BHARTI AIRTEL (JAPAN) PRIVATE LIMITED

Ind AS Financial Statements

March 2020

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Ind AS Financial Statements March 2020

Contents **Page No.**

Independent Auditor’s Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bharti Airtel (Japan) Private Limited

Report on the Audit of the Special Purpose Financial Statements

1. **Opinion**

   We have audited the accompanying Special Purpose Financial Statements of Bharti Airtel (Japan) Private Limited (the "Company"), which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, (hereinafter referred to as the "Special Purpose Financial Statements").

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Financial Statements is prepared, in all material respects, in accordance with the basis set out in note 2.1 to the Special Purpose Financial Statements. **Basis for Opinion**

   We conducted our audit of the Special Purpose Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Special Purpose 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 independence and ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 (the "Act") and the Rules made thereunder, and we have fulfilled our other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the Special Purpose Financial Statements.

3. **Emphasis of Matter- Basis of Accountingand Restriction on Distribution and Use**

   We draw attention to Note 2.1 to the Special Purpose Financial Statements, which describes the purpose and basis of accounting. The Special Purpose Financial Statements have been prepared by the Company solely to assist Bharti Airtel Limited for its consolidation purpose and to comply with the requirements under the Companies Act 2013. Our report is intended solely for the use of management and Board of

Directors for the above purpose and should not be distributed to or used by any other parties. Our opinion is not modified in respect of this matter.

4. Management's Responsibility for the Special Purpose Financial Statements

The Company's Board of Directors is responsible for the preparation and presentation of these Special Purpose Financial Statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the basis and for the purpose stated in Note 2.1 to the Special Purpose Financial Statements.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 Special Purpose Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Special Purpose 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.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Special Purpose 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Special Purpose 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 special purpose financial statements, including the disclosures, and whether the Special Purpose Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings 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.

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

Sd/-
Nilesh Lahoti
(Partner)
(Membership No. 130054)
UDIN: 20130054AAAARY8304

Place: Gurugram
Date: June 26, 2020

Ind AS Financial Statements

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Balance Sheet
(All amounts are in thousands of JPY; unless stated otherwise)

	Notes	As of March 31, 2020 (In Rs. '000) (Unaudited)	As of March 31, 2020 (Audited)	As of March 31, 2019 (Audited)
Assets				
Non-current assets				
Property, plant and equipment	4	181	259	417
Financial assets				
- Security deposits		33	47	48
		214	**306**	**465**
Current assets				
Financial assets				
- Trade receivables	5	47,993	68,544	25,253
- Cash and bank balances	6	1,217	1,738	14,616
Other current assets	7	60	86	7,400
		49,270	**70,368**	**47,269**
Total assets		**49,484**	**70,674**	**47,734**
Equity and liabilities				
Equity				
Equity share capital	8	35	50	50
Other equity		7,884	11,261	10,045
		7919	**11,311**	**10,095**
Current liabilities				
Financial liabilities				
- Borrowings	10	26,353	37,638	17,000
- Trade payables	11	6,500	9,283	7,513
- Others	12	7,281	10,398	13,033
Income tax liabilities (net)	13	575	821	58
Other current liabilities	14	856	1,223	35
Total liabilities		**41,565**	**59,363**	**37,639**
Total Equity and liabilities		**49,484**	**70,674**	**47,734**

The accompanying notes 1 to 28 form an integral part of these financial statements.

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

For and on behalf of the Board of Directors of Bharti Airtel (Japan) Private Limited

Sd/-
Nilesh H. Lahoti
Partner
Membership No: 130054

Sd/-
Ajay Chitkara
Director
Place: Gurugram

Sd/-
Yasuhiko Niiro
Director
Place: Japan

Place: Gurugram
Date: June 26, 2020

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Statement of Profit and loss
(All amounts are in thousands of JPY; unless stated otherwise)

