

**Bharti Hexacom Limited**  
**Ind AS Financial Statements**  
**March 2020**

**Bharti Hexacom Limited**

**Ind AS Financial Statements – March 2020**

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# **Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

### To The Members of **BHARTI HEXACOM LIMITED** Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of **BHARTI HEXACOM LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act ("SAs"). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	Revenue from operations:	We evaluated the design and tested the operating effectiveness of the general IT controls and application specific controls

	<p>There is an inherent risk around accuracy of revenue recorded in respect of Mobile Services segments because of the complexity of the IT systems and other support systems, significance of volumes of data processed by the systems and the impact of changing pricing models (tariff structures, incentive arrangements and discounts, etc.).</p> <p>Refer note 2.17 "Revenue recognition" for accounting policies and note 21 on disclosures related to Revenue in the financial statements.</p>	<p>within the IT system, including testing of system generated reports used in our audit of revenues by involving our IT specialist. We also tested the controls within the billing systems, prepaid charging systems, capturing and recording of revenue, authorisation and input of changes to the IT systems and over reconciliations performed between the active customers base with billing system.</p> <p>We performed substantive procedures, which included testing the accuracy of customer invoices and tracing receipts to customer invoices, comparing the number of links/connection as per the active customer base to the billing system, testing reconciliations between billing system and the general ledger (including validation of relevant journal entries), making test calls and testing whether they are rated correctly and analytical procedures for relevant segment revenue.</p> <p>We verified the appropriateness of the accounting policies and the disclosures related to Revenue in notes 2.18 and 21, respectively in the financial statements.</p>
<p>2</p>	<p><b>Measurement of the Right-of-use assets and Lease liabilities in leases with tower infrastructure companies under Ind AS 116 - Leases:</b></p> <p>The Company adopted Ind AS 116 "Leases" using the modified retrospective approach with effect from April 1, 2019.</p> <p>The measurement of Right-of-use assets and lease liabilities in leases with tower infrastructure companies involves significant management estimates (a) in determination of the lease term, (b) in segregating the lease and non-lease components payable under the contractual arrangements and; (c) in determination of incremental borrowing rate used in discounting lease payments.</p> <p>Refer note 2.10 "Lease" for accounting policies and 3.2 key sources of estimation uncertainties, in particular note 3.2.b 'Separating lease and non-lease components', note 3.2.c 'Determining the lease term', 3.2.d 'Determining the incremental borrowing rate for lease contracts' and note 32 on disclosures related to leases in the financial statements.</p>	<p>We evaluated the effectiveness of internal controls relating to the determination of lease term, segregation of lease and non-lease components and determination of incremental borrowing rate.</p> <p>For a sample of lease contracts ("contracts"), we performed the following substantive audit procedures:</p> <ul style="list-style-type: none"> <li>• We read the underlying contract, and compared relevant terms within the contract to the Company's determination of lease term analysis including the appropriateness of considering lease term as the period until which exit penalties are payable as per the contract.</li> <li>• We tested the relative standalone selling prices computed by management and used in the allocation of consideration to the lease and non-lease components in a contract by using the same information and details obtained by management from tower infrastructure service providers.</li> </ul> <p>We tested the appropriateness of the incremental borrowing rate (IBR) by involving our valuation specialist, who assisted in:</p>

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		<ul style="list-style-type: none"> <li>• Performing an independent assessment of the methodology used by the Company to estimate the IBR;</li> <li>• Evaluating the Company's assumptions underlying the estimation of the IBR; and</li> <li>• Developing an independent acceptable range for the IBR and comparing the results to the Company's IBR.</li> </ul>
3	<p><b>Determination of additional provision for License fees and Spectrum Usage Charges along with interest, penalty and interest on penalty pursuant to Supreme Court judgement on Adjusted Gross Revenue</b></p> <p>Consequent to a Judgement of the Hon'ble Supreme Court of India on October 24, 2019 in relation to a long outstanding industry-wise case upholding the view of the Department of Telecommunications ('DoT') in respect to the definition of Adjusted Gross Revenue (AGR) (the Court Judgement), the Company computed and recorded additional provisions for periods upto September 2019 of Rs. 5,110 million towards License fee and Spectrum Usage Charges (SUC), and Rs. 12,390 million towards applicable interest, penalty and interest on penalty and disclosed the same as an Exceptional Item in the Statement of Profit and Loss.</p> <p>The Company has computed and recorded the additional provision on the basis of (1) demands received and (2) the periods for which demands have not been received by following the same methodology used in the assessments carried out in earlier years, the guidelines/clarifications provided by DoT, and principles set out in the Court Judgement. The computation of the additional provision therefore involves significant management judgement and the amount also has a significant impact on the financial results for the year.</p> <p>Refer note 4(i) and 28(i)(a) to the financial statements for disclosures related to License fees and SUC.</p>	<p>We tested the effectiveness of the controls over determining the additional provision for License fees and SUC.</p> <p>We also tested the appropriateness of the additional provision for License fees and SUC by (1) Reviewing the License Agreements, the Court Judgement, demand orders and the guidelines/clarifications provided by DoT and comparing them in the assumptions used in the management's estimate in determining the provisions for years for which demands have not been received and (2) Reviewing that the assumptions and methodology used in computing the provisions in years for which demand are received is consistent with the methodology adopted in (1) above.</p> <p>We evaluated the disclosures provided in the notes 4(i) and 28(i)(a) to the financial statements concerning these matters.</p>
4	<p><b>Contingent liabilities and commitments - Contingencies related to Regulatory, Direct and Indirect tax matters</b></p>	<p>We tested the effectiveness of internal controls related to:</p> <p>(1) identification and recognition of liability for matters under review or appeal with relevant regulatory, direct and indirect tax authorities (2) completeness and accuracy of</p>

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	<p>The Company has material contingencies related to Regulatory, Direct and Indirect tax matters which are under dispute with various authorities as more fully described in Note 20 to the financial statements. The Company exercises significant judgment to determine the possible outcome of these dispute. Thereafter the Company makes a determination for recording/write back of provisions or alternatively disclosing them as contingencies unless the matter is considered as remote.</p> <p>Refer Note 2.16 "Contingencies" for accounting policies, Note 17 "Provisions" for disclosure related to provisions for sub-judice matters and Note 20(I) in respect of details of Contingent liabilities in the financial statements.</p>	<p>the underlying data used in the assessment and evaluating the assumptions used by management when determining its uncertain positions, the status of past audits and investigations, and the potential impact of past claims. (3) Management's assessment and interpretation of applicable laws including tax laws and its evaluation of which uncertain positions may not be sustained upon audit and controls over measurement of the liability.</p> <p>For direct and indirect tax matters, we involved our tax specialists who assisted in evaluating the reasonableness of management's assessments by comparing the positions taken by management with tax regulations and past decisions from tax authorities, recent developments, new information and where applicable, evaluating opinions from the Company's external tax advisors.</p> <p>For regulatory matters in progress, we assessed relevant regulatory orders, regulatory statutes and interpretations, recent developments, new information, external legal opinion obtained from the Company and other publicly available information to evaluate the likelihood of matters under dispute and compared that to management's assertion on these matters.</p> <p>We also evaluated the disclosures provided in the notes to the financial statements concerning these matters.</p>
5	<p><b>Assessment of recoverability related to Deferred tax assets("DTA") recognised on carry forward of losses</b></p> <p>The Company has recognised Rs. 10,246 million as a DTA as at March 31, 2020, relating to carry forward of losses.</p> <p>The Company exercises significant judgement in assessing the recoverability of DTA relating to these components. In estimating the recoverability of DTA, management uses inputs such as internal business and tax projections over a period of ten year period.</p> <p>Recoverability of DTA on carry forward of losses is sensitive to the assumptions used by management in projecting the future taxable income, the reversal of deferred tax liabilities which can be scheduled, and the tax planning strategies.</p>	<p>We tested effectiveness of controls over the Company's process for determining the recoverability of DTA related to carry forward losses which included amongst others controls over the assumptions and judgments used in the projections of future taxable income.</p> <p>To assess the Company's ability to estimate future taxable income, we compared the Company's previous forecasts to actual results.</p> <p>We involved our tax professionals with specialized skills and knowledge to assist in evaluating taxation related matters including the Company's tax planning strategies and interpretation of tax laws.</p> <p>We examined the consistency between the financial plan used for goodwill impairment assessment purposes and the plan used in the evaluation of the recoverability of the DTA.</p> <p>We performed a sensitivity analysis over the key assumptions to assess their impact on the Company's determination that the DTA</p>

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	<p>Refer note 2.11 "Taxes" for accounting policies, note 3.1.a in "Critical accounting estimates and assumptions" related to taxes and note 9 "Income taxes" for disclosures related to taxes in the financial statements.</p>	<p>relating to carry forward losses were realisable.</p>
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**Information Other than the Financial Statements and Auditor’s Report Thereon**

- The Company’s Board of Directors is responsible for the other information. The other information comprises but does not include the financial statements and our auditor’s report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management’s Responsibility for the Financial Statements**

The Company’s Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company’s financial reporting process.

**Auditor’s Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will

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always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
  - d) In our opinion, the financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,  
In our opinion and to the best of our information and according to the explanations given to us, the Company has not made any payments towards managerial remuneration to its directors during the year and hence requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act are not applicable.
  - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
    - ii. The Company did not have any long-term contracts including derivative

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contracts for which there were any material foreseeable losses.

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



**Nilesh H. Lahoti**  
Partner  
(Membership No. 130054)  
(UDIN: 20130054AAAAQM3975)

Place: Gurugram  
Date: May 14, 2020

**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

**(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of BHARTI HEXACOM LIMITED of even date)**

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **BHARTI HEXACOM LIMITED** ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial

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reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



**Nilesh H. Lahoti**  
Partner  
(Membership No. 130054)  
(UDIN: 20130054AAAAQM3975)

Place: Gurugram  
Date: May 14, 2020

**ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT**

**(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of BHARTI HEXACOM LIMITED of even date)**

- i. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars with respect to most of its fixed assets and is in the process of updating quantitative and situation details with respect to certain fixed assets in the records maintained by the Company.
  - (b) The Company, except for customer premises equipment and certain assets which due to their nature or location are not verifiable, has a program of verification of fixed assets to cover all items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) According to the information and explanations given to us, the records examined by us and based on examination of property tax receipts, utility bills, lease agreement for land on which building is constructed, registered sale deed / transfer deed / conveyance deed or court orders approving schemes of arrangements / amalgamations provided to us, we report that, the title in respect of self-constructed buildings and the title deeds, comprising all the immovable properties of buildings which are freehold, are held in the name of the Company as at the balance sheet date.
- ii. The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.
- iii. According to information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of Section 185 and 186 of the Companies Act, 2013 are applicable.
- v. According to the information and explanations given to us, the Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2020 and therefore, the provisions of the clause 3 (v) of the Order are not applicable.
- vi. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made

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a detailed examination of the cost records with a view to determine whether they are accurate or complete.

vii. According to the information and explanations given to us, in respect of statutory dues:

- (a) The Company is regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, cess and other material statutory dues applicable to it to the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
- (c) There are no dues of Goods and Service Tax, cess which have not been deposited on account of any dispute. Details of dues of Income-tax, Service Tax and Customs Duty which have not been deposited as on March 31, 2020 on account of disputes are given below:

Name of the Statutes	Nature of the Dues	Amount Disputed (in Rs. Million)	Period to Which the amount Relates	Forum where the dispute is pending
Finance Act, 1994 (Service tax provisions)	Service Tax	21	2006-08	High Court
Finance Act, 1994 (Service tax provisions)	Service Tax	591	2004-13	Tribunal
Finance Act, 1994 (Service tax provisions)	Service Tax	4	2007-08	Commissioner Appeal
Custom Act, 1962	Custom Act	182	2001-05	Supreme Court
Income Tax Act, 1961	Income Tax	667	FY 2002-03 to 2012-13	Supreme Court
Income Tax Act, 1961	Income Tax	9	FY 2001-15	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	2,532	FY 2015-16	Commissioner of Income Tax (Appeals)

The above mentioned figures represent the total disputed cases without any assessment of Probable, Possible and Remote, as done in case of Contingent Liabilities. Of the above cases, total amount deposited in respect of Service Tax is Rs. 41 Million, Custom Duty is Rs. 91 Million and Income Tax is Rs. 231 Million.

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government.

ix. During the current year, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, the term loans have been applied by

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the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds.

- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not made any payments towards managerial remuneration to its directors during the year and hence requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013 are not applicable.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable.
- xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- xiv. During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company, or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No.117366W/W-100018)



**Nilesh H. Lahoti**  
Partner  
(Membership No. 130054)  
(UDIN: 20130054AAAAQM3975)

Place: Gurugram  
Date: May 14, 2020



**Ind AS Financial Statements**

**Bharti Hexacom Limited**  
**Balance Sheet**  
*(All amounts are in millions of Indian Rupee)*

	Notes	As of	
		March 31, 2020	March 31, 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	32,245	31,632
Capital work-in-progress	5	1,104	1,619
Right-of-use assets	32	13,858	-
Intangible assets	6	52,625	60,632
<b>Financial assets</b>			
- Investments	7	0	0
- Security deposits		325	577
- Others	8	0	0
Income tax assets (net)		2,613	2,404
Deferred tax assets (net)	9	11,614	3,946
Other non-current assets	10	9,543	2,592
		<b>123,947</b>	<b>103,402</b>
<b>Current assets</b>			
<b>Financial assets</b>			
- Investments	7	6,254	-
- Trade receivables	11	2,283	1,003
- Cash and cash equivalents	12	2,770	24
- Other bank balances	13	288	285
- Others	8	8,067	554
Other current assets	10	10,729	8,139
		<b>30,400</b>	<b>10,005</b>
<b>Total assets</b>		<b>154,347</b>	<b>113,407</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	14	2,500	2,500
Other equity		27,700	55,176
		<b>30,200</b>	<b>57,676</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
- Borrowings	15	10,446	-
- Lease liabilities		12,717	-
- Others	16	704	2,989
Deferred revenue	21	1,857	43
Provisions	17	237	205
Other non current liabilities	18	1,985	-
		<b>27,946</b>	<b>3,237</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
- Borrowings	15	39,963	26,534
- Current maturities of long-term borrowings	15	1,500	2,880
- Lease liabilities		4,131	-
- Trade payables	19	-	-
-total outstanding dues of micro enterprises and small enterprises		11	3
-total outstanding dues of creditors other than micro enterprises and small enterprises		16,380	13,800
- Others	16	8,961	3,265
Deferred revenue	21	2,649	2,047
Provisions	17	20,344	2,142
Current tax liabilities (net)		692	700
Other current liabilities	18	1,570	1,123
		<b>96,201</b>	<b>52,494</b>
<b>Total liabilities</b>		<b>124,147</b>	<b>55,731</b>
<b>Total Equity and liabilities</b>		<b>154,347</b>	<b>113,407</b>

The accompanying notes 1 to 35 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)



Nitesh H. Lahoti

Partner

Membership No: 130054

For and on behalf of the Board of Directors of Bharti Hexacom Limited

  
Mihir Luria  
Chief Executive Officer

Badal Bagri  
Director  
DIN: 00367278

Pankaj Tawari  
Director  
DIN: 08006533

  
Anand Datta  
Chief Financial Officer

  
Swati Batra  
Company Secretary

Place: Gurugram

Date: May 14, 2020

**Bharti Hexacom Limited**  
**Statement of Profit and Loss**  
*(All amounts are in millions of Indian Rupee; except per share data)*

	Notes	For the year ended	
		March 31, 2020	March 31, 2019
<b>Income</b>			
Revenue from operations	21	38,741	36,136
Other income		179	63
		<b>38,920</b>	<b>36,199</b>
<b>Expenses</b>			
Network operating expenses	22	12,637	12,225
Access charges		15,190	16,674
Licence fee / Spectrum charges		3,088	2,423
Employee benefits expense	23	615	675
Sales and marketing expenses	24	1,219	1,792
Other expenses	25	990	2,196
		<b>33,739</b>	<b>35,985</b>
<b>Profit from operating activities before depreciation, amortization and exceptional items</b>		<b>5,181</b>	<b>214</b>
Depreciation and amortisation expense	26	12,497	10,087
Finance costs	27	5,260	2,475
Finance income	27	(117)	(70)
Non-operating expenses		16	2
<b>Loss before exceptional items and tax</b>		<b>(12,475)</b>	<b>(12,277)</b>
Exceptional items (net)	28	21,873	(1,049)
<b>Loss before tax</b>		<b>(34,348)</b>	<b>(11,228)</b>
<b>Tax expense / (credit)</b>			
Current tax	9		
Deferred tax	9	(7,183)	(4,008)
<b>Loss for the year</b>		<b>(27,165)</b>	<b>(7,220)</b>
<b>Other comprehensive income:</b>			
<b>Items not to be reclassified to profit or loss:</b>			
Re-measurement (loss) / Income on defined benefit plans		(3)	5
Tax credit / (charge)		1	(2)
<b>Other comprehensive (loss) / income for the year</b>		<b>(2)</b>	<b>3</b>
<b>Total comprehensive loss for the year</b>		<b>(27,167)</b>	<b>(7,217)</b>
<b>(Loss) / earning per share (Face value : Rs. 10 each)</b>			
Basic and diluted loss per share	29	(108.66)	(28.88)

The accompanying notes 1 to 35 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 Hexacom Limited



**Nidhi Luria**  
**Chief Executive Officer**



**Badal Bagri**  
**Director**  
 DIN: 00367278

  
**Pankaj Tewari**  
**Director**  
 DIN: 08006533



**Kamal Dua**  
**Chief Financial Officer**



**Swati Batra**  
**Company Secretary**

Place: Gurugram

Date: May 14, 2020

**Bharti Hexacom Limited**  
**Statement of changes in equity**  
*(All amounts are in millions of Indian Rupee; unless otherwise stated)*

	Equity Share capital		Other equity - Reserves and surplus				Total equity	
	No of shares (in '000)	Amount	Securities premium	Retained earnings	General reserve	Capital Reserve		Total
<b>As of April 1, 2018</b>	250,000	2,500	1,040	60,453	900	-	62,393	<b>64,893</b>
Loss for the year	-	-	-	(7,220)	-	-	(7,220)	(7,220)
Other comprehensive income	-	-	-	3	-	-	3	3
<b>Total comprehensive loss</b>	-	-	-	(7,217)	-	-	(7,217)	(7,217)
<b>As of March 31, 2019</b>	250,000	2,500	1,040	53,236	900	-	55,176	<b>57,676</b>
Transition impact on adoption of Ind AS 116 (refer note 32)	-	-	-	(1,182)	-	-	(1,182)	(1,182)
<b>As of April 01, 2019</b>	250,000	2,500	<b>1,040</b>	52,054	<b>900</b>	-	<b>53,994</b>	<b>56,494</b>
Loss for the year	-	-	-	(27,165)	-	-	(27,165)	(27,165)
Other comprehensive loss	-	-	-	(2)	-	-	(2)	(2)
<b>Total comprehensive loss</b>	-	-	-	(27,167)	-	-	(27,167)	(27,167)
Business combination (refer note 4(ii))	-	-	-	-	-	873	873	873
<b>As of March 31, 2020</b>	250,000	2,500	1,040	24,887	900	873	27,700	<b>30,200</b>

The accompanying notes 1 to 35 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)

  
**Vishal H. Lahoti**  
Partner  
Membership No: 130054

For and on behalf of the Board of Directors of Bharti Hexacom Limited

  
**Nidhi Lauria**  
Chief Executive Officer

  
**Badal Bagri**  
Director  
DIN: 00367278

  
**Pankaj Tewari**  
Director  
DIN: 08006533

  
**Kamal Dha**  
Chief Financial Officer

  
**Swati Batra**  
Company Secretary

Place: Gurugram

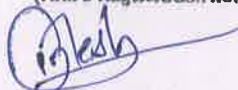
Date: May 14, 2020

**Bharti Hexacom Limited**  
**Cash Flow Statement**  
*(All amounts are in millions of Indian Rupee)*

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Cash flows from operating activities</b>		
Loss before tax	(34,340)	(11,220)
<b>Adjustments for:</b>		
Depreciation and amortisation expense	12,497	10,087
Finance costs	5,168	2,475
Finance income	(117)	(73)
Exceptional items (net)	21,873	(1,089)
Loss on sale of property, plant and equipment	-	12
Other non-cash items	(270)	636
<b>Operating cash flow before changes in working capital</b>	<b>4,803</b>	<b>820</b>
<b>Changes in working capital:</b>		
Trade receivables	(1,036)	(178)
Trade payables	1,896	6,932
Inventories	(1)	91
Provisions	(8,478)	17
Other financial and non-financial liabilities	2,491	1,132
Other financial and non-financial assets	(2,616)	(3,014)
<b>Net cash (used in) / generated from operations before tax</b>	<b>(2,941)</b>	<b>5,800</b>
Income tax paid - net	(218)	(874)
<b>Net cash (used in) / generated from operating activities (a)</b>	<b>(3,159)</b>	<b>4,926</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,678)	(10,150)
Proceeds from sale of property, plant and equipment	89	52
Purchase of intangible assets	(21)	(1,576)
Movement in current investments (net)	(6,190)	-
Interest received	44	17
<b>Net cash used in investing activities (b)</b>	<b>(10,756)</b>	<b>(11,657)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	49,469	28,669
Repayment of borrowings	(36,152)	(21,165)
Net proceeds from short-term borrowings	9,790	253
Interest and other finance charges paid	(3,070)	(2,162)
Payment of lease liabilities	(1,395)	-
<b>Net cash generated from financing activities (c)</b>	<b>10,642</b>	<b>5,595</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year (a+b+c)</b>	<b>4,727</b>	<b>(1,136)</b>
Add : Cash and cash equivalents as at the beginning of the year	(4,755)	(3,619)
<b>Cash and cash equivalents as at the end of the year (refer note 13)</b>	<b>(28)</b>	<b>(4,755)</b>

The accompanying notes 1 to 35 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 Hexacom Limited



**Nidhi Luria**  
**Chief Executive Officer**



**Badal Bagri**  
**Director**  
 DIN: 00367278



**Kamal Dua**  
**Chief Financial Officer**



**Pankaj Tewari**  
**Director**  
 DIN: 08006533



**Syed Batra**  
**Company Secretary**

Place: Gurugram

Date: May 14, 2020

**1. Corporate information**

Bharti Hexacom Limited ('the Company' or 'BHL') is domiciled and incorporated in India as a public limited company. The registered office of the Company is situated at Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase – II, New Delhi – 110070.

The Company's principal shareholders are Bharti Airtel Limited and Telecommunications Consultants India Limited. BHL is providing Cellular Mobile Telephony Services ('CMTS') in the telecom circle of North-East and Unified Access Service ('UAS') in the telecom circle of Rajasthan in terms of license granted by the Department of Telecommunications ('DoT'), Government of India ('GoI'). Pursuant to the expiry of the CMTS License of North East circle on December 11, 2015 and UAS License of Rajasthan circle on April 20, 2016 the Company has migrated to Unified License ('UL') on July 24, 2015 with service authorization for Access Services in North East Service Area from December 12, 2015 and Rajasthan service area from April 22, 2016."

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

These 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 Company incurred a net loss for the financial year ended March 31, 2020 of Rs. 27,167 (2018-19: Rs. 7,217) and as at that date, the current liabilities exceeded its current assets by Rs. 65,801 (2018-19: Rs. 42,489) which includes deferred revenue of Rs. 2,649 (2018-19: Rs. 2,047).

Management has undertaken various initiatives to improve the profitability including tariff increase on pre-paid plans, launch of minimum subscription plans, reduction of pass through charges, reframing of Spectrum to 4G for efficient usage alongwith exploring sale of non-core assets. Given its profile and past experience; Management has raised net incremental funding of Rs. 22,495 during the year and further expects that it will be able to access various sources of funds (viz. banks / debt market / shareholders as deemed fit) as and to the extent required.

In view of above, 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 and lenders as and when required in the future.

The financial statements are approved for issue by the Company's Board of Directors on May 14, 2020.

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**Bharti Hexacom Limited**  
**Notes to Financial Statements**  
*(All amounts are in millions of Indian Rupee; unless stated otherwise)*

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 Rupee ('Rupee' or 'Rs.') and are rounded to the nearest million, except per share data and unless stated otherwise. Amount less than a million, 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 in case of adoption of any new standards and/or amendments during the year.

To provide more reliable and relevant information about the effect of certain items in the Balance Sheet and Statement of Profit and Loss, the Company has changed the classification of certain items. Previous year figures have been re-grouped or reclassified, to confirm to such current year's grouping / classifications. There is no impact on Equity or Net Loss due to these regrouping / reclassifications.

