

**BHARTI AIRTEL SERVICES LIMITED**  
**Ind AS Financial Statements**

**March 31, 2020**

**BHARTI AIRTEL SERVICES LIMITED**  
**Ind AS Financial Statements – March 2020**

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## **Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

### To The Members of Bharti Airtel Service Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of **BHARTI AIRTEL SERVICE 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 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 "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 profit, total comprehensive income, the changes in equity and cash flows 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.

#### 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 the information included in the director's report, but does not include the Financial Statements and our auditor's report thereon. The Director's report is expected to be made available to us after the date of this auditor's report.

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- Our opinion on the Financial Statements does not cover the other information and we do not and will 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.
- When we read the Director's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

### **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, changes in equity and cash flows 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 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.

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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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**Other Matter**

We were unable to observe the physical verification of inventory as at March 31, 2020 of Rs. 107 million due to travel restriction imposed as a result of pandemic caused by the novel coronavirus COVID-19. The inventory were observed by other chartered accountants and based on the instructions sent by us they confirmed performing of required procedures. Their reports have been furnished to us, and our opinion in so far as it relates to the testing of existence of inventory amounts and disclosures included in respect of these inventory balance as at March 31, 2020, is based solely on the reports of such other chartered accountants.

Our opinion on the financial statements above and our report on Other Legal and Regulatory Requirements below is not modified in respect of matter with regards to our reliance on the work done and the report of the other auditors.

**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 so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid 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 according to the information and explanations given to us, the Company has not paid any managerial remuneration during the current year except directors sitting fees, accordingly provision of section 197 read with Schedule V of the Act are not applicable to the Company.

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- 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 contracts for which there were any material foreseeable losses; and
  - iii. There were no amount 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 Lahoti**  
Partner  
(Membership No. 130054)  
UDIN: 20130054AAAAVW9423

Place: Gurugram  
Date: July 7, 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 member of Bharti Airtel Service 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 AIRTEL SERVICE 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 ("the 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 ("the Act").

**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.

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**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 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 unauthorized 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 Lahoti**  
Partner  
(Membership No. 130054)  
UDIN: 20130054AAAAVW9423

Place: Gurugram  
Date: July 7, 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 of to the Members of Bharti Airtel Services Limited of even date)**

- i. In respect of Company's 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, has a program of verification of fixed assets to cover balance items in a phased manner at reasonable intervals, 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, except for customer premises equipment, 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 or reconciliation, as applicable.
  - (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, agreement for land on which building is constructed, registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title in respect of self-constructed buildings and the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.
- ii. As explained to us, the inventories, except for those lying with the third parties, were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- iii. According to the information and explanations 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. According to the information and explanations given to us, the Company has not granted any loans, made investments or provide guarantees and hence reporting under clause (iv) of the Order is not applicable.
- v. According to the information and explanations given to us, the Company has not accepted any 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 not been specified by the Central Government under section 148(1) of the Companies Act, 2013.

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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 Service 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 & Service 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, Sales Tax, Value Added Tax and Service Tax 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	Forum where dispute is pending	Period to which the amount relates	(Rs. in million)*	
				Amount disputed	Amount paid
Income Tax Act, 1961	Income Tax	Assessing Officer	2002-2003	18	18
		Commissioner	2013-2014	3	3
		Income Tax Appeals	2014-2015	5	-
The Karnataka VAT Act, 2003	Sales Tax	Karnataka Appellate Tribunal	2009-2010	0	0
		Joint commissioner Appeals	2010-2011	6	1
		Deputy Commissioner	2011-2012	1	-
		Assistant Commissioner	2014-2015	1	-
The UP VAT Act	Sales Tax	Assistant Commissioner	2004-2005	0	0
		Additional commissioner	2015-2016	0	-
		Deputy Commissioner	2009-2010 2013-2014	3 0	0 -
The Madhya Pradesh VAT Act, 2002	Sales Tax	Additional Commissioner	2012-2013	0	0
Rajasthan VAT Act	Sales Tax	Assistant Commissioner	2016-2017	1	-
			2017-2018	1	-
The Gujarat VAT Act, 2003	Sales Tax	Deputy Commissioner	2008-2009	1	0
Delhi VAT Act 2004	Sales Tax	Assistant Commissioner	2014-2015	0	-
Tamil Nadu VAT Act 2006	Sales Tax	Commercial Tax Officer	2014-2015	1	-