Particulars	Notes	For the year ended March 31, 2020 (In Rs. '000) (Unaudited)	March 31, 2020 (Audited)	March 31, 2019 (Audited)
Income				
Revenue from operations	16	40,310	57,571	43,346
		40,310	**57,571**	**43,346**
Expenses				
Network operating expenses	17	32,891	46,976	36,096
Employee benefits expense	18	2,007	2,866	2,768
Other expenses	19	1,668	2,383	33
		36,566	**52,225**	**38,897**
Profit from operating activities before depreciation		**3,744**	**5,346**	**4,449**
Depreciation expense	4	136	194	1,634
Finance costs	20	2,125	3,035	3,063
Finance income	20	(73)	(104)	-
Profit/ (Loss) before tax		**1,556**	**2,221**	**(248)**
Tax expense				
Current tax	13	592	846	68
Deferred tax		-	-	-
Profit / (Loss) for the year		**964**	**1,375**	**(316)**
Other comprehensive income				
Items to be reclassified subsequently to profit or loss :				
Currency translation (loss) / gain		(111)	(159)	324
Total comprehensive income for the year		**853**	**1,216**	**8**
Earnings / (loss)per share (In Rs. / JPY)				
Basic and Diluted earnings / (loss) per share	22	962,857	1,375,164	(315,914)

The accompanying notes 1 to 28 form an integral part of these financial statements.

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

For and on behalf of the Board of Directors of Bharti Airtel (Japan) Private Limited

Sd/-
Nilesh H. Lahoti
Partner
Membership No: 130054

Sd/-
Ajay Chitkara
Director
Place: Gurugram

Sd/-
Yasuhiko Niiro
Director
Place: Japan

Place: Gurugram
Date: June 26, 2020

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Statement of Changes in Equity
(All amounts are in thousands of JPY; unless stated otherwise)

	Equity share capital		Other equity-Reserves & Surplus		
	No. of shares	Amount	Retained earnings	Foreign currency translation reserve 'FCTR'	Total equity
As of April 1, 2018	**1**	**50**	**12,004**	**(1,967)**	**10,087**
Profit for the year	-	-	(316)	-	(316)
Other comprehensive gain	-	-	-	324	324
Total comprehensive income	-	-	**(316)**	**324**	**8**
As of March 31, 2019	**1**	**50**	**11,688**	**(1,643)**	**10,095**
Transition impact on adoption of Ind AS 116			**0**		
As of April 01, 2019	**1**	**50**	**11,688**	**(1,643)**	**10,095**
Profit for the year	-	-	1,375	-	1,375
Other comprehensive gain	-	-	-	(159)	(159)
Total comprehensive income	-	-	**1,375**	**(159)**	**1,216**
As of March 31, 2020	**1**	**50**	**13,063**	**(1,802)**	**11,311**

The accompanying notes 1 to 28 form an integral part of these financial statements.

As per our report of even date
For Deloitte Haskins & Sells LLP
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Place: Gurugram

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Yasuhiko Niiro
Director
Place: Japan

Place: Gurugram
Date: June 26, 2020

BHARTI AIRTEL (JAPAN) PRIVATE LIMITED
Cash flow statement
(All amounts are in thousands of JPY; unless stated otherwise)

	For the year ended	
	March 31, 2020	**March 31, 2019**
Cash flow from operating activities		
Profit/ (Loss) before tax	**2,221**	**(248)**
Adjustments for :		
Depreciation and amortisation expenses	194	1,634
Finance cost	3,035	3,063
Finance income	(104)	-
Operating cash flow before working capital changes	**5,346**	**4,449**
Changes in working capital		
Trade receivables	(43,494)	(15,909)
Other non financial assets	7,348	(2,083)
Trade payables	1,780	(12,831)
Other financial and non financial liabilities	(3,114)	4,304
Net Cash used in operations before tax	**(32,134)**	**(22,070)**
Income tax paid	(83)	(99)
Net cash used in operating activities (a)	**(32,217)**	**(22,169)**
Cash flow from investing activities		
Purchase of property, plant and equipment	0	-
Net cash used in investing activities (b)	**0**	**-**
Cash flow from financing activities		
Proceeds from borrowings	20,638	-
Interest paid and other finance charges	(1,259)	(368)
Net cash generated/ (used in) financing activities (c)	**19,379**	**(368)**
Net decrease in cash and cash equivalents (a+b+c)	**(12,838)**	**(22,537)**
Effect of exchange rate changes on cash and cash equivalents	(40)	167
Cash and cash equivalents as at the beginning of the year	14,616	36,986
Cash and cash equivalents as at the end of the year (refer Note 6)	**1,738**	**14,616**

The accompanying notes 1 to 28 form an integral part of these financial statements.

