,749	**4,877**

(b) Non-current assets

	As of	
	March 31, 2019	March 31, 2018
India#	539	418

*Basis location of the entity / asset

#Non-current assets for this purpose consist of property, plant and equipment and capital work-in-progress.

28 Related Party Disclosures

i. Parent company
Bharti Airtel Limited

ii. Ultimate controlling entity (w.e.f November 3, 2017)
Bharti Enterprises (Holding) Private Limited. It is held by private trusts of Bharti family, with Mr. Sunil Bharti Mittal's family trust effectively controlling the said company.

iii. Entity where parent company exercises significant influence with whom transactions have taken place during the reporting periods
Indus Towers Limited
Robi Axiata Limited
Airtel Payment Bank Limited (w.e.f October 25, 2018)

iv. Other entities with whom transactions have taken place during the reporting periods

a. Fellow subsidiaries
Bharti Hexacom Limited
Telesonic Networks Limited
Nxtra Data Limited
Bharti Telemedia Limited
Bharti Infratel Limited
Bharti Airtel Lanka (Private) Limited
Bharti Airtel International (Netherlands) B.V.
Africa Towers N.V.
Airtel Payment Bank Limited (until October 25, 2018)
Airtel Malawi Limited
Airtel Network Kenya Limited
Airtel Networks Limited
Airtel Tanzania Public Limited Company (formerly known as Airtel Tanzania Limited)
Airtel Congo S.A
Celtel Niger S.A.
Airtel Networks Zambia Plc

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

Bharti International (Singapore) Pte Limited
Airtel Uganda Limited
Airtel (Seychelles) Limited
Nettle Infrastructure Investments Limited
Wynk Limited

b. Other related parties
Bharti AXA Life Insurance Company Limited
Bharti Foundation
Future Retail Ltd. (Formerly known as Bharti Retail Ltd.)
Centum Learning Limited
Bharti AXA General Insurance Company Limited
Brightstar Telecommunications India Ltd.

* "Other related party" though not 'Related Parties' as per the definition under IND AS 24, have been included by way of a voluntary disclosure, following the best corporate governance practice.

	For the Year ended March 31, 2019			
Particulars	**Parent Company**	**Fellow Subsidiaries**	**Entity where company exercises significant influence**	**Other related parties**
Purchase of fixed assets/ bandwidth	0	-	-	-
Rendering of Services	780	303	1	-
Receiving of services	11	7	4	5
Fund transferred/Expenses incurred on behalf of others	143	20	-	-
Fund received/Expenses incurred on behalf of the Company	132	0	-	-
Donation	-	-	-	6
Advance received/Refund of Security deposit taken	729	-	-	-
Loans taken	6,398	-	-	-
Repayment of Loan taken	6,054	-	-	-
Guarantees and collaterals taken on behalf of others (Including Performance guarantees)	69	-	-	-

	For the Year ended March 31, 2018			
	Parent company	**Fellow Subsidiaries**	**Entity where parent company exercises significant influence**	**Other related parties**
Purchase of fixed assets/ bandwidth	17	-	-	381
Sale of fixed assets/ IRU given	1	-	-	-
Purchase of Investments/Subscription to share capital *	-	(47)	-	-
Rendering of Services	2,757	443	-	23
Receiving of services	-	26	-	5
Fund transferred/Expenses incurred on behalf of others	65	1	-	-
Fund received/Expenses incurred on behalf of the Company	133	6	-	-
Loans taken	(5,658)	0	-	-
Repayment of Loan taken	4,883	0	-	-
Guarantees and collaterals taken on behalf of others (Including Performance guarantees)	45	-	-	-

* Mainly pertains to Bharti Airtel Limited, parent company

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(All amounts are in millions of Indian Rupee; unless stated otherwise)

The details of significant transactions with fellow subsidiaries are as follows:-