#### **New Standards and amendments adopted during the year**

The Company has applied the following Standards and amendments for the first time for their annual reporting period commencing April 01, 2019:

- Ind AS 116, Leases
- Amendment to Ind AS 12, Income Taxes
- Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments

#### **Ind AS 116, Leases**

MCA had notified Ind AS 116 'Leases' effective for annual reporting periods beginning on or after April 01, 2019. The Company has applied Ind AS 116 using the modified retrospective approach. The Company elected to apply the practical expedient included in Ind AS 116 and therefore retained its existent assessment under Ind AS 17 as to whether a contract entered or modified before April 01, 2019 contains a

lease. Refer note 2.10 for accounting policy on 'leases' and note 32 for impact of adoption of Ind AS 116 and other disclosures on leases.

#### Amendment to Ind AS 12, Income Taxes

MCA had notified Amendment to Ind AS 12, Income taxes, effective for annual reporting periods beginning on or after April 01, 2019. As per the amendment, an entity shall recognise the income tax consequences of dividends when it recognises a liability to pay a dividend and shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The amendment does not have a material impact on the financial statements of the Company in addition to what the Company has already recorded/ disclosed.

#### Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments:

MCA had notified Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments, effective for annual reporting periods beginning on or after April 01, 2019. Appendix C to Ind AS 12 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12, Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Appendix C to Ind AS 12 addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company has applied Appendix C to Ind AS retrospectively with the cumulative effect of initial application recognised at the date of initial application.

Upon application of Appendix C to Ind AS 12, the Company considered whether it has any uncertain tax positions. The Company's tax filings include deductions and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. Appendix C to Ind AS 12 does not have any material impact on the financial statements of the Company in addition to what the Company has already recorded/ disclosed.

#### 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 (refer note 2.9).

#### Fair value measurement

Fair value is the price at the measurement date, at which an asset can be sold or a liability can be transferred, in an orderly transaction between market participants. The Company's accounting policies require, measurement of certain financial instruments 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 instruments / 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 Business combinations

The Company accounts for business combinations using the acquisition method of accounting, and accordingly, the identifiable assets acquired and the liabilities assumed in the business are recorded at their acquisition date fair values (except certain assets and liabilities which are required to be measured as per the applicable standard). The consideration transferred for the acquisition of a business is aggregation of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company in exchange for control of the business.

The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration transferred is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is subsequently measured at fair value with changes in fair value recognised in statements of profit or loss. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Acquisition-related costs are expensed in the period in which the costs are incurred.

If the initial accounting for a business combination is incomplete as at the reporting date in which the combination occurs, the identifiable assets and liabilities acquired in a business combination are measured at their provisional fair values at the date of acquisition. Subsequently adjustments to the provisional values are made retrospectively within the measurement period, if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date or would have resulted in the recognition of those assets and liabilities as of that date; otherwise the adjustments are recorded in the period in which they occur.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or amount initially recognised less, when appropriate, cumulative income recognised in accordance with Ind AS 115 "Revenue from Contracts with Customers".

#### 2.4 Foreign currency transactions

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

Transactions in foreign currencies are initially recorded in the relevant functional currency at the exchange rate 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 income / finance costs. 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.

#### 2.5 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

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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.

#### 2.6 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), asset retirement obligations (refer note 2.15 (b)) 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 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 Company has established the estimated range of useful lives for different categories of PPE as follows:

**Bharti Hexacom Limited**  
**Notes to Financial Statements**  
*(All amounts are in millions of Indian Rupee; unless stated otherwise)*

<b>Categories</b>	<b>Years</b>
Building	20
Building on leased land	Lease term or 20 years, whichever is less
Leasehold improvements	Lease term or 20 years, whichever is less
Plant and equipment	
- Network equipment (including passive infrastructure)	3 – 25
- Customer premise equipment	3 – 5
Computers / servers	3 – 5
Furniture & fixtures and office equipments	2 – 5
Vehicles	3 – 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 cost of capital work-in-progress ('CWIP') is presented separately in the balance sheet.

## **2.7 Intangible assets**

Intangible assets are recognised when the Company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Company and the cost of the asset can be measured reliably.

The intangible assets are initially recognised at cost. These assets having finite useful life are carried at cost less accumulated amortisation and any impairment losses. Amortisation is computed using the straight-line method over the expected useful life of intangible assets.

The Company has established the estimated useful lives of different categories of intangible assets as follows:

### **a. Software**

Software are amortised over the period of license, generally not exceeding five years.

**b. Licenses (including spectrum)**

Acquired licenses and spectrum are amortised commencing from the date when the related network is available for intended use in the relevant jurisdiction. The useful lives ranges upto twenty years.

The revenue-share based fee on licenses / spectrum is charged to the statement of profit and loss in the period such cost is incurred.

**c. Other acquired intangible assets**

Other acquired intangible assets include the following:

**Non-competite fee:** Over the period of the agreement which ranges upto five years.

The useful lives and amortisation method are reviewed, and adjusted appropriately, at-least at each financial year end so as to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives and / or amortisation method is accounted for prospectively, and accordingly the amortisation is calculated over the remaining revised useful life.

Further, the cost of intangible assets under development includes the amount of spectrum allotted to the Company and related costs (including borrowing costs that are directly attributable to the acquisition or construction of qualifying assets (refer note 6), if any, for which services are yet to be rolled out and are presented separately in the balance sheet.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

**2.8 Impairment of non-financial assets**

**PPE and intangible assets**

PPE (including CWIP), Right-of-use assets ('ROU') and intangible assets with definite lives, are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Intangible assets under development is tested for impairment, at-least annually and whenever circumstances indicate that it may be impaired.

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

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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.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

#### **Reversal of impairment losses**

Impairment losses are reversed in 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 previously.

### **2.9 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 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) and dividend income from FVTPL is recognised in the statement of profit and loss within finance income 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 months, 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**

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 the statement of profit and loss.

#### **2.10 Leases**

The Company, at the inception of a contract, assesses the contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

##### **Company as a lessee**

On initial application of Ind AS 116, the Company recognised a lease liability measured at the present value of all the remaining lease payments, discounted using the lessee's incremental borrowing rate at April 1, 2019 whereas the Company has elected to measure right-of-use asset at its carrying amount as if Ind AS 116 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at April 1, 2019.

For new lease contracts, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the Balance Sheet. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate (as the rate implicit in the lease cannot be readily determined). Lease liabilities include the net present value of fixed payments (including any in-substance fixed payments) and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments including or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero and there is a further reduction in the measurement of the lease liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date and any initial direct costs less any lease incentives received.

Subsequent to initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the



underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying asset.

In the Balance Sheet, the right-of-use assets and lease liabilities are presented separately. In the statement of profit and loss, interest expense on lease liabilities are presented separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which are presented separately in the statement of profit or loss. In the statement of cash flows, cash payments for the principal portion of lease payments and the interest portion of lease liability are presented as financing activities, and short-term lease payments and payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability, if any, as operating activities.

When a contract includes lease and non-lease components, the Company allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

#### **Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of twelve months or less and leases of low value assets. The Company recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Company as a lessor**

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies Ind AS 115 'Revenue from Contracts with Customers' to allocate the consideration under the contract to each component.

The Company enters into 'Indefeasible right to use' ('IRU') arrangements wherein the right to use the assets is given over the substantial part of the asset life. However, as the title to the assets and the significant risks

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associated with the operation and maintenance of these assets remains with the Company, 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.

#### 2.11 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 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.

The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation. The Company considers whether it is probable that a taxation authority will accept an uncertain tax treatment. If the Company concludes it is probable that the taxation authority will accept an uncertain tax treatment, it determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity reflects the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates.

##### b. Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets/ liabilities recognised for temporary differences arising from a business combination, affect the amount of goodwill or the bargain purchase gain that the Company recognises. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is 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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 Company considers the projected future taxable income and tax planning strategies in making this assessment.

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 asset is realised or the 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.

#### **2.12 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 / Securities premium**

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.

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

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#### 2.14 Employee benefits

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

##### a. Defined contribution plans

The contributions to defined contribution plans are recognised in 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 recognised 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 benefits 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 benefits 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 recognised in the statement of profit and loss in the period in which they arise.

## 2.15 Provisions

### a. General

Provisions are recognised 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 (if the impact of discounting is significant), using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to un-winding of interest over passage of time is recognised within finance costs.

### b. Asset retirement obligations (ARO)

ARO are recognised for those operating lease arrangements where the Company has an obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation and are recognised as part of the cost of that particular asset. The estimated future costs of decommissioning are reviewed annually and any changes in the estimated future costs or in the discount rate applied are adjusted from the cost of the asset.

## 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

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

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principal, the consideration to which the Company is entitled is determined to be that received from the intermediary.

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 usage, subscription and customer onboarding charges for voice, data, messaging and value added services. It also includes revenue from interconnection / roaming charges for usage of the Company's network by other operators for voice, data, messaging and signaling services.

Telecommunication services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the Company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

The Company recognises revenue from these services as they are provided. Revenue is recognised based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services to be provided. Subscription charges are recognised over the subscription pack validity period. Customer onboarding revenue is recognised upon successful onboarding of customer i.e. upfront. Revenues in excess of invoicing are classified as unbilled revenue while invoicing / collection in excess of revenue are classified as deferred revenue / advance from customers.

Service revenues also includes revenue from interconnection / roaming charges for usage of the Company's network by other operators for voice, data, messaging and signaling services. These are recognised upon transfer of control of services over time.

Certain business services revenues include revenue from registration and installation, which are amortised over the period of agreement since the date of activation of service.

**b. Costs to obtain or fulfil a contract with a customer**

The Company incurs certain costs to obtain or fulfill contracts with customers viz. intermediary commission, etc. During the current year, the Company has estimated that the average customer life derived from customer churn rate is longer than 12 months and hence the Company has started deferral of such costs. Such costs are thus recognized over the average expected customer life.

**c. Interest income**

The interest income is recognised using the EIR method. For further details, refer note 2.9.

**2.18 Government grants**

Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

**2.19 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 in the period in which they are incurred.

**2.20 Exceptional items**

Exceptional items refer to items of income or expense within the statement of profit and loss from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Company.

**2.21 Non-operating expense**

Non-operating expense comprises regulatory levies applicable to finance income.

**2.22 Dividends paid**

Dividend to shareholders is recognised as a liability and deducted from equity, in the year in which the dividends are approved by the shareholders. However, interim dividends declared by the Board of directors, which does not need shareholders' approval, are recognised as a liability and deducted from retained earnings, in the year in which the dividends are so declared.

**2.23 Earnings per share ('EPS')**

The Company presents the Basic and Diluted EPS.

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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.

### 3. Key sources of estimation uncertainties and Critical 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 year in which they become known.

#### 3.1 Key sources of estimation uncertainties

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. Taxes

Deferred tax assets are recognised for the unused tax losses and minimum alternate 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 recognised, based upon the likely timing and the level of future taxable profits, future tax planning strategies and recent business performances and developments.

##### 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



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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

**c. Contingent Liabilities**

The Company is involved in various legal, tax and regulatory matters, the outcome of which may not be favourable 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.

**3.2 Critical judgement's in applying the Company's accounting policies**

**a. Revenue recognition and presentation**

The Company assesses its revenue arrangements in order to determine if it is acting as a principal or as an agent by determining whether it has primary obligation basis pricing latitude and exposure to credit / inventory risks associated with the sale of goods / rendering of services.

In the said assessment, both the legal form and substance of the agreement are reviewed to determine each party's role in the transaction.

**b. Separating lease and non-lease components**

The consideration paid by the Company in telecommunication towers lease contracts include the use of land and passive infrastructure as well as maintenance, security, provision of energy services etc. Therefore in determining the allocation of consideration between lease and non-lease components, for the additional services that are not separately priced, the Company performs analysis of cost split to arrive at relative stand-alone prices of each of the components. The bifurcation of the consideration paid (excluding energy) between lease versus non-lease component across the Company has been accordingly considered at 60% as lease component on an overall basis.

**c. Determining the lease term**

Under Ind AS 116 if it is reasonably certain that a lease will be extended / will not be early terminated, the Company is required to estimate the expected lease period which may be different from the contractual tenure. The Company has various tower lease agreements with a right to extend / renew / terminate wherein it considers the nature of the contractual terms and economic factors to determine the lease term. After assessing such factors, the lease liability has been calculated using the remaining lease period until which significant exit penalties are payable.

**d. Determining the incremental borrowing rate for lease contracts**

The initial recognition of lease liabilities at present value requires the identification of an appropriate discount rate. The Company has determined the incremental borrowing rate based on considerations specific to the leases by taking consideration of the risk free borrowing rates as adjusted for country / company specific risk premiums (basis the readily available data points).