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Haskins & Sells LLP**

Name of the Statutes	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	(Rs. in million)*	
				Amount disputed	Amount paid
Finance Act, 1994 (Service Tax Provisions)	Service Tax	Commissioner	2017-2018	0	-
Finance Act, 1994 (Service Tax Provisions)	Service Tax	Customs Excise and Service Tax Appellate Tribunal	2008-2012	155	-

\*Amount less than half a million are appearing as '0'.

- viii. In our opinion and according to the information and explanations given to us, the Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause 3(viii) of the Order is not applicable.
- ix. During the current year, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3 (ix) of the Order is not applicable.
- 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 paid any managerial remuneration during the current year except directors sitting fees, accordingly provision of section 197 read with schedule V of the act are not applicable to the Company and hence reporting under clause 3 (xi) of the Order 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.

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**Deloitte  
Haskins & Sells LLP**

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 Lahoti**  
Partner  
(Membership No. 130054)  
UDIN: 20130054AAAAVW9423

Place: Gurugram  
Date: July 7, 2020

## **Ind AS Financial Statements**

**Bharti Airtel Services 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	445	450
Capital work-in-progress	5	24	72
Right-of-use assets	29	11	-
Investment	6	47	47
<b>Financial assets</b>			
- Security deposits		1	5
Income tax assets (net)		192	404
Deferred tax assets (net)	8	327	410
Other non-current assets	9	168	123
		<b>1,215</b>	<b>1,511</b>
<b>Current assets</b>			
Inventories	10	374	343
<b>Financial assets</b>			
- Trade receivables	11	1,321	1,045
- Cash and cash equivalents	12	51	102
- Other bank balances	12	2	2
- Others	7	43	-
Other current assets	9	781	454
		<b>2,572</b>	<b>1,946</b>
<b>Total assets</b>		<b>3,787</b>	<b>3,457</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity Share capital	13	1	1
Other equity		2	(105)
		<b>3</b>	<b>(104)</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
- Lease liabilities		8	14
- Security deposit		2	2
Deferred revenue	21	26	45
Provisions	16	11	26
		<b>47</b>	<b>87</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
- Borrowings	15	2,596	1,664
- Lease liabilities		5	9
- Trade payables			
-total outstanding dues of micro enterprises and small enterprises	17	6	0
-total outstanding dues of creditors other than micro enterprises and small enterprises	17	430	926
- Others	18	271	332
Deferred revenue	21	111	208
Provisions	16	4	18
Current tax liabilities (net)		49	181
Other current liabilities	19	265	136
		<b>3,737</b>	<b>3,474</b>
<b>Total liabilities</b>		<b>3,784</b>	<b>3,561</b>
<b>Total equity and liabilities</b>		<b>3,787</b>	<b>3,457</b>

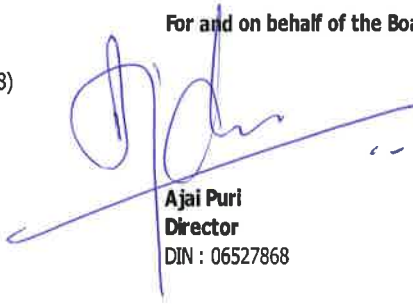
The accompanying notes 1 to 32 form an integral part of these financial statements.

