**Indo Teleports Limited**

**Ind AS Financial Statements**

**March 2019**

**Indo Teleports Limited**

## Ind AS Financial Statements – March 2019

**Contents** **Page No.**

# Independent Auditor’s Report

# Ind AS Financial Statements

**Indo Teleports Limited**
**Balance Sheet**
***(All amounts are in thousands of Indian Rupee)***

| | Notes | As of March 31, 2019 | As of March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 89,390 | 116,141 |
| Capital work-in-progress | 5 | 640 | 1,176 |
| **Financial assets** | | | |
| - Security deposits | | 1,800 | - |
| Income tax assets (net) | | 52,586 | 88,125 |
| Other non-current assets | 6 | 32,868 | 28,786 |
| | | **177,284** | **234,228** |
| **Current assets** | | | |
| **Financial assets** | | | |
| - Trade receivables | 7 | 63,551 | 140,309 |
| - Cash and cash equivalents | 8 | 1,437 | 13,274 |
| Other current assets | 6 | 55,329 | 65,193 |
| | | **120,317** | **218,776** |
| **Total assets** | | **297,601** | **453,004** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 9 | 230,000 | 230,000 |
| Other equity | | (820,989) | (790,113) |
| | | **(590,989)** | **(560,113)** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| - Borrowings | 11 | 648,836 | 691,636 |
| - Trade payables | 12 | | |
| -total outstanding dues of micro enterprises and small enterprises | | - | - |
| -total outstanding dues of creditors other than micro enterprises and small enterprises | | 229,453 | 264,658 |
| - Others | 13 | 94 | 2,876 |
| Deferred revenue | | 1,118 | 28,303 |
| Other current liabilities | 14 | 9,089 | 25,644 |
| | | **888,590** | **1,013,117** |
| **Total liabilities** | | **888,590** | **1,013,117** |
| **Total equity and liabilities** | | **297,601** | **453,004** |

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

sd/-
**Nilesh H. Lahoti**
Partner
Membership No: 130054

Place: **New Delhi**

**For and on behalf of the Board of Directors of Indo Teleports Limited**

sd/-
**Ravi Prakash Gandhi**
**Managing Director**
DIN: 02803511

sd/-
**Harmeen Mehta**
**Director**
DIN: 02274379

sd/-
**Mayank Jhanwar**
**Chief Financial Officer**

sd/-
**Harsh Agarwal**
**Company secretary**

Date: **July 5, 2019**

**Indo Teleports Limited**
**Statement of Profit and Loss**
***(All amounts are in thousands of Indian Rupee; except per share data)***

| | Notes | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | **16** | 274,794 | 296,031 |
| Other income | | 211 | 110 |
| | | **275,005** | **296,141** |
| **Expenses** | | | |
| Network operating expenses | **17** | 241,941 | 226,188 |
| License fee | | 15,012 | 6,729 |
| Employee benefits expense | **18** | 8,828 | 8,455 |
| Other expenses | **19** | 13,422 | 69,444 |
| | | **279,203** | **310,816** |
| **Loss from operating activities before depreciation, and amortisation** | | **(4,198)** | **(14,675)** |
| Depreciation | **20** | 29,337 | 29,875 |
| Finance costs | **21** | 6,125 | 66,866 |
| Finance income | **21** | (8,784) | - |
| **Loss before exceptional items and tax** | | **(30,876)** | **(111,416)** |
| **Loss before tax** | | **(30,876)** | **(111,416)** |
| **Tax expense** | | | |
| Current tax | **22** | - | - |
| Deferred tax | **22** | - | - |
| **Loss after tax** | | **(30,876)** | **(111,416)** |
| **Total comprehensive loss for the year** | | **(30,876)** | **(111,416)** |
| **Loss per share (Face value : Rs. 10/- each)** | | | |
| Basic and Diluted loss per share | **23** | (1.34) | (4.84) |

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

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**Chief Financial Officer**

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**Harsh Agarwal**
**Company secretary**