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4. Significant transactions / new developments

- i. On October 24, 2019, the Hon'ble Supreme Court of India delivered a judgement in relation to a long outstanding industry-wide case upholding the view of the Department of Telecommunications ('DoT') in respect of the definition of Adjusted Gross Revenue ('AGR') ("Court Judgement"). The Hon'ble Supreme Court in a Supplementary Order of the same date directed the affected parties to pay amounts due to DoT within a period of three months, which ended on January 23, 2020.

Subsequent to the Court Judgment, DoT had issued letters dated November 13, 2019 and February 3, 2020 to the Group to carry out own-assessment of the liability and afforded certain guidelines/clarifications to compute the amounts payable based on the Hon'ble Supreme Court Judgment. Accordingly, in February 2020, the Group based on its interpretation and assessment of the guidelines/clarifications, and the principles laid down in the Court Judgment, made payments aggregating Rs. 8,470 to the DoT, and an additional Rs. 500 as a deposit (subject to subsequent refund/ adjustment) to cover differences resulting from re-verification /reconciliation by DoT.

On March 16, 2020, the DoT had filed an application with respect to giving reasonable time to the affected parties (a period of 20 years with 8% interest on unpaid amounts to duly protect the net present value) and to cease the currently applicable interest after a particular date. The Hon'ble Supreme Court, in a hearing on March 18, 2020, ordered that no exercise of self-assessment/ re-assessment is to be done and the dues which were placed before the Court have to be paid including interest and penalty. At the same hearing, the Hon'ble Supreme Court stated that the DoT application would be considered on the next date of hearing, which is pending disposal.

In the absence of any potential reliefs, without prejudice, and given the matter is still being considered by the Hon'ble Supreme Court as stated above, the Company has, on the basis of demands received and the period for which demands have not been received having regard to assessments carried out in earlier years and the guidelines/clarifications, provided for, in respect of License Fees, an additional amount of Rs.9,467 (comprising of Principal of Rs. 2,400 (upto September 30, 2019) and applicable penalty thereon of Rs. 1,270, and, on such unpaid amounts, interest of Rs. 3,677 and interest on penalty of Rs. 2,120 upto March 31, 2020 and in respect of Spectrum Usage Charges, an amount of Rs. 9,242 (comprising of Principal of Rs. 2,710 (upto September 30, 2019) and applicable penalty thereon of Rs. 1,100, and, on such unpaid amounts, interest of Rs. 3,915 and interest on penalty of Rs. 1,517 upto March 31, 2020 as a charge to the Statement of profit and loss and disclosed as an exceptional item. From September, 2019, the License Fees/Spectrum Usage Charges have been accounted for considering the effect of the Court Judgment, and reflected accordingly in the Statement of profit and loss (refer note 28 (i)(a)).

- ii. During the last quarter of the year, the Company has issued and listed its commercial papers (CPs) valued Rs 26,150 on National Stock Exchange out of which Rs. 16,150 of CP's are outstanding as at March 31, 2020. The listing is pursuant to SEBI circulars SEBI/HO/IMD/DF2/CIR/P/2019/104 dated

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October 1, 2019 and SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated October 22, 2019 which prohibit mutual fund schemes to invest in unlisted debt instruments including CPs.

- iii. During the year ended March 31, 2020, the company gave effect to the merger of relevant consumer mobile businesses of Tata Teleservices Limited ('TTSL') with the Company, on July 1, 2019 (being the effective and appointed date of the Scheme of Arrangement under section 230 to section 232 of the Companies Act, 2013). As part of the said transaction, the company is indemnified for the ramifications of past liabilities (viz. for the period prior to the completion of the transaction). Considering that the said merger has been completed and as a consequence of the Court Judgement, the incremental liabilities of TTSL pertaining to AGR as per the estimates available have been recorded in the books of the Company with a corresponding indemnity asset for the same. As the said incremental liabilities pertains to the period before the acquisition, TTSL reserve their rights as available to them under law to take appropriate action vis-à-vis the authorities.

The Company, on the basis of the TDSAT orders directing the operationalization of the spectrum and taking all consequent actions, and based on the final approval by Tribunal and Registrar of Companies believes that the required approvals were in place for the Scheme to be effective. Accordingly, the said merger is accounted for in accordance with Ind AS 103, 'Business Combinations'. Consequently, the excess of net assets over purchase consideration, amounting to Rs. 873 has been recognized as Capital reserve, a component of equity. While the merger is completed in the books of the Company, the same has also been taken on record by the DoT on February 6, 2020.

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**Bharti Hexacom Limited**  
**Notes to Financial Statements**  
*(All amounts are in millions of Indian Rupee; unless stated otherwise)*

The summarised aggregated financial information of TTSL is as follows:

<b>A. Consideration paid*</b>	0
<b>B. Net assets acquired</b>	
<b>Non-current assets</b>	
Property, plant and equipment	7
Right-of-use assets	1,173
Other intangible assets	656
Others	60
<b>Current assets</b>	
Indemnification assets	4,009
Others#	242
<b>Total Assets (a)</b>	<b>6,147</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities	102
Other non current liabilities@	1,985
<b>Current liabilities</b>	
Borrowings	902
Provisions@	2,079
Others\$	206
<b>Total Liabilities (b)</b>	<b>5,274</b>
<b>Net assets acquired (a-b)</b>	<b>873</b>

\*487 redeemable preference shares of Rs. 100 each

# mainly includes goods and service tax input credit

@mainly includes regulatory dues

\$ mainly includes trade payable and advances

- iv. The Company elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Act, 2019 to pay taxes at a lower rate subject to certain conditions. Accordingly, the Company has recognised provision for income tax and re-measured its deferred tax assets basis the rate prescribed in said section (refer note 9).

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**Bharti Hexacom Limited**  
**Notes to Financial Statements**  
*(All amounts are in millions 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 Property, plant and equipment for the years ended March 31, 2020 and 2019:

	Leasehold improvement	Building	Leasehold land	Plant and machinery	Furniture & fixture	Vehicles	Office equipment	Computer and servers	Total
<b>Gross carrying value</b>									
<b>As of April 1, 2018</b>	89	156	68	61,370	67	3	169	152	62,074
Additions / capitalisation	-	-	-	12,211	2	-	12	13	12,238
Disposals / adjustment	-	-	-	(908)	-	-	-	(27)	(935)
<b>As of March 31, 2019</b>	89	156	68	72,673	69	3	181	138	73,377
<b>As of April 1, 2019</b>	89	156	68	72,673	69	3	181	138	73,377
Transition impact on adoption of Ind AS 1165	-	-	(66)	(48)	-	-	-	-	(114)
<b>Adjusted balance as of April 1, 2019</b>	89	156	-	72,605	69	3	181	138	73,241
Additions / capitalisation	-	-	-	10,472	6	-	20	82	10,580
Acquisition through Business Combinations @	-	-	-	7	-	-	-	-	7
Disposals / adjustment	-	-	-	(2,277)	(1)	-	(3)	-	(2,281)
<b>As of March 31, 2020</b>	89	156	-	80,807	74	3	198	220	81,547
<b>Accumulated depreciation</b>									
<b>As of April 1, 2018</b>	83	74	10	36,002	52	2	121	112	36,456
Charge *	1	6	1	6,149	5	0	15	27	6,206
Disposals / adjustment	-	-	-	(890)	-	-	-	(27)	(917)
<b>As of March 31, 2019</b>	84	82	11	41,261	57	2	136	112	41,745
<b>As of April 1, 2019</b>	84	82	11	41,261	57	2	136	112	41,745
Transition impact on adoption of Ind AS 1165	-	-	(11)	(5)	-	-	-	-	(16)
<b>Adjusted balance as of April 1, 2019</b>	84	82	-	41,256	57	2	136	112	41,729
Charge *	1	7	-	8,409	4	-	15	28	8,464
Disposals / adjustment	-	-	-	(867)	(1)	-	(3)	-	(871)
<b>As of March 31, 2020</b>	85	89	-	48,778	60	2	148	140	49,302
<b>Net carrying value</b>									
<b>As of March 31, 2019</b>	5	74	57	31,412	12	1	45	26	31,632
<b>As of April 1, 2019</b>	5	74	-	31,349	12	1	45	26	31,512
<b>As of March 31, 2020</b>	4	67	-	32,029	14	1	50	80	32,245

\* Refer note 32, @ refer note 4(iii)

\* It includes exceptional item of Rs. 1,484 and Rs. 66 with respect to plant and equipment for the year ended March 31, 2020 and 2019. [refer note 28(i)(b) and (ii)(a)].

The carrying value of the capital work in progress as at March 31, 2020 and 2019 is Rs. 1,104 and Rs. 1,619, respectively, which mainly pertains to plant and equipment.

The Company has capitalised borrowing cost of Rs. 6 and Rs. Nil during the year ended March 31, 2020 and 2019 respectively.

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**Bharti Hexacom Limited**  
**Notes to Financial Statements**

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

**Change in useful life**

During the year ended March 31, 2020, the Company has reassessed useful life of certain categories of network assets due to technological developments and accordingly has revised the estimate of its useful life in respect of those assets. The impact of above change on the depreciation charge for the current and future years are as follows:

	For the year ended				Future period till end of life
	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	
Impact on depreciation charge	1,484	(324)	(285)	(238)	(637)

**6. Intangible assets**

The following table presents the reconciliation of changes in the carrying value of intangible assets and intangible assets under development for the years ended March 31, 2020 and 2019:

	Software	Bandwidth	Licenses (including spectrum)	Other acquired intangibles	Total
<b>Gross carrying value</b>					
As of April 1, 2018	12	7,951	63,975	41	71,979
Additions / capitalisation	-	1,575	1,789	-	3,364
As of March 31, 2019	12	9,526	65,764	41	75,343
Transition impact on adoption of Ind AS 116\$	-	(9,526)	-	-	(9,526)
<b>Adjusted balance as of April 1, 2019</b>	12	-	65,764	41	65,817
Additions / capitalisation	-	-	19	-	19
Acquisition through Business Combinations@	-	-	652	4	656
As of March 31, 2020	12	-	66,435	45	66,492
<b>Accumulated amortisation</b>					
As of April 1, 2018	12	3,647	7,067	38	10,764
Charge	-	610	3,334	3	3,947
As of March 31, 2019	12	4,257	10,401	41	14,711
Transition impact on adoption of Ind AS 116\$	-	(4,257)	-	-	(4,257)
<b>Adjusted balance as of April 1, 2019</b>	12	-	10,401	41	10,454
Charge	-	-	3,402	1	3,403
As of March 31, 2020	12	-	13,803	42	13,857
<b>Net Carrying Amount</b>					
As of March 31, 2019	-	5,269	55,363	-	60,632
As of April 1, 2019	-	-	55,363	-	55,363
As of March 31, 2020	-	-	52,632	3	52,635

\$ refer note 32

@refer note 4(iii)

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**Bharti Hexacom Limited**  
**Notes to Financial Statements**  
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Weighted average remaining amortisation period of license as of March 31, 2020 and March 31, 2019 is 15.62 years and 16.67 years, respectively.

During the year ended March 31, 2020 and 2019 the Company has capitalized borrowing cost of Rs. Nil and Rs. 2 respectively.

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**Bharti Hexacom Limited**  
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**7. Investments**

**Non-current**

	As of			
	March 31, 2020		March 31, 2019	
	No. of units	Cost	No. of units	Cost
Government securities (NSC)	1	0	1	0
	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>

**Current**

	As of	
	March 31, 2020	March 31, 2019
	<b>Investment at FVTPL</b>	
Mutual funds (quoted)	6,254	-
	<b>6,254</b>	<b>-</b>
<i>Aggregate book value of unquoted investments</i>	0	0
<i>Aggregate book value of quoted investments</i>	6,254	-
<i>Aggregate market value of quoted investments</i>	6,254	-

**8. Financial assets – others**

**Non-current**

	As of	
	March 31, 2020	March 31, 2019
	Margin money deposit	0
	<b>0</b>	<b>0</b>

**Current**

	As of	
	March 31, 2020	March 31, 2019
	Unbilled Revenue (refer note 21)	453
Interest accrued on investments	18	9
Indemnification assets*	7,575	-
Others@	21	8
	<b>8,067</b>	<b>554</b>

\*pursuant to merger with TTSL (refer note 4(iii)).

@mainly includes claim receivables.