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 Airtel Services Limited



**Ajai Puri**  
Director  
DIN : 06527868



**Badal Bagri**  
Director  
DIN : 00367278

Place: Gurugram

Date: July 7, 2020





**Bharti Airtel Services 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	3,764	3,749
Other income		34	29
		<b>3,798</b>	<b>3,778</b>
<b>Expenses</b>			
Cost of goods sold	22	1,764	1,695
Installation and maintenance expenses		1,042	1,030
Employee benefits expense	23	137	144
Sales and marketing expenses		38	52
Other expenses	24	332	396
		<b>3,313</b>	<b>3,317</b>
<b>Profit from operating activities before depreciation and exceptional items</b>		<b>485</b>	<b>461</b>
Depreciation expense (including Right-of-use assets)	5 & 29	168	156
Finance costs	25	3	31
Finance income	25	(22)	(44)
<b>Profit before exceptional items and tax</b>		<b>336</b>	<b>318</b>
Exceptional items	26	25	-
<b>Profit before tax</b>		<b>311</b>	<b>318</b>
<b>Tax expense</b>			
Current tax	8	122	72
Deferred tax	8	83	46
<b>Profit for the year</b>		<b>106</b>	<b>200</b>
<b>Other comprehensive income</b>			
Items not be reclassified to profit or loss:			
Re-measurement gains on defined benefit plans	23	1	13
Income tax charge	8	(0)	(5)
<b>Other comprehensive income for the year</b>		<b>1</b>	<b>8</b>
<b>Total comprehensive income for the year</b>		<b>107</b>	<b>208</b>
<b>Earnings per share (Face value of Rs.10/- each) (In Rupees)</b>			
Basic and Diluted	27	1,060	2,000

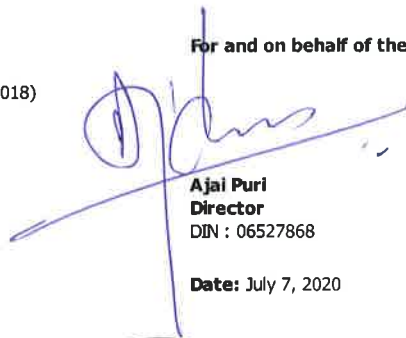
The accompanying notes 1 to 32 form an integral part of these financial statements.

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

Place: Gurugram

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

  
**Ajai Puri**  
**Director**  
DIN : 06527868

Date: July 7, 2020

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



**Bharti Airtel Services Limited**  
**Statement of changes in equity**

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

	Share capital		Other equity - Reserves and Surplus	Total equity
	No. of shares (in '000')	Amount	Retained earnings	
<b>As of April 1, 2018</b>	<b>100</b>	<b>1</b>	<b>(313)</b>	<b>(312)</b>
Profit for the year	-	-	200	200
Other comprehensive income	-	-	8	8
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>208</b>	<b>208</b>
<b>As of March 31, 2019</b>	<b>100</b>	<b>1</b>	<b>(105)</b>	<b>(104)</b>
Profit for the year	-	-	106	106
Other comprehensive income	-	-	1	1
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>107</b>
<b>As of March 31, 2020</b>	<b>100</b>	<b>1</b>	<b>2</b>	<b>3</b>

The accompanying notes 1 to 32 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)



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

**Place:** Gurugram

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



**Ajai Puri**  
**Director**  
DIN : 06527868

**Date:** July 7, 2020



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



**Bharti Airtel Services Limited**  
**Statement of cash flow**  
*(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>		
Profit before tax	311	318
<b>Adjustments for:</b>		
Depreciation expense	168	156
Finance costs	3	31
Finance income	(22)	(44)
Other non-cash items	231	253
Exceptional items	25	-
<b>Operating cash flow before changes in working capital</b>	<b>716</b>	<b>714</b>
<b>Changes in working capital</b>		
Trade receivables	(523)	1,255
Trade payables	(490)	(100)
Inventories	(26)	(44)
Provisions	(17)	(214)
Other financial and Non financial assets	(421)	383
Other financial and Non financial liabilities	(127)	(1,570)
<b>Net cash (used in) / generated from operations before tax</b>	<b>(888)</b>	<b>424</b>
Income tax paid	(21)	(181)
<b>Net cash (used in) / generated from operationing activities (a)</b>	<b>(909)</b>	<b>243</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(61)	(555)
<b>Net cash used in investing activities (b)</b>	<b>(61)</b>	<b>(555)</b>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(10)	(2)
Proceeds from borrowings	5,062	6,398
Repayments of borrowings	(4,130)	(6,054)
Interest and other finance charges paid	(3)	(3)
<b>Net cash generated from financing activities (c)</b>	<b>919</b>	<b>339</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year (a + b + c)</b>	<b>(51)</b>	<b>27</b>
Add : Cash and cash equivalents as at the beginning of the year	102	75
<b>Cash and cash equivalents as at the end of the year (refer note 12)</b>	<b>51</b>	<b>102</b>