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

For and on behalf of the Board of Directors of Bharti Airtel (Japan) Private Limited

Sd/-
Nilesh H. Lahoti
Partner
Membership No: 130054

Sd/-
Ajay Chitkara
Director
Place: Gurugram

Sd/-
Yasuhiko Niiro
Director
Place: Japan

Place: Gurugram
Date: June 26, 2020

1. Corporate information

Bharti Airtel (Japan) Private Limited ('the Company') incorporated on April 5, 2010, is registered in Japan having its registered office at 7-1, Nishi Shinjuku 3-chome, Shinjuku-ku, Tokyo.

The Company is a wholly owned subsidiary of Bharti International (Singapore) Pte. Limited, (erstwhile Bharti Airtel Holding (Singapore) Pte Limited), a company incorporated in Singapore.

The Company has set up point of presence ('POP') in Japan to provide telecommunication services so as to interconnect international and domestic capacities terminating and originating into that country.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Special Purpose Financial Statements ('financial statements') have been prepared by the Company solely to assist Bharti Airtel Limited for its consolidation purpose and to comply with the requirements under Companies Act 2013. 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 financial statements are approved for issue by the Company's Board of Directors on June 26, 2020.

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 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.

The functional currency of the Company is United States Dollars ('USD'). However, the presentation currency of the Company is Japanese Yen ('JPY') and therefore all the amounts included in the financial statements are reported in Japanese Yen ('JPY'), except per share data and unless stated otherwise. The translation of JPY to Rupee amounts is unaudited and is included solely for readers in India and has been calculated using the rate of JPY 1 = Rs 0.70, the RBI reference rate as announced by the Reserve Bank of India (RBI) on March 31, 2020. Such translations should not be construed as representations that the Rupee amounts represent, or have been or could be converted into, United States Dollars at that or any other rate.

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.

All the amounts included in the financial statements are reported in thousands of Japanese Yen (‘JPY’) and are rounded to the nearest thousands, except per share data and unless stated otherwise. Further, due to rounding off, certain amounts are appearing as '0'.

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 amendments during the year.

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 1, 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 2.8 for accounting policy on ‘leases’. The Company did not have any material impact due to transition to Ind AS 116.

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 1, 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.

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 1, 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.

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

The three levels of the fair-value-hierarchy are described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets

Level 2: Significant inputs to the fair value measurement are directly or indirectly observable

Level 3: Significant inputs to the fair value measurement are unobservable

2.3 Foreign currency transactions

Transactions in foreign currencies are measured in US dollars and are recorded on initial recognition in JPY at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting period are recognised in profit or loss within finance cost / finance income.

For the purpose of presentation, the financial statements are prepared in JPY by translating the assets and liabilities at the rate of exchange at the date of that balance sheet and income and expenses are translated at average exchange rates for the period.

2.4 Current versus non-current classification

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

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

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

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

2.5 Property, plant and equipment ('PPE')

An item of PPE is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. PPE are initially recognised at cost. The initial cost of PPE comprises its purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), and any directly attributable cost of bringing the asset to its working condition and location for its intended use. In case of multiple element contracts whereby the vendor supplies PPE as well as other components, PPE is recorded on the basis of relative fair values.

Subsequent to initial recognition, PPE are stated at cost less accumulated depreciation and any impairment losses. When significant parts of property, plant and equipment are required to be replaced in 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. Freehold land is not depreciated as it has an unlimited useful life. The Company has established the estimated range of useful lives of different categories of PPE as follows:

	Years
Plant and Equipment	3 – 10

The useful lives, residual values and depreciation method of PPE are reviewed, and adjusted appropriately, at-least as at each reporting date 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.

2.6 Impairment of non-financial assets

PPE and right-of-use assets

PPE and Right-of-use assets ('ROU'), are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable.

For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be 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 the Statement of Profit and Loss and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset in previous years.

2.7 Financial instruments

a. Recognition, classification and presentation

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

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

The Company classifies its other 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) 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 and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, twelve month Expected Credit Loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used.

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

III. Subsequent measurement - financial liabilities

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

2.8 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 ROU 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 ROU 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 ROU, or is recorded in profit or loss if the carrying amount of the related ROU has been reduced to zero and there is a further reduction in the measurement of the lease liability.

ROU 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, ROU 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 ROU are determined on the same basis as those of the underlying asset.