Place: **New Delhi**
Date: **July 5, 2019**

**Indo Teleports Limited**
**Statement of Changes in Equity**
***(All amounts are in thousands of Indian Rupee; except per share data)***

| | Share Capital | | Other Equity - Reserves and Surplus | | Total equity |
|---|---|---|---|---|---|
| | No of shares (In '000) | Amount | Retained earnings | Total | |
| **As of April 1, 2017** | **23,000** | **230,000** | **(678,697)** | **(678,697)** | **(448,697)** |
| Loss for the year | - | - | (111,416) | (111,416) | (111,416) |
| **Total comprehensive loss** | **-** | **-** | **(111,416)** | **(111,416)** | **(111,416)** |
| **As of March 31, 2018** | **23,000** | **230,000** | **(790,113)** | **(790,113)** | **(560,113)** |
| Loss for the year | - | - | (30,876) | (30,876) | (30,876) |
| **Total comprehensive loss** | **-** | **-** | **(30,876)** | **(30,876)** | **(30,876)** |
| **As of March 31, 2019** | **23,000** | **230,000** | **(820,989)** | **(820,989)** | **(590,989)** |

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

sd/-
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**Chief Financial Officer**

sd/-
**Harsh Agarwal**
**Company secretary**

Date: **July 5, 2019**

# Indo Teleports Limited
## Statement of Cash Flows
***(All amounts are in thousands of Indian Rupee)***

| | For the year ended | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| **Cash flows from operating activities** | | |
| Loss before tax | **(30,876)** | **(111,416)** |
| ***Adjustments for:*** | | |
| Depreciation | 29,337 | 29,875 |
| Finance costs | 6,125 | 66,866 |
| Finance income | (8,784) | - |
| Other non - cash items | 5,583 | 53,150 |
| **Operating cash flow before changes in working capital** | **1,385** | **38,475** |
| **Changes in working capital** | | |
| Trade receivables | 67,672 | (66,625) |
| Trade payables | (35,205) | 58,419 |
| Other financial and non-financial liabilities | (43,738) | 12,673 |
| Other financial and non-financial assets | 3,574 | (33,878) |
| **Net cash (used in) / generated from operations before tax** | **(6,312)** | **9,064** |
| Income tax refund / (paid) | 44,323 | (9,190) |
| **Net cash generated from / (used in) operating activities (a)** | **38,011** | **(126)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (6,972) | (202) |
| **Net cash generated from / (used in) investing activities (b)** | **(6,972)** | **(202)** |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | 344,000 | 279,600 |
| Repayment of borrowings | (386,800) | (211,084) |
| Interest and other finance charges paid | (76) | (66,866) |
| **Net cash (used in) / generated from financing activities (c)** | **(42,876)** | **1,650** |
| **Net (decrease) / increase in cash and cash equivalents during the year (a+b+c)** | **(11,837)** | **1,322** |
| Add : Cash and cash equivalents as at the beginning of the year | 13,274 | 11,952 |
| **Cash and cash equivalents as at the end of the year (Refer note 8)** | **1,437** | **13,274** |

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

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DIN: 02274379

sd/-
**Mayank Jhanwar**
**Chief Financial Officer**
Date: **July 5, 2019**

sd/-
**Harsh Agarwal**
**Company secretary**

## 1. Corporate information

Indo Teleports Limited ('the Company') is domiciled and incorporated in 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 principally engaged in establishing, setting, operating up linking hub amplification & related processes to provide end to end communication needs.

## 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 5, 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 thousands of Indian Rupee ('Rupee') and are rounded to the nearest thousands, except per share data and unless stated otherwise. Further, amounts which are less than a thousand are appearing as '0'.

The preparation of the said financial statements requires the use of certain critical accounting estimates and judgements. 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 where a newly-issued accounting standard is adopted. Further, previous year's figures have been re-grouped, wherever necessary to conform to current year's classification.

The Company's ability to continue as going concern is dependent of the success of operations and its ability to arrange funding for the operations. The Company based on commitments and support from Bharti Airtel Limited, the Principal Shareholder, is confident of meeting its operating and capital funding requirements in the future. Accordingly, these financial statements have been prepared on a going concern basis.