	For the year ended	
	March 31, 2019	**March 31, 2018**
(i) Rendering of Services		
Fellow subsidiaries		
Bharti Hexacom Limited	5	166
Bharti Airtel International (Netherlands) B.V.	47	79
Bharti Infratel Limited	118	65
Bharti Airtel Lanka (Private) Limited	52	52
(ii) Purchase of assets		
Other related parties		
Brightstar Telecommunication India Limited	0	381

The outstanding balances are as follows:

	Parent Company	Fellow Subsidiaries	Entity where company exercises significant influence	Other related parties
As of March, 2019				
Trade Payables	148	19	40	7
Trade Receivables	-	159	5	2
Borrowings (including accrued interest)	1,664	-	-	-
Security Deposit/Advances	-	-	-	-
As of March, 2018				
Trade Payables	-	12	-	86
Trade Receivables	1,105	287	3	5
Borrowings (including accrued interest)	1,320	-	-	-
Security Deposit/Advances	729	-	-	-

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29 Financial and Capital risk

1. Financial Risk

The business activities of the Company expose it to a variety of financial risks, namely market risks (that is, foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management strategies focus on the un-predictability of these elements and seek to minimise the potential adverse effects on its financial performance.

The financial risk management for the Company is driven by the Company's senior management ('CSM'), in close co-ordination with the operating entities and internal / external experts subject to necessary supervision. The Company does not undertake any speculative transactions either through derivatives or otherwise. The CSM are accountable to the Board of Directors and Audit Committee. They ensure that the Company's financial risk-taking activities are governed by appropriate financial risk governance frame work, policies and procedures. The BoD of the respective operating entities periodically reviews the exposures to financial risks, and the measures taken for risk mitigation and the results thereof.

(i) Foreign currency risk

Foreign exchange risk arises on all recognised monetary assets and liabilities, and any highly probable forecasted transactions, which are denominated in a currency other than the functional currency of the Company. The Company has foreign currency trade payables and receivables. However, foreign exchange exposure mainly arises from trade payables and receivables denominated in foreign currencies.

The foreign exchange risk management policy of the Company requires it to manage the foreign exchange risk by transacting as far as possible in the functional currency. Moreover, the Company monitors the movements in currencies in which the capex vendors are payable and manage any related foreign exchange risk

Foreign currency sensitivity

The impact of foreign exchange sensitivity on profit for the year and other comprehensive income is given in the table below:

	Change in currency exchange rate	Effect on profit before tax	Effect on equity (OCI)
For the year ended March 31, 2019			
US Dollars	+5%	(1)	-
	-5%	1	-
For the year ended March 31, 2018			
US Dollars	+5%	(2)	-
	-5%	2	-

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The sensitivity disclosed in the above table is mainly attributable to, in case of to foreign exchange gains / (losses) on translation trade payables and trade receivables.

The above sensitivity analysis is based on a reasonably possible change in the under-lying foreign currency against the respective functional currency while assuming all other variables to be constant.

Based on the movements in the foreign exchange rates historically and the prevailing market conditions as at the reporting date, the Company's management has concluded that the above mentioned rates used for sensitivity are reasonable benchmarks.

(ii) Interest rate risk

As the Company does not have exposure to any floating-interest bearing assets, or any significant long-term fixed-interest bearing assets, interest bearing borrowings, its interest income and related cash inflows are not affected by changes in market interest rates. Consequently, the Company does not have any significant interest rate risk.

(iii) Credit risk

Credit risk refers to the risk of default on its obligation by the counter-party, the risk of deterioration of credit-worthiness of the counter-party as well as concentration risks of financial assets, and thereby exposing the Company to potential financial losses.

The Company is exposed to credit risk mainly with respect to trade receivables, investment in bank deposits / debt securities /mutual funds and derivative financial instruments.

Trade receivables

The Trade receivables of the Company are typically non-interest bearing un-secured and derived from sales made to a large number of independent customers. As the customer base is widely distributed both economically and geographically, there is no concentration of credit risk.