In the Balance Sheet, the ROU 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 ROU. 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 ROU 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.

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.

2.9 Taxes

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

a. Current tax

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

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and any deposits with original maturities of three months or less (that are readily convertible to known amounts of Cash and cash equivalents and subject to an insignificant risk of changes in value).

2.11 Share capital

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

2.12 Employee benefits

The Company's employee benefits mainly include wages, salaries and bonuses. The employee benefits are recognised in the period in which the associated services are rendered by the Company employees. Short-term employee benefits are recognised in statement of profit and loss at undiscounted amounts during the period in which the related services are rendered.

2.13 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. 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. Contingent assets are not recognised and disclosed only where an inflow of economic benefits is probable.

2.14 Revenue recognition

Revenue is recognised upon transfer of control of promised products or services to customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties, discounts and process waivers.

Co-location Income: Income on Co-location is recognised on an accrual basis.

Point of presence (POP) services: Revenue from these services are recognised based on the capacities interconnected at each such POP and varies from time to time.

2.15 Borrowing costs

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

2.16 Earnings per share ('EPS')

The Company presents the Basic and Diluted EPS.

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.

2.17 Segment Reporting

Based on the way the Company manages its operating business, and the manner in which resource allocation decisions are made, the Company has only one reportable segment for financial reporting purposes, being the telecom services. Accordingly, no further operating segment financial information is disclosed.

3 Key source of estimation uncertainties and Critical judgments

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 underlying such estimates were reasonable when made, if these results differ from historical experience or other assumptions do not turn out to be substantially accurate. The changes in estimates are recognised in the financial statements in the period in which they become known.

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.

Property, plant and equipment

As described at 2.5 above, the Company reviews the estimated useful lives of property, plant and equipment at end of each reporting period. After considering market conditions, industry practice, technological developments and other factors, the Company determined that the current useful lives of its PPE remain appropriate. However, change in economic conditions of the market, competition and technology, among others, are unpredictable and they may significantly impact the useful lives of PPE and therefore the depreciation charge.

(All amounts are in thousands of JPY; unless stated otherwise)

4 Property Plant and equipment

Particulars	Plant and machinery
Cost	
As at April 1, 2018	**23,791**
Currency Translation	1,010
As at March 31, 2019	**24,801**
As of April 1, 2019	**24,801**
Transition impact on adoption of Ind AS 116	**0**
Adjusted balance as of April 1, 2019	**24,801**
Currency Translation	(617)
Additions	-
As at March 31, 2020	**24,184**
Depreciation	
As at April 1, 2018	**21,817**
Charge for the year	1,634
Currency Translation	933
As at March 31, 2019	**24,384**
As of April 1, 2019	**24,384**
Transition impact on adoption of Ind AS 116	**0**
Adjusted balance as of April 1, 2019	**24,384**
Charge for the year	194
Currency Translation	(653)
As at March 31, 2020	**23,925**
Net Block	
At March 31, 2019	417
As of April 1, 2019	417
At March 31, 2020	259

(All amounts are in thousands of JPY; unless stated otherwise)

5 Trade receivables

	As of	
	March 31, 2020	March 31, 2019
Trade receivables -considered good unsecured*(refer note 21)	68,544	25,253
	68,544	**25,253**

6 Cash and bank balances

	As of	
	March 31, 2020	March 31, 2019
Balance with banks		
- On current accounts	1,738	14,616
	1,738	**14,616**

7 Other assets- current

	As of	
	March 31, 2020	March 31, 2019
Advance to supplier	86	60
Taxes receivable*	-	7,340
	86	**7,400**

* Taxes receivable includes consumption tax.

8 Equity Share Capital

	As of	
	March 31, 2020	March 31, 2019
Authorized shares		
1 (March 31, 2019- 1) equity share of JPY 50,000	50	50
Issued, subscribed and fully paid-up shares		
1 (March 31, 2019- 1) equity share of JPY 50,000 each, fully paid-up	50	50
	50	**50**

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

(All amounts are in thousands of JPY; unless stated otherwise)

	As of March 31, 2020		As of March 31, 2019	
Particulars	**No. of shares**	**JPY**	**No. of shares**	**JPY**
At the beginning of the year	1	50	1	50
Outstanding at the end of the year	**1**	**50**	**1**	**50**

b) Terms/rights attached to equity shares

The Company has one class of equity shares having par value of JPY 50,000 per share. Each shareholder of equity share is entitled to one vote per share.

c) Shares held by holding company

	As of March 31, 2020		As of March 31, 2019	
Name of the shareholder	**No. of shares**	**% holding**	**No. of shares**	**% holding**
Equity shares of JPY 50,000 each fully paid				
Bharti International (Singapore) Pte Ltd	1	100%	1	100%

9 Reserves & surplus

(i) Retained earnings: Retained earnings represent the amount of accumulated earnings of the Company.