The accompanying notes 1 to 32 form an integral part of these financial statements.

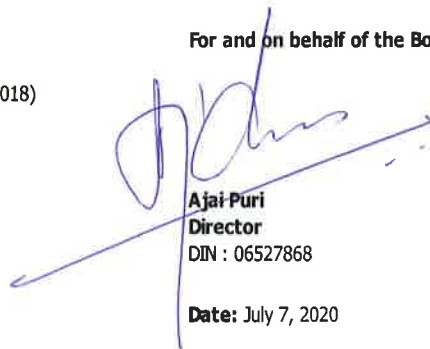
As per our report of even date  
**For Deloitte Haskins & Sells LLP**  
**Chartered Accountants**  
(Firm's Registration No: 117366W / W-100018)

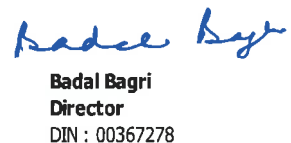
  
**Nitesh H. Lahoti**  
**Partner**

Membership No: 130054

Place: Gurugram

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

  
**Ajai Puri**  
**Director**  
DIN : 06527868

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

Date: July 7, 2020



**Bharti Airtel Services Limited**  
**Notes to Financial Statements**

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

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**1. Corporate information**

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

The Company is primarily engaged in selling of hardware for internet and satellite business, telecommunication equipment, handsets and allied services.

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

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

As at March 31, 2020, the current liabilities exceeded its current assets by Rs. 1,165 (March 31, 2019: Rs. 1,528). Management has undertaken key initiatives to improve the profitability and reduce current assets and liability mismatch. Increasing engagement with existing customers and on-boarding of new customers in the existing business, Rationalisation of cost structure, Recoveries from pending receivables.

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

The financial statements are approved for issue by the Company's Board of Directors on July 7, 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 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.



**Bharti Airtel Services Limited**  
**Notes to Financial Statements**

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

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All the amounts included in the financial statements are reported in millions of Indian Rupees ('Rupees' or 'Rs.')

 and are rounded to the nearest million, except per share data and unless stated otherwise. Further, due to rounding off, certain amounts are appearing as '0'.

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

The accounting policies, as set out in the following paragraphs of this note, have been consistently applied, by the Company, to all the periods presented in the said financial statements, except in case of adoption of any new standards and 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 Profit 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 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 29 for impact of adoption of Ind AS 116. Also refer note 2.8 for accounting policy on 'leases'.



**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 a material impact on the financial statements of the Company in addition to what the Company has 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.

**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 and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortised cost are required to be disclosed in the said financial statements.





**Bharti Airtel Services Limited**  
**Notes to Financial Statements**

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

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

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

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

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

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

### **2.3 Foreign currency transactions**

The financial statements are presented in Indian 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 costs / finance income. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – the resulting foreign exchange difference, on subsequent re-statement / settlement, recognised in the statement of profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.

### **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 other assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.



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

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

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

## **2.5 Property, plant and equipment ('PPE')**

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

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

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

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. The 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 unlimited useful life.