## 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.

### 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 amortised 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, maximising the use of relevant observable inputs and minimising 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, recognised 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 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, recognised in the statement of profit and loss, except to the extent that it relates to items recognised 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 Property, plant and equipment ('PPE')

An item is recognised 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 recognised 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.

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-recognised from the balance sheet and cost of the new item of PPE is recognised. 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** |
|---|---|
| Plant & equipment | 8 - 10 |
| Computer | 3 |
| Office equipment | 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 are 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-recognised 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.

## 2.6 Impairment of non-financial assets

### Property, plant and equipment

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.

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 CGU level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised 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 recognised for the said asset / CGU in previous years.

## 2.7 Financial instruments

### a. Recognition, classification and presentation

The financial instruments are recognised 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 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 as 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 enforceable right to set-off the related recognised 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 financial assets at fair value through profit or loss is recognised 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, expected credit loss ('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 recognised from initial recognition of the receivables.

### III. Subsequent measurement - financial liabilities

Other financial liabilities are initially recognised 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-recognised from the balance sheet when the under-lying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released. The financial assets are de-recognised 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 recognised in statement of profit and loss.

## 2.8 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 recognised 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 lessor

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

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

## 2.9 Taxes

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

### b. Deferred tax

Deferred tax is recognised, 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 recognised 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 recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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.

### 2.10 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).

### 2.11 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.

### 2.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of 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 recognised within finance costs.

### 2.13 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.

### 2.14 Revenue recognition

Effective April 1, 2018, the Company has adopted Ind AS 115, 'Revenue from Contracts with Customers' applying the cumulative effect method applied retrospectively to the contracts that are not completed as of April 1, 2018 (being the date of initial application). 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 recognized upon transfer of control of promised products or services to 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 and discounts.

In order to determine if it is acting as a principal or as an agent, the Company assesses whether it is primarily responsible for fulfilling the performance obligation and whether it controls the promised service before transfer to customers.

### a. Service revenues

Service revenues mainly pertain to establishing, setting, operating up linking hub amplification & related processes to provide end to end communication needs.

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

### b. Interest income

The interest income is recognised using the EIR method. For further details, refer note 2.7.

### 2.15 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 recognised in the statement of profit and loss within finance costs of the period in which they are incurred.

### 2.16 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 number 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.

### 2.17 Segmental reporting

**Primary segment:**

The Company operates only in one business segment viz. establishing, setting, operating up linking hub amplification & related processes, which is the only reportable segment.

**Secondary segment:**

The Company has operations only in the India.

### 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 recognised in the financial statements in the period in which they become known.

### 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. Property, plant and equipment

Refer note 2.5 and 5 for the estimated useful life and carrying value of property, plant and equipment respectively.

#### b. 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.

## 4. Standards issued but not effective as at balance sheet date

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 credits and tax rates.
- 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.

*(This space is intentionally left blank)*

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

## 5. Property, plant and equipment ('PPE')

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

| | Plant and equipment | Office Equipment | Computer | Total |
|---|---|---|---|---|
| **Gross Carrying Value** | | | | |
| **As of April 1, 2017** | **300,112** | **5,676** | **1,454** | **307,242** |
| Additions / capitalisation | 1,160 | - | - | 1,160 |
| **As of March 31, 2018** | **301,272** | **5,676** | **1,454** | **308,402** |
| Additions / capitalisation | 2,471 | 93 | 22 | 2,586 |
| **As of March 31, 2019** | **303,743** | **5,769** | **1,476** | **310,988** |
| **Accumulated depreciation** | | | | |
| **As of April 1, 2017** | **155,975** | **5,161** | **1,250** | **162,386** |
| Charge | 29,604 | 185 | 86 | 29,875 |
| **As of March 31, 2018** | **185,579** | **5,346** | **1,336** | **192,261** |
| Charge | 29,066 | 184 | 87 | 29,337 |
| Adjustment | (6) | 4 | 2 | - |
| **As of March 31, 2019** | **214,639** | **5,534** | **1,425** | **221,598** |
| **Net carrying Amount** | | | | |
| As of March 31, 2018 | 115,693 | 330 | 118 | 116,141 |
| As of March 31, 2019 | 89,104 | 235 | 51 | 89,390 |

The carrying value of capital work - in - progress as at March 31, 2019 and March 31, 2018 is Rs.640 and Rs. 1,176 respectively, which mainly pertains to plant and equipment.