As there is no independent credit rating of the customers available with the Company, the management reviews the credit-worthiness of its customers based on their financial position, past experience and other factors. The credit risk related to the trade receivables is managed / mitigated by each business unit, basis the Company's established policy and procedures, by setting appropriate payment terms and credit period, and by setting and monitoring internal limits on exposure to individual customers. The credit period provided by the Company to its customers generally up to 90 days.

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The Company uses a provision matrix to measure the expected credit loss of trade receivables, which comprise a very large numbers of small balances. Refer note 11 for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due, except receivables from related parties.

The ageing analysis of trade receivables as of the reporting date is as follows:

	Neither past due nor impaired (excluding unbilled)	Past due but not impaired				Total
		Less Than 30 days	30 to 60 days	60 to 90 days	Above 90 days	
Trade Receivables as of March 31, 2019	140	107	198	198	594	1,237
Trade Receivables as of March 31, 2018	691	693	297	332	658	2,671

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit and loss.

Financial instruments and cash deposits

The Company's treasury, in accordance with the board approved policy, maintains its cash and cash equivalents, deposits and investment in mutual funds - with banks, financial and other institutions, having good reputation and past track record, and high credit rating. Similarly, counter-parties of the Company's other receivables carry either no or very minimal credit risk. Further, the Company reviews the credit-worthiness of the counter-parties (on the basis of its ratings, credit spreads and financial strength) of all the above assets on an on-going basis, and if required, takes necessary mitigation measures.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accordingly, as a prudent liquidity risk management measure, the Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including bilateral loans and debt at an optimised cost.

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Moreover, the Company's senior management regularly monitors the rolling forecasts of the entities' liquidity reserve (comprising of the amount of available un-drawn credit facilities and cash and cash equivalents) and the related requirements, to ensure they have sufficient cash on an on-going basis to meet operational needs while maintaining sufficient headroom at all times on its available un-drawn committed credit facilities, so that there is no breach of borrowing limits or relevant covenants on any of its borrowings. For details as to the Borrowings, refer note 15.

Based on past performance and current expectations, the Company believes that the Cash and cash equivalents, cash generated from operations and available undrawn credit facilities, will satisfy its working capital needs, capital expenditure, investment requirements, commitments and other liquidity requirements associated with its existing operations, through at least the next twelve months.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:-

	As of March 31, 2019						
	Carrying amount	On Demand	Less than 6 months	6 to 12 months	1 to 2 years	> 2 years	Total
Borrowings (refer note 15)	1,687	1,667	3	3	6	8	1,687
Security deposit	2	2	-	-	-	-	2
Other financial liabilities	332	-	332	-	-	-	332
Trade payables	926	-	926	-	-	-	926
Financial liabilities	**2,947**	**1,669**	**1,261**	**3**	**6**	**8**	**2,947**

	As of March 31, 2018						
	Carrying amount	On Demand	Less than 6 months	6 to 12 months	1 to 2 years	> 2 years	Total
Borrowings (refer note 15)	1,345	1,320	3	3	7	12	1,345
Security deposit	731	731	-	-	-	-	731
Other financial liabilities	721	-	721	-	-	-	721
Trade payables	1,030	-	1,030	-	-	-	1,030
Financial liabilities	**3,827**	**2,051**	**1,754**	**3**	**7**	**12**	**3,827**

(vi) Reconciliation to liabilities whose cash flow movements are disclosed as part of financing activities in the statement of cash flows.