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**Bharti Hexacom Limited**  
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**9. Income taxes**

The major components of Income Tax Credit are:

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Current income tax</b>		
- For the year	-	-
- Adjustments for prior periods	-	-
<b>Deferred tax</b>		
- Origination & reversal of temporary differences	(8,644)	(3,918)
- Effect of change in tax rate (refer note 4(iv))	1,268	-
- Adjustments for prior periods	193	(90)
	<u>(7,183)</u>	<u>(4,008)</u>
<b>Income tax (credit)</b>	<b>(7,183)</b>	<b>(4,008)</b>

**Statement of Other Comprehensive Income**

Deferred tax related to items charged or credited to Other Comprehensive Income during the year:

Re-measurement (gains) / losses on defined benefit plans	(1)	2
<b>Deferred Tax (credited) / charged to other comprehensive Income</b>	<b>(1)</b>	<b>2</b>

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, 2020	March 31, 2019
Loss before tax	(34,348)	(11,228)
Tax credit @ company's domestic tax rate of 25.168% / 34.944%	(8,644)	(3,924)
Effect of:		
Effect of changes in tax rate (refer note 4(iv))	1,268	-
Adjustments in respect to previous years	193	(90)
Expense not deductible (net)	-	6
<b>Income tax credit</b>	<b>(7,183)</b>	<b>(4,008)</b>

The analysis of deferred tax assets / (liabilities) is as follows:

	As of	
	March 31, 2020	March 31, 2019
<b>Deferred tax asset / (liabilities)</b>		
Provision for impairment of debtors / advances	479	650
Employee benefits	20	27
Lease rent equalization	-	443
Fair valuation of financial instruments and exchange differences	-	277
Depreciation / amortisation on property, plant and equipment / intangible assets	156	(1,526)
Government Grants	427	-
Rates and Taxes	286	-
Carry forward losses	10,246	4,075
<b>Net deferred tax asset</b>	<b>11,614</b>	<b>3,946</b>

**Bharti Hexacom Limited**  
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	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Deferred tax income / (expense)</b>		
Provision for impairment of debtors / advances	(239)	245
Carry forward losses	6,171	3,934
Employee benefits	(8)	29
Lease rent equalisation	-	(8)
Fair valuation of financial instruments and exchange differences	(277)	62
Depreciation / amortisation on property, plant and equipment / intangible assets	823	(165)
Government Grant	427	-
Rates and Taxes	286	-
Others	-	(89)
<b>Net deferred tax income</b>	<b>7,183</b>	<b>4,008</b>

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

	<b>As of</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Opening balance</b>	<b>3,946</b>	<b>823</b>
Tax credit recognised in statement of profit or loss	7,183	4,008
Tax credit / (expense) recognised in OCI	1	(2)
Tax income recognised in equity on transition impact of Ind AS 116	586	-
Deferred taxes arising on business combination	(102)	-
Adjustment for prior periods	-	(883)
<b>Closing balance</b>	<b>11,614</b>	<b>3,946</b>

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward tax losses / credits (including capital losses) can be utilised. Accordingly, the company has not recognised deferred tax assets in respect of business combination losses and unabsorbed depreciation in relation to Tata Tele Services Limited amounting to Rs. 2,965 (including Rs. 1,941 towards unabsorbed depreciation) as of March 31, 2020 as the availability of same is subject to completion of assessment on losses as it is not probable that relevant taxable profits will be available in future.

The expiry schedule of the above mentioned losses is as follows:

<b>Expiry date</b>	<b>As of</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Within five years	570	-
Above five years	454	-
Unlimited	1941	-

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**Bharti Hexacom Limited**  
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**10. Other non-financial assets**

**Non-current**

	As of	
	March 31, 2020	March 31, 2019
Advances (net)*	221	1,323
Costs to obtain a contract with the customer (refer note 21)	224	-
Capital Advance	-	34
Taxes Recoverable#	2,631	956
Prepaid expenses	4,384	-
Indemnification assets^	1,930	-
Rent equalisation	135	171
Others	18	108
	<b>9,543</b>	<b>2,592</b>

**Current**

	As of	
	March 31, 2020	March 31, 2019
Taxes recoverable#	8,658	6,789
Advances to Suppliers (net)**	651	1,236
Prepaid expenses	765	96
Deposit with government authorities\$	500	-
Costs to obtain a contract with the customer (refer note 21)	151	-
Others@	4	18
	<b>10,729</b>	<b>8,139</b>

\* Advances represent payments made to various Government authorities under protest and are disclosed net of provision.

# Taxes recoverable primarily include goods & service tax ('GST') and customs duty.

^ pursuant to merger with TTSL (refer note 4(iii)).

\*\* Advance to Suppliers are disclosed net of provision of Rs. 91 and Rs. 57 as of March 31, 2020 and March 31, 2019, respectively.

\$ It represents deposits made with DOT towards the AGR matter (refer note 4(i)).

@ It includes employee receivables which principally consist of advances given for business purpose.

**11. Trade receivables**

	As of	
	March 31, 2020	March 31, 2019
Trade Receivable considered good - unsecured*	3,770	2,554
Less: Allowances for doubtful receivables	(1,487)	(1,551)
	<b>2,283</b>	<b>1,003</b>

\* It includes amount due from related parties. (refer note 31)  
Refer note 33 1 (iv) for credit risk

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**Bharti Hexacom Limited**  
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**Movement in allowances for doubtful debts is as follows:**

	For the year ended	
	March 31, 2020	March 31, 2019
Opening balance	1,551	872
(Written back) / Additions	(62)	680
Write off (net of recovery)	(2)	(1)
<b>Closing balance</b>	<b>1,487</b>	<b>1,551</b>

**12. Cash and cash equivalents ('C&CE')**

	As of	
	March 31, 2020	March 31, 2019
Balances with banks	140	23
Fixed deposits with banks	2,638	-
Cash on hand	1	1
	<b>2,779</b>	<b>24</b>

**13. Other bank balances**

	As of	
	March 31, 2020	March 31, 2019
Margin Money*	208	188
Term deposits with banks	98	106
	<b>306</b>	<b>294</b>
Less :- Interest accrued but not due (refer note 8)	18	9
	<b>288</b>	<b>285</b>

\*Margin money represents amount given as collateral for legal cases and / or bank guarantees for disputed matter and earmarked balances for dividend payouts.

For the purpose of Statement of cash flow, Cash and Cash equivalents are as following:-

	As of	
	March 31, 2020	March 31, 2019
Cash and cash equivalents as per Balance Sheet	2,779	24
Less: Bank overdraft (refer note 15)	(2,807)	(4,779)
	<b>(28)</b>	<b>(4,755)</b>

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Bharti Hexacom Limited  
Notes to Financial Statements  
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14. Share Capital & other equity

	As of	
	March 31, 2020	March 31, 2019
<b>Authorised shares</b>		
250,000,000 (March 31, 2019- 250,000,000) equity shares of Rs 10 each	2,500	2,500
<b>Issued, Subscribed and fully paid-up shares</b>		
250,000,000 (March 31, 2019- 250,000,000) equity shares of Rs 10 each	2,500	2,500
	<b>2,500</b>	<b>2,500</b>

a. Reconciliation of the equity shares outstanding at the beginning and at the end of the year

	For the year ended			
	March 31, 2020		March 31, 2019	
	No. of shares (in '000)	Amount	No. of shares (in '000)	Amount
At the beginning of the year	250,000	2,500	250,000	2,500
Issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>250,000</b>	<b>2,500</b>	<b>250,000</b>	<b>2,500</b>

b. 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.

c. Details of shares held by the holding company and shareholders (as per the register of shareholders) holding more than 5% shares in the Company

	As of			
	March 31, 2020		March 31, 2019	
	No of shares (in '000)	% holding	No of shares (in '000)	% holding
<b>Equity shares of Rs 10 each fully paid up</b>				
Bharti Airtel Limited, the holding company	175,000	70%	175,000	70%
Telecommunications Consultants India Limited	75,000	30%	75,000	30%

d. Reserve and Surplus

- Retained earnings:** Retained earnings represent the amount of accumulated earnings of the Company, re-measurement differences on defined benefit plans and any transfer from general reserve.
- General reserve:** The Company has transferred a portion of its profit before declaring dividend in respective prior years to general reserve, as stipulated under the erstwhile Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013 ('Act').

**Bharti Hexacom Limited**  
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- iii. **Capital reserve:** It pertains to capital reserve acquired pursuant to the scheme of arrangement under the Companies Act accounted under pooling of interest method and excess of purchase consideration over fair value of net assets (for certain business combinations).

**15. Borrowings**

**Non-current**

	As of	
	March 31, 2020	March 31, 2019
<b>Unsecured</b>		
Term loans	11,998	2,882
	<b>11,998</b>	<b>2,882</b>
Less: Interest accrued but not due (refer note 16)	(52)	(2)
Less: Current maturities of long-term borrowings	(1,500)	(2,880)
	<b>10,446</b>	-

**Current**

	As of	
	March 31, 2020	March 31, 2019
<b>Unsecured</b>		
Term loans	21,661	16,325
Commercial papers	15,536	5,447
Bank overdraft	2,807	4,779
	<b>40,004</b>	<b>26,551</b>
Less: Interest accrued but not due (refer note 16)	(41)	(17)
	<b>39,963</b>	<b>26,534</b>

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**Bharti Hexacom Limited**  
**Notes to Financial Statements**  
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**Analysis of borrowings**

The details given below are gross of debt origination cost.

**15.1 Maturity of borrowings, Interest rate and currency of borrowings**

Borrowings are at floating and fixed rate of interest. The table below summarises the maturity profile, interest rates and currency of borrowings of the Company's borrowings based on contractual undiscounted payments.

Borrowings	Rate of Interest (Weighted average)	As of March 31, 2020	Maturity Profile			Terms of repayment
			Within one year	between one and two years	between two and five years	
Term Loan	8.2%	18,086	18,086	-	-	Bullet payment payable on due date
Term Loan	8.6%	5,035	5,035	-	-	Bullet payment payable on due date
Term Loan	8.7%	5,000	-	5,000	-	Bullet payment payable on due date
Term Loan	8.3%	5,450	-	-	5,450	6 installments payable half yearly on due date
Commercial papers	7.0%	15,541	15,541	-	-	Bullet payment payable on due date
Bank overdraft	8.2%	2,807	2,807	-	-	Payable on due date
<b>Total</b>		<b>51,919</b>	<b>41,469</b>	<b>5,000</b>	<b>5,450</b>	

Borrowings	Rate of Interest (Weighted average)	As of March 31, 2019	Maturity Profile			Terms of repayment
			Within one year	between one and two years	between two and five years	
Term Loan	8.7%	10,900	10,900	-	-	Bullet payment payable on due date
Term Loan	9.0%	3,440	3,440	-	-	Bullet payment payable on due date
Term Loan	8.4%	2,880	2,880	-	-	1 installments payable annually & bullet payment payable on due date
Term Loan	9.7%	1,969	1,969	-	-	Bullet payment payable on due date
Commercial papers	7.9%	5,446	5,446	-	-	Bullet payment payable on due date
Bank overdraft	8.2%	4,779	4,779	-	-	Payable on due date
<b>Total</b>		<b>29,414</b>	<b>29,414</b>	-	-	

	Weighted average rate of Interest	Total Borrowings	Floating Rate Borrowings	Fixed Rate Borrowings
INR	8.2%	51,919	8,257	43,662
<b>March 31, 2020</b>		<b>51,919</b>	<b>8,257</b>	<b>43,662</b>
INR	8.7%	29,414	23,967	5,447
<b>March 31, 2019</b>		<b>29,414</b>	<b>23,967</b>	<b>5,447</b>

**15.2 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, 2020	March 31, 2019
Unsecured*	3,101	5,635
	<b>3,101</b>	<b>5,635</b>

\* excludes non-fund based facilities

*AM*



**Bharti Hexacom Limited**  
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**16 Financial Liabilities - Others**

**Non-current**

	As of	
	March 31, 2020	March 31, 2019
Lease rent equalisation	-	1,266
Payables against capital expenditure	704	1,723
Others	-	0
	<b>704</b>	<b>2,989</b>

**Current**

	As of	
	March 31, 2020	March 31, 2019
Payables against capital expenditure	8,570	2,935
Security deposits	244	248
Dues to employees	36	40
Interest accrued but not due	93	19
Others*	18	23
	<b>8,961</b>	<b>3,265</b>

\* It mainly includes payable against certain unclaimed liabilities with respect to distributors.