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

## 6. Other non-financial assets

### Non-current

| | As of March 31, 2019 | As of March 31, 2018 |
|---|---|---|
| Advances - paid under protest | 28,378 | 28,378 |
| Capital advance (net) | - | 408 |
| Taxes recoverable^ | 4,490 | - |
| | **32,868** | **28,786** |

### Current

| | As of March 31, 2019 | As of March 31, 2018 |
|---|---|---|
| Taxes recoverable* | 51,590 | 61,038 |
| Prepaid expenses | 3,235 | 3,661 |
| Advances to suppliers (net) | 189 | 178 |
| Others# | 315 | 316 |
| | **55,329** | **65,193** |

* It includes goods and service tax ('GST'), customs duty, excise duty, sales, and service tax.

^It mainly pertains to goods and services tax ('GST')

# It mainly includes finance lease receivable.

## 7. Trade receivables

| | As of March 31, 2019 | As of March 31, 2018 |
|---|---|---|
| Trade receivable - unsecured | 210,308 | 281,483 |
| Less: Allowances for doubtful receivables | (146,757) | (141,174) |
| | **63,551** | **140,309** |

Refer note 25 (1) (c) for credit risk

### The movement in allowances for doubtful debts is as follows:

| | As of March 31, 2019 | As of March 31, 2018 |
|---|---|---|
| **Opening balance** | 141,174 | 88,024 |
| Additions | 5,583 | 53,150 |
| | **146,757** | **141,174** |

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

## 8. Cash and cash equivalents ('C&CE')

| | As of | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Balances with banks | | |
| - On current accounts | 1,437 | 13,274 |
| | **1,437** | **13,274** |

## 9. Share capital

| | As of | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| **Authorised shares** | | |
| 23,000,000 (March 31,2018 - 23,000,000) equity shares of Rs 10 each | 230,000 | 230,000 |
| **Issued, Subscribed and fully paid-up shares** | | |
| 23,000,000 equity shares of Rs 10 each | 230,000 | 230,000 |
| | **230,000** | **230,000** |

### 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 the register of shareholders) holding 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 up** | | | | |
| Bharti Airtel Limited | 22,998,995 | 99.9956% | 22,998,995 | 99.9956% |
| Bharti Enterprises Limited | 1,005 | 0.0044% | 1,005 | 0.0044% |

## 10. Reserves and surplus-retained earnings

Retained earnings represent the amount of accumulated earnings of the Company.

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

## 11. Borrowings

### Current

| | As of | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| **Unsecured** | | |
| Term Loans | | |
| Loan from holding company (refer note 24) | 648,865 | 691,665 |
| Less:- Interest accrued but not due | (29) | (29) |
| | **648,836** | **691,636** |

The INR borrowings of Rs. 648,836 and Rs. 691,636 as of March 31, 2019 and 2018 respectively, are repayable on demand carrying a floating rate of interest of nil and 9.65% for the year ended March 31, 2019 and 2018 respectively.

### Unused lines of credit

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

| | As of | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Unsecured | 161,164 | 118,364 |
| | **161,164** | **118,364** |

## 12. Trade payables

| | As of | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Trade payables * | 229,453 | 264,658 |
| | **229,453** | **264,658** |

*Includes amount payable to related parties. (refer note 24)

There is no amount payable to micro and small enterprises as of March 31, 2019 and March 31, 2018. Accordingly, disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) are not applicable on the Company.

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

## 13. Financial liabilities - Others

### Current

| | As of | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Payables against capital expenditure | 65 | 2,847 |
| Interest accrued but not due* | 29 | 29 |
| | **94** | **2,876** |

* Represents amount due to parent company (refer note 24)

## 14. Other non - financial liabilities

### Current

| | As of | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Taxes payable* | 9,089 | 25,644 |
| | **9,089** | **25,644** |

*It mainly pertains to goods & service tax ('GST'), service tax, sales tax and other taxes payable.