(ii) Other components of equity: Other components of equity represent amount on account of change in exchange rates.

10 Borrowings

Current

	As of	
Unsecured	**March 31, 2020**	**March 31, 2019**
Loan from holding company(refer note 21)	37,638	17,000
	37,638	**17,000**

Maturity of borrowings

	As of	
	March 31, 2020	**March 31, 2016**
On demand	37,638	17,000
	37,638	17,000

The JPY fixed rate borrowings bear an interest rate of 7.33% (March 31, 2019 – 7.33%) per annum and is repayable on demand.

(All amounts are in thousands of JPY; unless stated otherwise)

11 Trade payables

	As of	
	March 31, 2020	March 31, 2019
Trade payables	9,283	7,513
	9,283	**7,513**

*includes amount payable to related parties (refer note 21)

12 Financial liabilities- Others
Current

	As of	
	March 31, 2020	March 31, 2019
Interest accrued but not due (refer note 21)	10,398	8,726
Advance from customers	-	4,307
	10,398	**13,033**

13 Income Tax Liabilities (Net)

	As of	
	March 31, 2020	March 31, 2019
Provision for tax	3,480	2,682
Less : Advance tax	(2,659)	(2,624)
	821	**58**

The major components of income tax expense / (credit) are:

	For the year ended	
	March 31, 2020	March 31, 2019
Current income tax		
- For the year	846	68
	846	**68**

14 Other liabilities
Current

(All amounts are in thousands of JPY; unless stated otherwise)

	As of	
	March 31, 2020	**March 31, 2019**
Taxes payable	1,223	35
	1,223	**35**

15 Contingencies and Commitments

There is no contingent liabilities in current year as well as previous year.

Capital commitment as of March 31, 2020 is 501 (March 31, 2019: nil)

16 Revenue from operations

	For the year ended	
	March 31, 2020	**March 31, 2019**
Service revenue*	57,571	43,346
	57,571	**43,346**

*It includes revenue from related parties (refer note 21)

Disaggregation of Revenue

Revenue is disaggregated by timing of revenue recognition. For disaggregation by geographical market, refer note 2.17:

	For the year ended	
Timing of Revenue Recognition	**March 31, 2020**	**March 31, 2019**
Services transferred over time	57,571	43,346
	57,571	**43,346**

17 Network operating expenses

	For the year ended	
	March 31, 2020	**March 31, 2019**
Internet Access & Bandwidth charges	46,376	35,229
Rent expenses	21	20
Leased Line charges	-	18
Others	579	829
	46,976	**36,096**

18 Employee benefits expense

(All amounts are in thousands of JPY; unless stated otherwise)

	For the year ended	
	March 31, 2020	March 31, 2019
Salaries, wages and bonus	2,866	2,768
	2,866	**2,768**

19 Other expenses

	For the year ended	
	March 31, 2020	March 31, 2019
Legal and professional charges*^	2,059	(154)
Rates, fees and taxes^	43	(156)
Rent expenses	217	225
Miscellaneous expenses	64	118
	2,383	**33**

^This is due to reversal of provision created in previous periods.