**17 Provisions**

**Non-current**

	As of	
	March 31, 2020	March 31, 2019
Asset retirement obligations	191	162
Gratuity	42	40
Other employee benefit plans	4	3
	<b>237</b>	<b>205</b>

**Current**

	As of	
	March 31, 2020	March 31, 2019
Gratuity	12	11
Other employee benefit plans	22	21
Sub-Judice matter*	20,310	2,110
	<b>20,344</b>	<b>2,142</b>

\*Provision related to AGR matter reclassified to provisions, earlier it was disclosed under trade payables.

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Refer note 23 for movement of provision towards various employee benefits.

The movement of provision towards assets retirement obligations is as below:

	<b>For the year ended</b>
	<b>March 31, 2020</b>
Opening Balance	162
Net (reversal) / additions	29
	<b>191</b>

The provision for asset retirement obligation is in relation to the site restoration related obligation arising from the land taken on leases and represent the management's best estimate of the costs which will be incurred in the future to meet the Company's obligation under these lease arrangements.

The movement of provisions towards sub-judice matters is as below (refer note 4(i)):

	<b>For the year ended</b>
	<b>March 31, 2020</b>
<b>Opening</b>	2,110
Provision made during the year#	26,719
Payment	(8,519)
<b>Closing</b>	<b>20,310</b>

#It includes provision of Rs. 7,575 towards AGR pursuant to merger with TTSL. The Company has recognised an indemnification asset towards the said provisions (refer note 4(iii) and 8).

**18 Other non-financial liabilities**

**Non-current**

	<b>As of</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Indemnification liabilities*	1,985	-
	1,985	-

\*pursuant to merger with TTSL (refer note 4(iii))

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**Bharti Hexacom Limited**  
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**Current**

	As of	
	March 31, 2020	March 31, 2019
Taxes payable*	1,570	1,123
	<b>1,570</b>	<b>1,123</b>

\* Taxes payable mainly pertains to Goods and service tax (GST) and payable towards sub-judice matters.

**19 Trade Payable**

	As of	
	March 31, 2020	March 31, 2019
Due to Micro and Small enterprises	11	3
Others*	16,380	13,800
	<b>16,391</b>	<b>13,803</b>

\* Trade payables includes dues to related parties (refer note 31) and payable towards sub-judice matters.

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**Bharti Hexacom Limited**  
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**Micro, small & medium enterprises development act 2006 ('MSMED') disclosure**

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

Sr No	Particulars	For the year ended	
		March 31, 2020	March 31, 2019
1	Principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	11	3
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	19	25
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;	-	-
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.	-	-

**20 Contingencies and commitments**

**(I) Contingent liabilities**

**Claims against the company not acknowledged as debt:**

	As of	
	March 31, 2020	March 31, 2019
(i) Taxes, Duties and Other demands (under adjudication / appeal / dispute)		
- VAT/Sales Tax and Service Tax	620	645
- Income Tax	645	591
- Custom Duty	182	182
- Entry Tax	-	863
- Stamp Duty	0	0
- Department of Telecom (DoT) demands	1,796	4,271
- Other miscellaneous demands	22	22
(ii) Claims under legal cases including arbitration matters		
- Access Charges/Port Charges	906	801
- Others	82	82
	<b>4,253</b>	<b>7,457</b>

Further, refer note f (iv) below for other DoT matter.

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

a) Sales tax/VAT and Service tax

The Company has received demands from service tax authorities in relation to service tax levy on sale of sim cards and cenvat claimed on tower and related material.

b) Income tax demand

Income tax demands under appeal mainly include the appeals filed by the Company before various appellate authorities against the disallowance by the income tax authorities of certain expenses being claimed and non-deduction of tax at source with respect to dealers/distributor's margin etc.

c) Access charges (Interconnect Usage Charges)/Port charges

- i. Despite the interconnect usage ('IUC') rates being governed by the Regulations issued by Telecom Regulatory Authority of India ('TRAI'); BSNL had raised a demand for IUC at the rates contrary to the regulations issued by TRAI in 2009. Accordingly, the Company filed a petition against the demand with the TDSAT which allowed payments by the Company based on the existing guidelines. The matter was then challenged by BSNL and is currently pending with the Hon'ble Supreme Court.
- ii. The Hon'ble TDSAT allowed BSNL to recover distance based carriage charges. The private telecom operators have jointly filed an appeal against the said order and the matter is currently pending before the Hon'ble Supreme Court.
- iii. BSNL challenged before TDSAT the port charges reduction contemplated by the regulations issued by TRAI in 2007 which passed its judgment in favour of BSNL. The said judgment has been challenged by the private operators in Hon'ble Supreme Court. Pending disposal of the said appeal, in the interim, private operators were allowed to continue paying BSNL as per the revised rates i.e. TRAI regulation issued in 2007, subject to the bank guarantee being provided for the disputed amount. The rates were further reduced by TRAI in 2012 which was under challenge by BSNL before the Hon'ble Delhi High Court. The Hon'ble Delhi High Court, in the interim, without staying the rate revision, directed the private operators to secure the difference between TRAI regulation of 2007 and 2012 rates by way of bank guarantee pending final disposal of appeal.

d) Custom duty

The Custom authorities, in some States, demanded custom duty for the imports of special software on the ground that this would form part of the hardware on which it was pre-loaded at the time of import. The view of the Company is that such imports should not be subject to any custom duty as it is an operating software exempt from any custom duty. In response to the application filed by the Company, the Hon'ble Central Excise and Service Tax Appellate Tribunal ('CESTAT') has passed an order in favour of the custom authorities. The Company has filed an appeal with Hon'ble Supreme Court against the CESTAT order.

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**e) Entry tax**

In certain states, an entry tax is levied on receipt of import from outside the state. This position has been challenged by the Company in the respective states, on the grounds that the specific entry tax is ultra vires the Constitution. Classification issues has also been raised, whereby, in view of the Company, the material proposed to be taxed is not covered under the specific category.

During the year ended March 31, 2017, the Hon'ble Supreme Court of India upheld the constitutional validity of entry tax levied by few States. However, Supreme Court did not conclude certain aspects such as present levies in each State is discriminatory in nature or not, leaving them open to be decided by regular benches of the Courts.

However, In light of recent development on the matter, the Company has reassessed the position and accordingly charged the same in the statement of profit and loss during the year.

**f) DoT demands**

(i) DoT had enhanced the microwave rates by introducing slab-wise rates based on the number of carriers vide circulars issued in 2006 and 2008 from erstwhile basis being allocated frequency. The Company had challenged the matter in TDSAT and it has set aside the respective circular of DoT vide its Judgment dated April 22, 2010. Thereafter, DOT had challenged the order of TDSAT before the Hon'ble Supreme Court which is yet to be listed for hearing. Further, TDSAT pronounced its judgment in March 2019 in relation to Unified Licenses which provides for manner of determination of such levies and dates from which such levies can be made applicable. DoT had filed an appeal before the Supreme Court.

DoT and another telecom service provider have filed cross appeals before Supreme Court against the TDSAT judgment, wherein the Supreme Court has stayed the TDSAT Judgment and the appeals are pending.

(ii) Demands for the contentious matters in respect of subscriber verification norms and regulations including validity of certain documents allowed as proof of address / identity.

(iii) Penalty for alleged failure to meet certain procedural requirements for EMF radiation self-certification compliance.

The matters stated above are being contested by the Company and based on legal advice, the Company believes that it has complied with all license related regulations and does not expect any financial impact due to these matters.

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(iv) In respect of levy of one time spectrum charge ('OTSC'), the DoT has raised demand on the Company in January 2013. In the opinion of the Company, inter-alia, the above demand amounts to alteration of financial terms of the licenses issued in the past and therefore the Company filed a petition in the Hon'ble High Court of Bombay, which vide its order dated January 28, 2013, had directed the DoT to respond and not to take any coercive action until the next date of hearing. The DoT has filed its reply and this matter is currently pending with Hon'ble High Court of Bombay. The DoT revised demands on the Company aggregating Rs. 4,737 in June 2018, including a retrospective charge and a prospective charge till the expiry of the initial terms of the respective licenses. The said revised demand has subsequently also been brought within the ambit of the earlier order of no coercive action by the Hon'ble High Court of Bombay. The Company intends to continue to pursue its legal remedies.

Further, in a similar matter on a petition filed by another telecom service provider, the Hon'ble TDSAT, vide its order dated July 4, 2019, has set aside the DoT order for levy of OTSC with retrospective effect. Accordingly, as per the said order of the Hon'ble TDSAT; DoT can levy OTSC on the Spectrum beyond 6.2 MHz allotted after July 1, 2008, only from the date of allotment of such spectrum and in case of Spectrum beyond 6.2 MHz allocated before July 1, 2008, only prospectively i.e. w.e.f. January 1, 2013. Further, demand for OTSC on spectrum allotted beyond start-up and up-to the limit of 6.2 MHz has been set aside. The Hon'ble TDSAT has asked DoT to issue revise demands, if any, in terms of the above directions. The said telecom service provider filed an appeal in the Hon'ble Supreme Court of India against the Order of the TDSAT. On March 16, 2020, the Hon'ble Supreme Court dismissed the appeal of the telecom service provider and did not interfere with the TDSAT judgement. DoT's appeal against the said TDSAT Order for the levy on Spectrum below 6.2 MHz is pending.

Accordingly, out of prudence, of the total demands of Rs. 4,737, the Company has recorded a charge of Rs. 160 along with interest thereon of Rs. 355, the aggregate of Rs. 515 is disclosed as an exceptional item (refer note 28 (i)(d)).

Considering the nature of above disputes/ litigations, it is difficult to reliably ascertain the amount or timing of outflow on settlement.

#### **Guarantees:**

Guarantees outstanding as of March 31, 2020 and March 31, 2019 amounting to Rs. 3,442 and Rs. 3,208, respectively have been issued by banks and financial institutions on behalf of the Company. These guarantees include certain financial bank guarantees which have been given for sub-judice matters and in compliance with licensing conditions, the amount with respect to these have been disclosed under capital commitments, contingencies and liabilities, as applicable, in compliance with the applicable accounting standards.

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**(II) Commitments**

**Capital commitments**

The Company has contractual commitments towards capital expenditure (net of related advances paid) of Rs. 8,355 and Rs. 3,596 as of March 31, 2020 and March 31, 2019, respectively.

**21 Revenue from operations**

	For the year ended	
	March 31, 2020	March 31, 2019
Service revenue	38,741	36,136
	<b>38,741</b>	<b>36,136</b>

**Disaggregation of Revenue**

Revenue is disaggregated by geographical market, major products / service lines and timing of revenue recognition are as follows:

Particulars	For the year ended					
	Mobile Services		Home and Office Services		Total	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<b>Geographical Markets</b>						
India	38,120	35,516	516	521	38,636	36,037
Others	105	99	-	-	105	99
	<b>38,225</b>	<b>35,516</b>	<b>516</b>	<b>521</b>	<b>38,741</b>	<b>36,136</b>
<b>Major Service lines</b>						
Data and Voice Services	32,400	30,672	500	504	32,900	31,176
Others	5,825	4,943	16	17	5,841	4,960
	<b>38,225</b>	<b>35,615</b>	<b>516</b>	<b>521</b>	<b>38,741</b>	<b>36,136</b>
<b>Timing of Revenue Recognition</b>						
Services transferred at a point in time	12	15	2	0	14	16
Services transferred over time	38,213	35,600	514	521	38,727	36,121
	<b>38,225</b>	<b>35,615</b>	<b>516</b>	<b>521</b>	<b>38,741</b>	<b>36,136</b>

	As of	
	March 31, 2020	March 31, 2019
Unbilled Revenue (refer note 8)	453	537
Deferred Revenue	4,506	2,090

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

	For the year ended	
	March 31 2020	
	Unbilled Revenue	Deferred Revenue
Revenue recognised that was included in deferred revenue at the beginning of the year	-	2,045
Increase due to cash received, excluding amounts recognised as revenue during the year	-	4,462
Transfer from unbilled revenue recognised at the beginning of the year to receivables	537	-

The Company have entered into respective agreements with Universal Service Obligation Fund ('USOF') to provide mobile services in identified uncovered villages and seamless mobile coverage on the national

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highways in north-eastern region. They have recognised deferred income for front loaded subsidy (representing 50% of eligible USOF subsidy) on receipt of approved Proof of Concept (PoC) for a particular USOF site and for equated quarterly subsidy (representing remaining 50% of the eligible USOF subsidy receivable in twenty quarterly instalments) on quarterly basis. The deferred income is amortised over the period they are required to operate and maintain the asset. The company has recognized government grant of Rs. 139 during the year ended March 31, 2020.