## 15. Contingencies and commitments

**Lease commitments**

**Operating lease – As a lessee**

The future minimum lease payments obligations are as follows: -

| | As of | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Not later than one year | 177,950 | 198,052 |
| Later than one year but not later than five years | 135,767 | 143,020 |
| **Total** | **313,717** | **341,072** |
| Lease rentals | 190,669 | 210,955 |

The above future minimum lease payments are mainly related to space segment as there is no escalation clause in any agreement and includes option of renewal.

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

## 16. Revenue from operations

| | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Service revenue | 273,884 | 296,031 |
| Sale of Products | 910 | - |
| | **274,794** | **296,031** |

### Timing of Revenue Recognition

| | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Products and services transferred over time | 273,884 | 296031 |
| Products transferred at a point in time | 910 | - |
| | 274,794 | 296,031 |

### Contract Balances

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

| | As of | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Deferred Revenue | 1,118 | 28,303 |
| | 1,118 | 28,303 |

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

| | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Transfers from unbilled revenue recognised at the beginning of the period to receivables | 28,303 | 40,120 |
| | 28,303 | 40,120 |

## 17. Network Operating Expense

| | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Communication and space segment charges | 217,512 | 210,033 |
| Leased line charges | 13,007 | 6,856 |
| Repair and maintenance | 4,916 | 4,922 |
| Installation charges | 230 | 316 |
| Others* | 6,276 | 4,061 |
| | **241,941** | **226,188** |

*It includes charges towards data center cost and insurance.

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

## 18. Employee benefits expenswwe

| | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Cost allocation from holding company | 8,828 | 8,455 |
| | **8,828** | **8,455** |

## 19. Other expenses

| | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Billing and software expenses | 4,623 | 12,715 |
| Legal and professional charges# | 1,115 | 136 |
| Provision for doubtful debts-Others | 229 | 2,457 |
| Provision for doubtful debts | 5,583 | 53,150 |
| Other administrative expense* | 1,872 | 986 |
| | **13,422** | **69,444** |

#Details of auditor's remuneration included in legal and professional fees:

| | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Audit Fee^ | 456 | 468 |
| Reimbursement of Expenses | - | 35 |
| | **456** | **503** |

^Excluding goods and services tax

* It includes repair and maintenance and miscellaneous expenses.

## 20. Depreciation

| | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Depreciation | 29,337 | 29,875 |
| | **29,337** | **29,875** |

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

## 21. Finance cost and income

| | For the year ended | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| **Finance costs** | | |
| Interest expense | 0 | 66,092 |
| Net exchange loss | 6,050 | 736 |
| Bank charges | 75 | 38 |
| | **6,125** | **66,866** |
| **Finance income** | | |
| Interest income | 8,784 | - |
| | **8,784** | **-** |

## 22. Income Taxes

The reconciliation between the amount computed by applying the statutory income tax rate to the loss before tax and income tax expense is summarised below:

| | For the year ended | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Loss before tax | (30,876) | (111,416) |
| Tax income @ 30.9% | (9,541) | (34,428) |
| Effect of: | | |
| Losses and deductible temporary difference against which no deferred tax asset recognised | 9,541 | 34,428 |
| **Income tax expense** | **-** | **-** |

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unabsorbed depreciation and unused tax losses can be utilised. Accordingly, the company has not recognised deferred tax assets in respect of deductible temporary differences, carry forward of unabsorbed depreciation and unused tax losses of Rs. 741,746 and Rs. 784,041 as of March 31, 2019 and 2018 respectively, as it is not probable that taxable profits will be available in future.

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

Of the above balance as of March 31, 2019 and 2018, tax losses, unabsorbed depreciation and deductible temporary differences to the extent of Rs. 385,175 and Rs. 356,757 respectively, have an indefinite carry forward period and the balance amount expires unutilised as follows:

| | As of | |
|---|---|---|
| **Expiry date** | **March 31, 2019** | **March 31, 2018** |
| Within one - three years | 238,960 | 235,856 |
| Within three - five years | 91,677 | 151,919 |
| Above five years | 25,934 | 39,509 |
| | 356,571 | 427,284 |