*Details of auditor's remuneration (excluding GST) included in legal and professional fees:

	For the year ended	
	March 31, 2020	March 31, 2019
Audit fees	699	905
Reimbursement of expenses	52	68
	751	**973**

20 Finance costs and income

(All amounts are in thousands of JPY; unless stated otherwise)

Finance costs

	For the year ended	
	March 31, 2020	**March 31, 2019**
Net exchange loss	979	1,450
Interest expense (refer note 21)	1,665	1,245
Finance charge on Lease	0	-
Other finance charges	391	368
	3,035	**3,063**

Finance income

Interest income others	(104)	-
	(104)	-

21 Related party disclosure

Name of related party and related party relationship:

Related Party	**Relationship**
Bharti International (Singapore) Pte Ltd	Parent company
Bharti Airtel Limited	Intermediate parent entity
Bharti Enterprises (Holding) Private Limited*	Ultimate controlling entity
Bharti Airtel (USA) Limited	Fellow subsidiary
Bharti Airtel (Hong Kong) Limited	Fellow subsidiary
Bharti Airtel (UK) Limited	Fellow subsidiary

* It is held by private trusts of Bharti family, with Mr. Sunil Bharti Mittal's family trust effectively controlling the said company.

The summary of transactions and outstanding balances with the above mentioned parties are as follows:

(All amounts are in thousands of JPY; unless stated otherwise)

Related party transactions for 2019-20

Nature of Transactions	Bharti Airtel Limited	Bharti International (Singapore) Pte Ltd	Bharti Airtel (USA) Limited	Bharti Airtel (Hong Kong) Limited	Bharti Airtel (UK) Limited	Total
Purchase of services	(1,162)	-	-	-	-	**(1,162)**
Interest expense payable to related party	-	(1,665)	-	-	-	**(1,665)**
Rendering of services	23,751	32,254	1,145	421	-	**57,571**
Closing Balance						
Interest accrued but not due on borrowings	-	(10,398)	-	-	-	**(10,398)**
Borrowings	-	(37,638)	-	-	-	**(37,638)**
Trade receivables	41,801	26,182	879	-	-	**68,862**
Advance from related parties	-	-	-	(318)	-	**(318)**
Total	**41,801**	**(21,854)**	**879**	**(318)**	**-**	**20,508**

Related party transactions for 2018-19

Nature of Transactions	Bharti Airtel Limited	Bharti International (Singapore) Pte Ltd	Bharti Airtel (USA) Limited	Bharti Airtel (Hong Kong) Limited	Bharti Airtel (UK) Limited	Total
Purchase of services	(1,182)	-	-	-	-	**(1,182)**
Interest expense payable to related party	-	(1,245)	-	-	-	**(1,245)**
Rendering of services	25,608	12,370	-	2,434	2,934	**43,346**
Closing Balance						
Interest accrued but not due on borrowings	-	(8,726)	-	-	-	**(8,726)**
Borrowings	-	(17,000)	-	-	-	**(17,000)**
Trade receivables / Payables	18,781	6,307	-	-	165	**25,253**
Advance from related parties	-	-	(260)	(753)	-	**(1,013)**
Total	**18,781**	**(19,419)**	**(260)**	**(753)**	**165**	**(1,486)**

22 Earnings per share

	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
(a)	Profit / (loss) attributable to equity shareholders	1,375,164	(315,914)
(b)	Weighted average number of equity shares oustanding during the year	1	1
(c)	Nominal value of equity shares (in JPY)	50,000	50,000
(d)	Earnings per share (Basic and Diluted) (a)/(b)	1,375,164	(315,914)

23 Financial risk and capital risk
1. Financial risk

The business activities of the Company expose it to a variety of financial risks, namely market risks (that is, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The overall risk management seeks to minimize potential adverse effects of these risks on the financial performance of the Company. The Company has established risk management policies, guidelines and control procedures to manage its exposure to financial risks.

(All amounts are in thousands of JPY; unless stated otherwise)

(a) ***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. The trade receivables of the Company are typically non-interest bearing un-secured and derived from sales made to a number of independent customers including group entities. Revenue earned from the related parties is disclosed in note 21. The credit period provided by the Company to its customers generally ranges between 0-30 days.

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 the ordinary course of business.

Consequently, the allowance for impairment of trade receivables is created to the extent and as and when required, based upon the expected collectability of accounts receivables.

Cash and cash equivalents are placed with reputed financial banks / institutions.