**Bharti Airtel Services Limited**  
**Notes to Financial Statements**

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

The Company has established the estimated range of useful lives for different categories of PPE as follows:

<b>Categories</b>	<b>Years</b>
Building	20
Plant and machinery	2 – 10
Computer	3
Furniture and Fixtures	5

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

## **2.6 Impairment of non-financial assets**

### **Property, plant and equipment & Rights-of-use assets ('ROU')**

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

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

### **Reversal of impairment losses**

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



## **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 recognises its investment in fellow subsidiaries at cost less any impairment losses. The said investments are tested for impairment whenever circumstances indicate that their carrying values may exceed the recoverable amount (viz. higher of the fair value less costs to sell and the value-in-use).

The Company classifies its financial assets in the following categories: a) those to be measured subsequently at fair value through profit or loss, and b) those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company has classified all the financial liabilities measured at amortised cost.

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

#### **I. Initial measurement**

At initial recognition, the Company measures the financial instruments (except financial guarantee) at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Otherwise transaction costs are expensed in the statement of profit and loss. Any financial guarantees, issued in relation to obligations are initially recognised at fair value.

#### **II. Subsequent measurement - financial assets**

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



**Bharti Airtel Services Limited**  
**Notes to Financial Statements**

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

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**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 FVTPL. 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. 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**

Any financial guarantees are amortised over the life of the guarantee and are measured at each reporting date at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period. Financial liabilities 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 financial liabilities are de-recognised from the balance sheet when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released. The resultant impact of derecognition is recognised in the statement of profit and loss.



## **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**

The Company leases routers. These leases were classified as finance leases under Ind AS 17. On initial application of Ind AS 116, for these finance leases, the carrying amount of the right-of-use asset and the lease liability at April 1, 2019 were determined at the carrying amount of the lease asset and lease liability under Ind AS 17 immediately before that date.

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.



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

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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.

**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.

**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.





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

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**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.

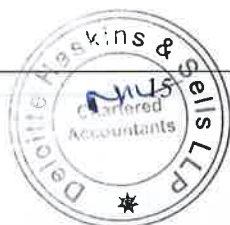
**b. Deferred tax**

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

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 profits 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.



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

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Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the 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 Inventories**

Inventories are stated at the lower of cost (determined using the first-in-first-out method) and net realisable value. The costs comprise its purchase price and any directly attributable cost of bringing the inventories to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### **2.11 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).

### **2.12 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.

### **2.13 Employee benefits**

The Company's employee benefits mainly include wages, salaries, bonuses, defined contribution plans, defined benefit plans, compensated absences, deferred compensation. The employee benefits are recognised in the year 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.



**a. Defined contribution plans**

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

**b. Defined benefit plans**

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

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

The obligation towards the said benefits is 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 benefit**

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

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





**Bharti Airtel Services Limited**  
**Notes to Financial Statements**

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

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**2.14 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 discount over passage of time is recognised within finance costs.

**2.15 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.

**2.16 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.

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:

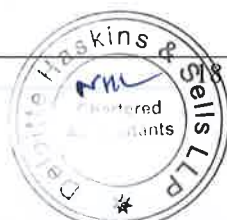
**a. Service revenues**

Service revenue mainly pertains to repair & maintenance, managed & support services and manpower services.

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

Other Services revenues are recognised when the services are rendered over the period of time.

The billing/ collection in excess of revenue recognised is presented as deferred revenue in the balance sheet whereas unbilled revenue is recognised within other current financial assets.



**b. Sale of products**

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

**c. Interest income**

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

**2.17 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.

**2.18 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.

**2.19 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 numbers of shares considered for deriving basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Further, the dilutive potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.



**Bharti Airtel Services Limited**  
**Notes to Financial Statements**

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

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**2.20 Segment reporting**

The Company operates only in one business segment viz. selling of hardware for internet and satellite business, telecommunication equipment, handsets and allied services. Accordingly, no further operating segment financial information is disclosed.

**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 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 year in which they become known.