## 23. Earnings per share ('EPS')

The details used in the computation of basic and diluted EPS:

| | As of | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Weighted average shares outstanding ('000) for basic / diluted EPS | 23,000 | 23,000 |
| Loss for the year | (30,876) | (111,416) |

## 24. Related Party disclosures

### (i) Parent Company

Bharti Airtel Limited

### (ii) Ultimate controlling entity

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

**Fellow subsidiary**

Nxtra Data Limited

### (iv) Key Management Personnel

Ravi Prakash Gandhi

The remuneration paid to Key Management Personnel of the Company is borne by its parent Company, Bharti Airtel Limited and cross charged as part of a single composite consideration. Accordingly, the same is not reported under related party transaction.

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

The summary of significant transactions with the above mentioned parties are as follows:

| | For the year ended | | | |
|---|---|---|---|---|
| | March 31, 2019 | | March 31, 2018 | |
| | Parent company | Fellow subsidiary | Parent company | Fellow subsidiary |
| Receiving of services | 17,326 | 21,096 | 25,031 | 15,009 |
| Loans taken | 344,000 | - | 279,600 | - |
| Repayment of loans taken | 386,800 | - | 211,085 | - |
| Interest expense | - | - | 66,092 | - |
| Expenses incurred on behalf of the company | 8,828 | - | 8,455 | - |

The outstanding balances of the above mentioned related parties are as follows:

| | Parent company | Fellow subsidiaries |
|---|---|---|
| **As of March 31, 2019** | | |
| Loan outstanding | 648,836 | - |
| Interest accrued but not due on borrowings | 29 | - |
| Trade payables | 154,887 | 24,599 |
| **As of March 31, 2018** | | |
| Loan outstanding | 691,636 | - |
| Interest accrued but not due on borrowings | 29 | - |
| Trade payables | 170,042 | 12,070 |

## 25. Financial risk 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.

## a) 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 which carries foreign exchange exposure.

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.

### Foreign currency sensitivity

The impact of foreign exchange sensitivity on loss for the year is given in the table below:

| | Change in currency exchange rate | Effect on loss before tax |
|---|---|---|
| **For the year ended March 31, 2019** | | |
| US Dollars | +5% | (8) |
| | -5% | 8 |
| **For the year ended March 31, 2018** | | |
| US Dollars | +5% | (3,195) |
| | -5% | 3,195 |

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

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.

## b) 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, its interest income and related cash inflows are not affected by changes in market interest rates. Consequently, the Company's interest rate risk arises mainly from floating interest rate borrowings which expose the Company to cash flow interest rate risk.

**Borrowings**

Borrowings with floating interest rate expose the Company to cash flow interest rate risk. Accordingly, the components of the debt portfolio are determined by the CSM in a manner which enables the Company to achieve an optimum debt-mix basis its overall objectives and future market expectations.

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

The Company monitors the interest rate movement and manages the interest rate risk based on its risk management policies, which inter-alia include entering into interest swaps contracts - as considered appropriate and whenever necessary.

**Interest rate sensitivity of borrowings**

The impact of the interest rate sensitivity on profit before tax is given in the table below:

| | Increase / decrease in basis points | Effect on losses before tax |
|---|---|---|
| **For the year ended March 31, 2019** | | |
| INR - Borrowings | +100 | - |
| | -100 | - |
| **For the year ended March 31, 2018** | | |
| INR - Borrowings | +100 | (6,916) |
| | -100 | 6,916 |

The sensitivity disclosed in the above table is attributable to floating-interest rate borrowings.

The above sensitivity analysis is based on a reasonably possible change in the under-lying interest rate of the Company's borrowings in INR, while assuming all other variables to be constant.

Based on the movements in the interest 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.

**c) 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.

**Trade receivables**

The Trade receivables of the Company are typically non-interest bearing un-secured and derived from sales made to corporate 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 ranges between 0-90 days.

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

The Company uses a provision matrix to measure the expected credit loss of trade receivables, which comprise a very large numbers of small balances. 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:

| | | Past due but not impaired | | | | |
|---|---|---|---|---|---|---|
| | Neither past due nor impaired | Less than 30 days | 30 to 60 days | 60 to 90 days | Above 90 days | Total |
| Trade receivables as of March 31, 2019 | 5,563 | 17,733 | 17,287 | 13,447 | 9,521 | 63,551 |
| Trade receivables as of March 31, 2018 | 33,493 | 19,597 | 47,913 | 39,306 | - | 140,309 |

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 recognised 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 - 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.