	0-30 days	Total
March 31, 2020	**In JPY**	**In JPY**
Trade Receivables	68,544	68,544
	68,544	**68,544**

	0-30 days	Total
March 31, 2019	**In JPY**	**In JPY**
Trade Receivables	25,253	25,253
	25,253	**25,253**

(b) ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accordingly, as a prudent liquidity risk management measure, the Company closely monitors its liquidity position and deploys a robust cash management system. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

Analysis of financial instruments by remaining contractual maturities

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

(All amounts are in thousands of JPY; unless stated otherwise)

	As of March 31, 2020			
	Carrying amount	**On demand**	**Less than 6 months**	**Total**
Interest bearing borrowings	37,638	37,638	-	37,638
Trade payables	9,283	-	9,283	9,283
Other financial liabilities	10,398	-	10,398	10,398
	57,319	**37,638**	**19,681**	**57,319**

	As of March 31, 2019			
	Carrying amount	**On demand**	**Less than 6 months**	**Total**
Interest bearing borrowings	17,000	17,000	-	17,000
Trade payables	7,513	-	7,513	7,513
Other financial liabilities	13,033	-	13,033	13,033
	37,546	**17,000**	**20,546**	**37,546**

(c) *Interest rate risk*

The Company's interest rate risk arises mainly from Borrowings as follows

	Change in interest rate (basis points)	Effect on profit / (loss) before tax
March 31, 2020		
Loan from related parties	+20	75
	-20	(75)
March 31, 2019		
Loan from related parties	+20	34
	-20	(34)

(d) Foreign currency risk

The Company has foreign currency trade payables, receivables and borrowings (internal as well as external). However, foreign exchange exposure mainly arises from trade payables and accrued expenses denominated in foreign currencies. Consequently, the Company is mainly exposed to foreign exchange risks related to foreign currencies vis-à-vis the functional currencies.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit / (loss) before tax to a reasonably possible change in the exchange rates against the functional currency of the Company:

	Change in currency exchange rate	Effect on Profit/Loss before Tax March 31, 2020	March 31, 2019
JPY	+5%	(64)	(70)
JPY	-5%	64	70
INR	+5%	-	-
INR	-5%	-	-

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

2. Capital Risk

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 relevant laws and regulations, and maintain an optimal and efficient capital structure so as to reduce the cost of capital. 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, which is net debt divided by a total capital plus net debt. Net debt is calculated as loans and borrowings less cash and cash equivalents.

(All amounts are in thousands of JPY; unless stated otherwise)

	As of	
	March 31, 2020	**March 31, 2019**
Loans and Borrowings	37,638	17,000
Less: Cash and Cash Equivalents	1,738	14,616
Net Debt	**35,900**	**2,384**
Equity	11,311	10,095
Total Capital	**11,311**	**10,095**
Capital and Net Debt	47,211	12,479
Gearing Ratio	76%	19%

27. COVID-19

Covid 19 pandemic has resulted in a nationwide lock down with restrictions imposed on movement of people and goods. Consequently, the Company formulated a robust Business Continuity Plan to ensure that its operations are not disrupted. The Company has considered a range of possible scenarios to understand potential outcomes on its business and plan appropriately.

A detail assessment has been carried out by the Company with regards to impact on revenue and costs. Impact due to any extended credit terms, cancelled orders, change in contractual terms, price concession request, onerous obligations etc. were comprehensively evaluated for any risk due to Covid-19 on revenue recognized and collectability thereof and no material impact has been noted. The Company has not experienced any loss of significant customer on account of force majeure clauses in the revenue contracts. Besides, the Company has also assessed its other arrangements, including leasing arrangements and no changes in terms of those arrangements are expected due to COVID-19.

The Company has also re-assessed its financial risk management policies and impact of any change on the related disclosures in the financial statements, on counterparty credit risk, liquidity risk and foreign currency risk and no material impact has been noted.

28. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm’s length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

(All amounts are in thousands of JPY; unless stated otherwise)

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, trade payable and other current financial liabilities reasonably approximate their fair values because these are short term in nature and repriced regularly.

Amounts due to/from related companies, approximate their fair value as the interest rates charged to/by related companies are approximately equivalent to interest rate prevailing in the market or re-priced regularly.

	March 31, 2020		March 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets at amortised costs				
Security deposits	47	47	48	48
Trade receivables	68,544	68,544	25,253	25,253
Cash and cash equivalents	1,738	1,738	14,616	14,616
	70,329	**70,329**	**39,917**	**39,917**
Liabilities at amortised costs				
Other financial liabilities	10,398	10,398	13,033	13,033
Borrowing	37,638	37,638	17,000	17,000
Trade payables	9,283	9,283	7,513	7,513
	57,319	**57,319**	**37,546**	**37,546**