**3.1 Key sources of estimation uncertainties**

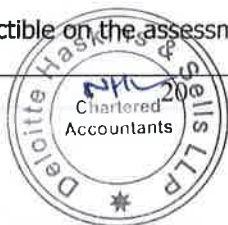
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

**a. Useful lives of PPE**

As described at refer note 2.5 above, the Company reviews the estimated useful lives of property, plant and equipment at the 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, changes in economic conditions of the markets, competition and technology, among others, are unpredictable and they may significantly impact the useful lives of PPE and therefore the depreciation charges.

**b. Allowance for impairment of trade receivables**

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



**c. Contingent liability**

The Company is involved in various legal, tax and regulatory matters, the outcome of which may not be favorable to the Company. Management in consultation with the legal, tax and other advisers assess the likelihood that a pending claim will succeed. The Company has applied its judgement and has recognised liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable. Refer note 20 for details of contingent liabilities.

**4. Significant transaction/new developments**

- i. 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 8).
- ii. On May 06, 2019, the Board of Directors of the Company approved the Composite scheme of arrangement ('Scheme') between Bharti Airtel Limited, Bharti Airtel Services Limited ('the Company'), Hughes Communications India Limited and HCIL Comtel Limited and their respective shareholders and creditors under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 providing inter-alia for transfer of the VSAT business undertaking (as defined in the Scheme) of the Company and vesting of the same with HCIL Comtel Limited on a going concern basis by way of a slump sale in accordance with section 2(42C) of the Income-tax Act, 1961. The said Scheme is subject to requisite regulatory approvals and other closing conditions. The consideration under the Scheme shall be in the form of cash through normal banking channels.



**Bharti Airtel Services Limited**  
**Notes to Financial Statements**

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

**5. Property, Plant and equipment**

The following table presents the reconciliation of changes in the carrying value of PPE for the year ended March 31, 2019 and 2020:

	Freehold land	Building	Plant and machinery#	Furniture & fixture	Computer	Total
<b>Gross carrying value</b>						
<b>Balance of April 1, 2018</b>	44	25	1,508	3	17	1,597
Additions	-	-	605	-	0	605
Disposals / adjustments	-	-	(349)	-	(8)	(357)
<b>As of March 31, 2019</b>	44	25	1,764	3	9	1,845
<b>As of April 1, 2019</b>	44	25	1,764	3	9	1,845
Transition impact on adoption of Ind AS 116	-	-	(24)	-	-	(24)
<b>Adjusted balance as of April 1, 2019</b>	44	25	1,740	3	9	1,821
Additions	-	-	171	-	3	174
Disposals / adjustments	-	-	(3)	-	-	(3)
<b>As of March 31, 2020</b>	44	25	1,908	3	12	1,992
<b>Accumulated depreciation</b>						
<b>Balance of April 1, 2018</b>	-	21	1,207	3	16	1,247
Charge	-	1	154	-	1	156
Disposals / adjustments	-	-	(0)	-	(8)	(8)
<b>As of March 31, 2019</b>	-	22	1,361	3	9	1,395
<b>As of April 1, 2019</b>	-	22	1,361	3	9	1,395
Transition impact on adoption of Ind AS 116	-	-	(9)	-	-	(9)
<b>Adjusted balance as of April 1, 2019</b>	-	22	1,352	3	9	1,386
Charge	-	1	162	-	1	164
Disposals / adjustments	-	-	(3)	-	-	(3)
<b>As of March 31, 2020</b>	-	23	1,511	3	10	1,547
<b>Net carrying value</b>						
As of March 31, 2019	44	3	403	-	0	450
As of March 31, 2020	44	2	397	-	2	445

The carrying value of capital work-in-progress as at March 31, 2020 and 2019 is Rs. 24 and Rs. 72, respectively, which pertains to plant and machinery.