**Costs to obtain or fulfil a contract with a customer**

The Company during the current year, has estimated that the historical average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life and, hence, started deferral of such costs prospectively. The financial impact of this change has resulted in increase of the Company's profits before tax by Rs. 365 for the year ended March 31, 2020.

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Costs to obtain a contract with the customer</b>		
Opening balance	-	-
Costs incurred and deferred	429	-
Less: Cost amortized	64	-
<b>Closing balance</b>	<b>365</b>	-

**22 Network operating expenses**

	For the year ended	
	March 31, 2020	March 31, 2019
Power and fuel	6,545	5,573
Passive infrastructure charges	2,344	4,499
Repair and maintenance	2,392	1,591
Internet, bandwidth and leasedline charges	1,171	374
Others*	185	188
<b>Total</b>	<b>12,637</b>	<b>12,225</b>

\* It includes charges towards installation, insurance and security.

**23 Employee benefits expense**

	For the year ended	
	March 31, 2020	March 31, 2019
Salaries, wages and bonus	549	604
Contribution to provident and other funds	19	21
Defined benefit obligation/ other long term benefits	17	14
Staff welfare expenses	24	26
Others	6	10
	<b>615</b>	<b>675</b>

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**Employee benefits**

The details of significant defined benefit obligations are as follows:

	For the year ended			
	March 31, 2020		March 31, 2019	
	Gratuity	Compensated absences	Gratuity	Compensated absences
<b>Obligation:</b>				
Balance as at beginning of the year	51	21	52	21
Current service cost	7	4	7	4
Interest cost	4	2	4	2
Benefits paid	(6)	(2)	(8)	(4)
Transfers	(5)	(3)	1	2
Remeasurements	3	-	(5)	(4)
<b>Present value of obligation</b>	<b>54</b>	<b>22</b>	<b>51</b>	<b>21</b>
<b>Current portion</b>	<b>12</b>	<b>22</b>	<b>11</b>	<b>21</b>
<b>Non-current portion</b>	<b>42</b>	<b>-</b>	<b>40</b>	<b>-</b>

As at March 31, 2020, expected contributions for the next annual reporting period is 12.

**Amount recognised in other comprehensive income**

	For the year ended	
	March 31, 2020	March 31, 2019
Experience losses / (gains)	1	(1)
Gains from change in demographic assumptions	-	-
Losses / (gains) from change in financial assumptions	2	(4)
<b>Remeasurements on liability</b>	<b>3</b>	<b>(5)</b>

**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, 2020	March 31, 2019
Discount Rate	6.90%	7.65%
Rate of Return on Plan Assets	N.A.	N.A.
Rate of salary increase	7.50%	7.00%
Rate of attrition	18% to 46%	21% to 36%
Retirement age	58	58

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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:

	Change in assumption	As of	
		March 31, 2020 Gratuity	March 31, 2019 Gratuity
Discount Rate	+1%	(2)	(2)
	-1%	2	2
Salary Growth Rate	+1%	2	2
	-1%	(2)	(2)

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 underlying 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.

Based on the movements in these actuarial assumptions historically and the prevailing market and demographic conditions as at the reporting date, the Company's Management has concluded that above mentioned rates used for sensitivity are reasonable benchmarks.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

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

	As of	
	March 31, 2020	March 31, 2019
Within one year	12	11
Between one and three years	19	18
Between three and five years	13	13
Over five years	34	25
	<b>78</b>	<b>67</b>
Weighted average duration (in years)	3.98	3.70

#### 24 Sales and marketing expense

	For the year ended	
	March 31, 2020	March 31, 2019
Sales commission and distribution expenses	751	1,135
Advertisement and marketing	286	300
Business promotion	41	224
Others	141	133
	<b>1,219</b>	<b>1,792</b>

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**Bharti Hexacom Limited**  
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**25 Other expenses**

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Content cost	371	565
Legal & professional charges <sup>^</sup>	57	69
Customer care expenses	135	199
IT expenses	202	306
Bad debts written off	2	1
Provision for doubtful debts	(238)	680
Loss on sale of assets	-	12
Collection and recovery expense	33	44
Charity and donation #	-	46
Other administrative expense	428	274
	<b>990</b>	<b>2,196</b>

# As per the requirements of section 135 of the Companies Act, 2013, the Company was required to spend an amount of Rs. Nil and Rs. 155 for the year ended March 31, 2020 and 2019 on Corporate Social Responsibility expenditure. During the year ended March 31, 2020 and 2019, the Company has made a contribution of an amount of Rs. Nil and Rs. 46 to Bharti Foundation towards corpus fund which is utilized to meet part of the operational expenses of the education program of Bharti Foundation.

<sup>^</sup>Details of Auditor's remuneration (excluding GST) included in legal and professional fees:

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Audit fee	5	5
Reimbursement of expenses	0	0
Other services (including certification)	0	0
	<b>5</b>	<b>5</b>

**26 Depreciation and amortisation expense**

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Depreciation (including on ROU)	9,094	6,140
Amortisation	3,403	3,947
	<b>12,497</b>	<b>10,087</b>

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**Bharti Hexacom Limited**  
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**27 Finance income and costs**

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Finance income</b>		
Interest income on deposits	42	17
Interest income on others	11	1
Net gain on marketable securities	64	-
Net exchange gain	-	32
Net gain on derivative financial Instruments	-	23
	<b>117</b>	<b>73</b>
<b>Finance costs</b>		
Interest on borrowings	2,772	1,767
Net exchange loss	663	-
Finance charge on Lease	1,179	-
Other finance charges*	646	708
	<b>5,260</b>	<b>2,475</b>

\* It includes bank charges, trade finance charges and interest charges towards sub-judice matters.

**28 Exceptional Items**

Exceptional Items comprises of the following:

i. For the year ended March 31, 2020:

- (a) Charge on account of license fee and spectrum usage charges aggregating Rs. 18,709 (refer note 4(i)).
- (b) Charge of Rs. 1,484 towards accelerated depreciation of 3G network equipment (refer note 5).
- (c) Charge of Rs. 1,165 on account of rates and taxes, largely paid under protest in earlier years, arising from a detailed management review in light of High Court judgements in multiple states.
- (d) Charge of Rs. 515 on account of re-assessment of regulatory cost based on a recent judgement on OTSC related matter (refer note 20(f)(iv)).

ii. For the year ended March 31, 2019:

- (a) Charge of Rs. 106 mainly towards operating costs on network re-farming and up-gradation program.
- (b) Credit of Rs. 1,155 due to re-assessment of levies, based on a recent pronouncement related to the manner of determination of such levies.

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29 Earnings per share

The followings is a reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share:

	As of	
	March 31, 2020	March 31, 2019
Weighted average shares outstanding ('000) - Basic / Diluted	250,000	250,000
Loss for the year	(27,165)	(7,220)

30 Segment Reporting

The Company's operating segments are organised 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. These business units are reviewed by one of the directors of the Company (Chief Operating Decision Maker - '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 exceptional items and tax, after excluding charity and donation cost. Accordingly, finance costs / income, non – operating expenses and exceptional items 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 changes occur. 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, right-of-use asset ('ROU'), property, plant and equipment, Capital work-in-progress, intangibles assets and cash and cash equivalents. Segment liabilities primarily include operating and lease liabilities. Segment capital expenditure comprises of additions to property, plant and equipment, capital work-in-progress, intangible assets, ROU and capital advances.

The reporting segments of the Company are as below:

**Mobile Services:** These services cover voice and data telecom services provided through wireless technology (2G/3G/4G). This also includes intra city fibre networks.

**Homes and Office Services:** These services cover voice and data communications through fixed-line network and broadband technology for homes and offices.

**Unallocated:** Unallocated items include expenses / results, assets and liabilities of corporate headquarters of the Company, current taxes, deferred taxes, borrowings and certain financial assets and liabilities, not allocated to the operating segments.

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**Bharti Hexacom Limited**  
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Summary of the segmental information for the year ended and as of March 31, 2020 is as follows:

	Mobile Services	Homes and Office Services	Unallocated	Eliminations	Total
Revenue from external customers	38,225	516	-	-	38,741
Inter segment revenue	0	65	-	(65)	-
<b>Total revenue</b>	<b>38,225</b>	<b>581</b>	<b>-</b>	<b>(65)</b>	<b>38,741</b>
Segment results	(7,513)	197	-	-	(7,316)
<b>Less:</b>					
Finance costs					5,260
Finance Income					(117)
Non-operating expense					16
Charity and donation					-
Exceptional Items					21,873
<b>Loss before tax</b>					<b>(34,348)</b>
<b>Other segment items</b>					
Capital expenditure	9,947	131	-	-	10,078
Addition to ROU	5,051	-	-	-	5,051
Depreciation and amortisation expense	12,399	98	-	-	12,497
<b>As of March 31, 2020</b>					
Segment assets	143,486	5,180	6,369	(688)	154,347
Segment liabilities	75,958	4,136	44,741	(688)	124,147

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**Bharti Hexacom Limited**  
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*(All amounts are in millions of Indian Rupee; unless stated otherwise)*

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

	Mobile Services	Homes and Office Services	Unallocated	Eliminations	Total
Revenue from external customers	35,615	521	-	-	36,136
Inter segment revenue	0	66	-	(66)	0
<b>Total revenue</b>	<b>35,615</b>	<b>587</b>	-	<b>(66)</b>	<b>36,136</b>
Segment results	(10,002)	175	-	-	(9,827)
<b>Less:</b>					
Finance costs					2,475
Finance income					(73)
Non-operating expense					2
Charity and donation					46
Exceptional Items					(1,049)
<b>Loss before tax</b>					<b>(11,228)</b>
<b>Other segment items</b>					
Capital expenditure	13,852	317	-	(22)	14,148
Depreciation and amortisation	10,016	142	-	(71)	10,087
<b>As of March 31, 2019</b>					
Segment assets	106,270	1,777	6,115	(755)	113,407
Segment liabilities	26,326	281	29,879	(755)	55,731

**Geographical information:**

The Company is operating mainly in single geographic segment, i.e. in India. Thus, no information concerning geographical areas is applicable to the Company.

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**Bharti Hexacom Limited**  
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**31 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. Entity having significant influence over the Company**

Telecommunications Consultants India Limited

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

**a. Fellow Subsidiaries**

Bharti Airtel Services Limited

Bharti Telemedia Limited

Bharti Infratel Limited

Airtel Payment Bank Limited (Cease to be Subsidiary w.e.f. October 25, 2018)

Telesonic Networks Limited

Nxtra Data Limited

Airtel Digital Limited (formally known as Wynn Limited)

Airtel (Seychelles) Limited

Airtel Madagascar S.A.

Airtel Networks Kenya Limited

Airtel Networks Zambia Plc

Airtel Tanzania Limited

Airtel Uganda Limited

Smartx Services Limited

**b. Entity where parent company exercises significant influence**

Indus Towers Limited

Airtel Payment Bank Limited (w.e.f. October 25, 2018)

**c. Fellow companies (subsidiary other than that of the Company)**

**Subsidiary**

Bharti Axa life Insurance Company Limited

**d. Other related parties \***

Brightstar Telecommunication India Limited

Centum Learning Limited

\* 'Other related parties' 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 practices.