### d) 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. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

To manage liquidity risk, the Company monitors its net operating cash flow and maintains an adequate level of cash and cash equivalents to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligation.

| | March 31, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | On demand | Less than 6 months | 6 to 12 months | 1 to 2 years | > 2 years | Total |
| Borrowings * | 648,865 | 648,865 | - | - | - | - | 648,865 |
| Trade payables | 229,453 | - | 229,453 | - | - | - | 229,453 |
| Other financial liabilities * | 65 | - | 65 | - | - | - | 65 |
| | 878,383 | 648,865 | 229,518 | - | - | - | 878,383 |

| | March 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | On demand | Less than 6 months | 6 to 12 months | 1 to 2 years | > 2 years | Total |
| Borrowings * | 691,665 | - | 33,371 | 33,371 | 66,743 | 691,636 | 825,121 |
| Trade payables | 264,658 | - | 264,658 | - | - | - | 264,658 |
| Other financial liabilities * | 2,847 | - | 2,847 | - | - | - | 2,847 |
| | 959,170 | - | 300,876 | 33,371 | 66,743 | 691,636 | 1,092,626 |

*Interest accrued but not due has been included in interest bearing borrowigs and excluded from other financial liabilities.

**Reconciliation to liabilities whose net 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 expenses | March 31, 2019 |
| Borrowings | 691,636 | (42,800) | - | 648,836 |
| Interest accrued but not due | 29 | (0) | 0 | 29 |

## 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 thousands 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 as below:

| | As of | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Borrowings | 648,836 | 691,636 |
| Less: Cash and cash equivalents | 1,437 | 13,274 |
| **Net debt** | **647,399** | **678,362** |
| Equity | (590,989) | (560,113) |
| **Total capital** | **(590,989)** | **(560,113)** |
| **Capital and net debt** | **56,410** | **118,249** |
| **Gearing ratio** | **1148%** | **574%** |

## 26. 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 | 1,800 | - | 1,800 | - |
| Trade receivables | 63,551 | 140,309 | 63,551 | 140,309 |
| Cash and cash equivalents | 1,437 | 13,274 | 1,437 | 13,274 |
| | **66,788** | **153,583** | **66,788** | **153,583** |
| **Financial Liabilities** | | | | |
| **Amortised cost** | | | | |
| Borrowings | 648,836 | 691,636 | 648,836 | 691,636 |
| Trade payables | 229,453 | 264,658 | 229,453 | 264,658 |
| Other financial liabilities | 94 | 2,876 | 94 | 2,876 |
| | **878,383** | **959,170** | **878,383** | **959,170** |

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

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

i. The carrying value of trade receivables, trade payables, floating – rate borrowings, other current financial liabilities approximate their fair value mainly due to the short-term maturities of these instruments being subject to floating rates.

During the year ended March 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements. None of the financial assets and financial liabilities are in Level 3.

The following table describes the key inputs used in the valuation (basis discounted cash flow technique) of the Level 2 financial assets / liabilities as of March 31, 2019 and March 31, 2018:

| **Financial assets / liabilities** | **Inputs used** |
|---|---|
| - Other financial assets / Other financial liabilities | Prevailing / forward interest rates in market, Interest rates. |

**27.** The company made a loss for the financial year ended March 31, 2019 of Rs. 30,876 (2017-18: Rs. 111,416) and as that date, the current liabilities exceeded its current assets by Rs. 768,273 (2017-18: Rs. 794,341). Management has undertaken initiatives to achieve profitability and reduce current assets and liability mismatch. These initiatives include: -

i) Improving utilisation of spare capacity by increasing engagement with existing customers and on-boarding of new customers in the existing business.

ii) Providing in-flight data & voice services

iii) Rationalisation of cost structure

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 the generation of sufficient profits, positive cash flows and the continued support of shareholders as and when required in the future.