			Non-cash changes		
	April 1, 2018	Cash flows	Interest Expense	Foreign exchange movements	March 31, 2019
Borrowings	1,345	342	-	-	1,687
Interest accrued but not due	-	(3)	3	-	-

2. Capital Risk

The Company's objective while managing capital is to safeguard its ability to continue as a going concern (so that it is enabled to provide returns and create value for its shareholders, and benefits for other stakeholders), support business stability and growth, ensure adherence to the covenants and restrictions imposed by lenders and / or relevant laws and regulations, and maintain an optimal and efficient capital structure so as to reduce the cost of capital. However, the key objective of the Company's capital management is to, ensure that it maintains a stable capital structure with the focus on total equity, uphold investor; creditor and customer confidence, and ensure future development of its business activities. In order to maintain or adjust the capital structure, the Company may issue new shares, declare dividends, return capital to shareholders, etc.

(All amounts are in millions of Indian Rupee; unless stated otherwise)

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions or its business requirements.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as loans and borrowings less cash and cash equivalents.

	As of	
	March 31, 2019	**March 31, 2018**
Borrowings (refer note 15)	1,687	1,345
Less: Cash and Cash Equivalents	102	75
Net Debt	**1,585**	**1,270**
Equity	(104)	(312)
Total Capital	**(104)**	**(312)**
Capital and Net Debt	**1,481**	**958**
Gearing Ratio	**107.0%**	**132.6%**

30 Fair Value of financial assets and liabilities

The category wise details as to the carrying value and fair value of the Company's financial instruments are as follows:

	Carrying Value as of		Fair Value as of	
	March 31, 2019	**March 31, 2018**	**March 31, 2019**	**March 31, 2018**
Financial Assets				
Amortised cost				
Security deposits	5	6	5	6
Trade receivables	1,237	2,671	1,237	2,671
Cash and cash equivalents	102	75	102	75
Other bank balances	2	3	2	3
	1,346	**2,755**	**1,346**	**2,755**
Financial Liabilities				
Amortised cost				
Borrowings	1,687	1,345	1,687	1,345
Trade payables	926	1,030	926	1,030
Security deposit	2	731	2	731
Other financial liabilities	332	721	332	721
	2,947	**3,827**	**2,947**	**3,827**

The following methods / assumptions were used to estimate the fair values:

i. The carrying value of other bank balances, trade receivables, trade payables, and short-term borrowings, other current financial assets and liabilities approximate their fair value mainly due to the short-term maturities of these instruments.

ii. The fair value of long-term borrowings and non-current financial assets / liabilities is estimated by discounting future cash flows using current rates applicable to instruments with similar terms, currency, credit risk and remaining maturities.

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31 The Company made a profit for the financial year ended March 31, 2019 of Rs. 200 (2017-18: Rs. 688) and as that date, the current liabilities exceeded its current assets by Rs. 1,314 (2017-18: Rs. 204). Management has undertaken initiatives to achieve profitability and reduce current assets and liability mismatch. These initiatives include:-

i) Increasing engagement with existing customers and on-boarding of new customers in the existing business

ii) Rationalisation of cost structure

iii) Recoveries from pending receivables

The financial statements are prepared on the basis of accounting policies applicable to a going concern assumption. In making its assessment, management acknowledges that the ability of the Company to continue as a going concern is dependent on generation of sufficient profits, positive cash flows and the undertaking from Bharti Airtel Limited ('Parent Company') to provide appropriate financial support; which is valid till 12 Months from approval of financial statements by the board of directors of the Company.

32 Subsequent to the balance sheet date, on May 06, 2019, the Board of Directors of the Company approved the Composite scheme of arrangement ('Scheme') between Bharti Airtel Limited, Bharti Airtel Services Limited ('the Company'), Hughes Communications India Limited and HCIL Comtel Limited and their respective shareholders and creditors under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 providing inter-alia for transfer of the VSAT business undertaking (as defined in the Scheme) of the Company and vesting of the same with HCIL Comtel Limited on a going concern basis by way of a slump sale in accordance with section 2(42C) of the Income-tax Act, 1961. The said Scheme is subject to requisite regulatory approvals and other closing conditions. The consideration under the Scheme shall be in the form of cash through normal banking channels.

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