**v. Key Management Personnel**

Nidhi Luria (w.e.f. November 06, 2018)

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

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**Bharti Hexacom Limited**  
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The summary of transactions with the above mentioned parties are as follows:

	For the year ended March 31, 2020				
	Parent Company	Fellow subsidiaries*	Entity where parent company exercise significant influence	Entity having significant influence over the company	Other related parties
Purchase of fixed assets/bandwidth	448	207	-	-	28
Sale of fixed assets/IRU given	1,944	-	-	-	-
Rendering of services	6,063	1	12	-	-
Receiving of services	16,336	1,209	1,027	-	8
Expenses incurred on behalf of others	-	10	2	-	-
Expenses incurred on behalf of the company	915	3	-	-	-
Security deposit given/Advances paid	-	1	-	-	-
Advance received/Refund of Security deposit given	-	119	164	-	-
Reimbursement of energy expenses	-	1,307	2,438	-	-
Receiving of assets(ROU/Ind AS 116)#	-	262	2,041	-	-
Guarantees and collaterals on behalf of the company	1	-	-	-	-

	For the year ended March 31, 2019				
	Parent Company	Fellow subsidiaries*	Entity where parent company exercise significant influence	Entity having significant influence over the company	Other related parties
Purchase of fixed assets/bandwidth	2,025	190	40	-	41
Sale of fixed assets/IRU given	714	-	-	-	-
Rendering of services	6,628	6	4	-	-
Receiving of services	18,042	2,400	2,411	-	3
Expenses incurred on behalf of others	-	13	2	-	-
Expenses incurred on behalf of the company	844	11	-	-	-
Donation	-	-	-	-	46
Interest Income	2	-	-	-	-
Reimbursement of energy expenses	-	1,350	1,689	-	-
Guarantees and collaterals on behalf of the company	(189)	-	-	-	-

# excluding GST, net of termination

\*The details of significant transactions with fellow subsidiaries and group companies are as follows:-

	For the year ended	
	March 31, 2020	March 31, 2019
<b>(i) Receiving of services</b>		
<b>Fellow subsidiaries</b>		
Bharti Infratel Limited**	722	1,837
<b>(ii) Reimbursement of energy expenses</b>		
<b>Fellow subsidiaries</b>		
Bharti Infratel Limited	1,307	1,350
<b>(iii) Donation</b>		
<b>Other related party</b>		
Bharti Foundation	-	46

\*\* excluding GST

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

	Parent Company.	Fellow subsidiaries*	Entity where parent company exercise significant influence	Other related parties
<b>As of March 31, 2020</b>				
Security Deposit	-	4	69	-
Trade Receivables	-	0	429	-
Trade Payables	(6,109)	(1,668)	(2,794)	(3)
Lease liabilities @	-	(3,506)	(7,305)	-
<b>As of March 31, 2019</b>				
Security Deposit	-	121	215	-
Trade Receivables	-	151	88	-
Trade Payables	(5,438)	(1,081)	(2,104)	(7)

Outstanding balances at period end are un-secured and settlement occurs in cash.

@ It Include discounted value of future cash payouts

### 32 Leases

#### Impact of adoption of Ind AS 116 where the Company is a lessee

The adoption of the said change in accounting policy affected the following items in the Balance Sheet on April 01, 2019:

	<b>As of April 1, 2019</b>
Property, plant and equipment (including CWIP amounting to Rs. 26)	(147)
Right-of-use assets	10,418
Other intangible assets	(5,269)
Deferred tax assets	586
Other non-current assets	5,269
Lease liabilities	(13,305)
Other non-current liabilities	1,266
<b>Decrease in equity</b>	<b>(1,182)</b>

#### Impact of adoption of Ind AS 116 where the Company is a lessor

The Company did not have any material impact due to transition to Ind AS 116.

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**Company as a lessee**

**Right-of-use assets ('ROU')**

The following table presents the reconciliation of changes in the carrying value of ROU assets for the year ended March 31, 2020:

	Bandwidth	Plant and equipment	Building	Leasehold land	Total
Balance at April 1, 2019	-	9,397	205	816	10,418
Additions	-	4,285	1	765	5,051
Acquisition through business combination@	1,173	-	-	-	1,173
Depreciation charge for the period	(58)	(1,853)	(27)	(176)	(2,114)
Disposals / adjustments	-	(564)	(0)	(106)	(670)
<b>Balance at March 31, 2020</b>	<b>1,115</b>	<b>11,265</b>	<b>179</b>	<b>1,299</b>	<b>13,858</b>

@ Refer note 4(iii)

- **Bandwidth**

The Company's leases of bandwidth comprise of dark fiber taken on lease.

- **Plant and equipment**

The Company leases passive infrastructure for providing telecommunication services under composite contracts that include lease of passive infrastructure and land on which the passive infrastructure is built as well as maintenance, security, provision of energy etc. services.

- **Building**

The Company's leases of building comprise of lease of offices, warehouses and shops.

- **Leasehold land**

The Company's leases of land comprise of land taken on lease on passive infrastructure is built and offices.

**Amounts recognised in profit or loss**

Leases under Ind AS 116	For the year ended March 31, 2020
Interest on lease liabilities	1,179
Expenses relating to short-term leases	1
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	5

**Amounts recognised in statement of cash flows**

<b>Leases under Ind AS 116</b>	<b>For year ended March 31, 2020</b>
Total cash outflow for leases	1,395

**Termination options**

Termination options are included in a number of property and equipment leases across the Company, where the Company is a lessee. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of termination options held are exercisable only by the Company and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive not to exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain to be not terminated by the Company. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The reconciliation of operating lease commitments disclosed as at March 31, 2019 to lease liabilities recognised as at April 01, 2019 is given below.

<b>Operating lease commitment at March 31, 2019</b>	<b>29,640</b>
<b>Discounted using the incremental borrowing rate at April 1, 2019</b>	<b>23,542</b>
Non - lease component	(10,236)
Short term lease component	(1)
<b>Lease liabilities recognised at April 1, 2019</b>	<b>13,305</b>

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at April 01, 2019. The weighted-average pre-tax rate applied is 8.3%.

The Company has made use of the following practical expedients available on transition to Ind AS 116: (a) used a single discount rate to a portfolio of leases of similar assets in similar economic environment, (b) not recognised ROU assets and lease liabilities for leases with less than twelve months of remaining lease term and low-value assets on the date of initial application, (c) relied on previous assessments that none of the leases were onerous and concluded that there is no need for impairment review and (d) used hindsight in determining the lease term where the contracts contained options to extend or terminate the lease.

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The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date.

<b>Operating leases under Ind AS 116</b>	<b>For the year ended March 31, 2020</b>
Not later than one year	5,296
Later than one year but not later than five years	10,369
Later than five years	6,406
	<b>22,071</b>

**Leases as a lessor- operating lease**

The Company enters into 'Indefeasible right to use' ('IRU') arrangements wherein the right to use the assets is given over the substantial part of the asset life. However, as the title to the assets and the significant risks associated with the operation and maintenance of these assets remains with the Company, 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.

**Amounts recognised in profit or loss**

<b>Leases under Ind AS 116</b>	<b>For the year ended March 31, 2020</b>
Lease income	521

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

<b>Operating leases under Ind AS 116</b>	<b>For the year ended March 31, 2020</b>
Less than one year	515
One to two years	457
Two to three years	368
Three to four years	310
Four to five years	249
More than five years	69
	<b>1968</b>

<b>Operating leases under Ind AS 17</b>	<b>For year ended March 31, 2020</b>
Less than one year	606
Later than one year but not later than five years	2,043
More than five years	389
	<b>3,038</b>

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Company has entered into non-cancellable lease arrangements to provide dark fiber on indefeasible right of use ('IRU') basis and tower assets on site-sharing basis. Due to the nature of these transactions, it is not possible to compute gross carrying amount, depreciation for the year and accumulated depreciation of the asset given on operating lease as of March 31, 2020 and March 31, 2019 and accordingly, the related disclosures are not provided.

### **33 Financial risk management objectives and policies**

#### **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 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 Board of Directors of the Company 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 denominated in foreign currencies. Consequently, the Company is mainly exposed to foreign exchange risks related to USD vis-à-vis the functional currencies.

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**Foreign currency sensitivity**

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

	<u>Change in currency exchange rate</u>	<u>Effect on profit before tax</u>
<b>For the year ended March 31, 2020</b>		
US Dollars	+5%	(807)
	-5%	807
<hr/>		
<b>For the year ended March 31, 2019</b>		
US Dollars	+5%	(103)
	-5%	103

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

**Borrowings**

Borrowings with floating and fixed interest rates expose the Company to cash flow and fair value interest rate risk respectively. However, the short-term borrowings of the Company do not have a significant fair value or cash flow interest rate risk due to their short tenure. 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.

The Company monitors the interest rate movement and manages the interest rate risk based on its risk management policies - as considered appropriate and whenever necessary.

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**Interest rate sensitivity of borrowings**

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

Interest rate sensitivity	Increase / decrease in basis points	Effect on profit before tax
<b>For the year ended March 31, 2020</b>		
INR - borrowings	+100	(83)
	-100	83
<b>For the year ended March 31, 2019</b>		
INR - borrowings	+100	(240)
	-100	240

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, 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.

**(iii) Price risk**

The Company invests its surplus funds in various mutual funds (debt fund, equity fund, liquid schemes and income funds etc.), short term debt funds, government securities and fixed deposits. In order to manage its price risk arising from investments, the Company diversifies its portfolio in accordance with the limits set by the risk management policies.

**(iv) 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.

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**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 other than receivables from Group entities. The credit period provided by the Company to its customers (other than Group entities), generally ranges between 14-30 days. For details of trade receivables / revenues from related-parties, refer note 31.

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.

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, 2020	658	468	503	58	596	2,283
Trade Receivables as of March 31, 2019	107	526	86	67	217	1,003

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.

**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, 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.

**(v) 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, debt and overdraft from domestic at an optimised cost. It also enjoys strong access to domestic and international capital markets across debt and equity.

N/A

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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 un-drawn 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, 2020						
	Carrying amount	On demand	Less than 6 months	6 to 12 months	1 to 2 years	> 2 years	Total
Interest bearing borrowings*#	60,479	2,807	43,051	5,172	5,450	6,315	62,795
Other financial liabilities#	1,095	244	6,713	1,896	704	15	9,572
Trade payables	16,391	-	16,391	-	-	-	16,391
Lease liabilities	16,848	-	1,904	3,391	3,772	13,004	22,071
<b>Financial liabilities</b>	<b>94,813</b>	<b>3,051</b>	<b>68,059</b>	<b>10,459</b>	<b>9,926</b>	<b>19,334</b>	<b>110,829</b>

	As of March 31, 2019						
	Carrying amount	On demand	Less than 6 months	6 to 12 months	1 to 2 years	> 2 years	Total
Interest bearing borrowings*#	29,433	4,779	24,233	917	-	-	29,929
Other financial liabilities#	6,235	248	2,152	845	1,622	1,368	6,235
Trade payables	-	-	-	-	-	-	-
<b>Financial liabilities</b>	<b>35,667</b>	<b>5,027</b>	<b>26,385</b>	<b>1,762</b>	<b>1,622</b>	<b>1,368</b>	<b>36,164</b>

\* Includes contractual interest payment based on interest rate prevailing at the end of the reporting period over the tenor of the borrowings.

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

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The following table provides the reconciliation of liabilities whose cash flow movements are disclosed as part of financing activities of statement of cash flows:

	April 1, 2019	Cash flows	Non-cash changes			March 31, 2020
			Interest expense	Fair value changes	Others	
Borrowings	24,634	23,107	-	-	1,361	49,102
Interest accrued but not due	19	(3,070)	3,970	-	(826)	93

## 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.

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 calculated as below:

	As of	
	March 31, 2020	March 31, 2019
Borrowings	51,909	29,414
Less: Cash and cash equivalents	2,779	24
Less: Term deposit	98	106
<b>Net Debt</b>	<b>49,032</b>	<b>29,284</b>
Equity	30,200	57,676
<b>Total Capital</b>	<b>30,200</b>	<b>57,676</b>
<b>Capital and Net Debt</b>	<b>79,232</b>	<b>86,960</b>
<b>Gearing Ratio</b>	<b>61.9%</b>	<b>33.7%</b>

- 34 The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the financial statements. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources of information and economic forecasts. The Company has performed sensitivity analysis on the assumptions used and based on current estimates expects that there is no material impact.

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**35 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, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<b>Financial Assets</b>				
<b>Fair value through profit or loss</b>				
Investments-quoted	Level 1	6,254	-	6,254
<b>Amortised cost</b>				
Investments		0	0	0
Security deposits		335	577	335
Trade receivables		2,283	1,003	2,283
Cash and cash equivalents		2,779	24	2,779
Other bank deposits		288	285	288
Other financial assets		8,067	554	8,067
		<b>20,006</b>	<b>2,443</b>	<b>20,006</b>
				<b>2,443</b>
<b>Financial Liabilities</b>				
<b>Amortised cost</b>				
Borrowings- fixed rate	Level 1	15,536	-	15,536
Borrowings- fixed rate		28,117	5,447	28,117
Borrowings- floating rate		8,256	23,967	8,256
Trade payables		16,391	13,803	16,391
Other financial liabilities		9,665	6,254	9,665
		<b>77,965</b>	<b>49,471</b>	<b>77,965</b>
				<b>49,471</b>

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

- i. The carrying value of trade receivables, trade payables, short - term borrowings, floating – rate borrowings, other current financial assets and liabilities approximate their fair value mainly due to the short-term maturities of these instruments being subject to floating – rates.
- ii. The fair value of other long-term borrowing and non-current financial assets / liabilities and other financial liabilities is estimated by discounting future cash flows using current rates applicable to instruments with similar terms, currency, credit risk and remaining maturities.

During the year ended March 31, 2020 and year ended March 31, 2019, 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.

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