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

<b>Plant and machinery</b>	<b>As of</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Gross carrying value	1,906	1,764
Accumulated depreciation	1,509	1,361
<b>Net carrying value</b>	<b>397</b>	<b>403</b>



**Bharti Airtel Services Limited**  
**Notes to financial statements**

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

**6 Investment**

	As of	
	March 31, 2020	March 31, 2019
<b>Non-current</b>		
Investment in fellow subsidiaries (unquoted)	47	47
	<b>47</b>	<b>47</b>
<b>Investment in fellow subsidiaries</b>		
Nettle Infrastructure Investments Limited (5,000 equity shares of Rs 10 each fully paid up as of March 31, 2020) (March 31, 2019 : 5,000)	0	0
Telesonic Networks Limited (46,96,358 equity shares of Rs 10 each fully paid up as of March 31, 2020) (March 31, 2019 : 46,96,358)	47	47
<i>Aggregate value of unquoted investments</i>	47	47

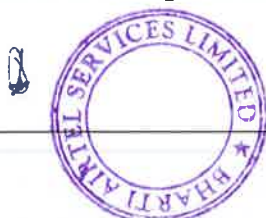
**7 Financial assets – others**

**Current**

	As of	
	March 31, 2020	March 31, 2019
Unbilled revenue (refer note 21)	43	-
	<b>43</b>	<b>-</b>

**8 Income taxes**

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Current income tax</b>		
- For the year	113	78
- Adjustments for prior periods	9	(6)
	122	72
<b>Deferred tax</b>		
- Origination and reversal of temporary differences	(51)	40
- Effect of change in tax rate	115	
- Adjustments for prior periods	19	6
	83	46
<b>Income tax expense</b>	<b>205</b>	<b>118</b>
<b>Statement of Other Comprehensive Income</b>		
Deferred tax related to items charged or credited to Other Comprehensive Income during the year:		
- Re-measurement losses on defined benefit plans	(0)	(5)
<b>Deferred tax charged to Other Comprehensive Income</b>	<b>(0)</b>	<b>(5)</b>





**Bharti Airtel Services Limited**  
**Notes to financial statements**

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

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

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Profit before tax	311	318
Tax expense @ 25.168% / 34.944%	78	111
Effect of:		
Net deduction claimed under income tax act	(1)	-
Adjustments in respect to previous years	9	(6)
Adjustment in respect to deferred tax of previous years	19	6
Effect of different tax rate	115	-
(Income) / expense not (taxable) / deductible (net)	(15)	7
<b>Income tax expense</b>	<b>205</b>	<b>118</b>

The analysis of deferred tax assets is as follows:

	<b>As of</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Deferred tax asset</b>		
Allowance for impairment of debtors / advance	240	278
Employee benefits	3	12
Rates & Taxes	7	-
Property, plant and equipment	77	100
Minimum Alternate Tax Credit	-	20
<b>Deferred tax asset</b>	<b>327</b>	<b>410</b>

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Deferred tax expense</b>		
Allowance for impairment of debtors / advances	(36)	2
Minimum Alternate Tax Credit	(20)	20
Employee benefits	(9)	(70)
Property, plant and equipment	(24)	2
Rates & Taxes	6	-
<b>Net deferred tax expense</b>	<b>(83)</b>	<b>(46)</b>

The movement in deferred tax assets 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>410</b>	<b>461</b>
Tax expense recognised in profit or loss	(83)	(46)
Tax expense recognised in OCI	(0)	(5)
<b>Closing balance</b>	<b>327</b>	<b>410</b>



**Bharti Airtel Services Limited**  
**Notes to financial statements**  
*(All amounts are in millions of Indian Rupee; unless stated otherwise)*

**9 Other assets**

**Non-current**

	As of	
	March 31, 2020	March 31, 2019
Prepaid expenses	166	111
Advances paid under protest*	2	12
	<b>168</b>	<b>123</b>

\*It mainly includes amount paid for Income tax related matters.

**Current**

	As of	
	March 31, 2020	March 31, 2019
Prepaid expenses	184	142
Advances to suppliers	176	74
Taxes recoverable#	389	221
Others	32	17
	<b>781</b>	<b>454</b>

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

**10 Inventories**

	As of	
	March 31, 2020	March 31, 2019
Stock in trade *	374	343
	<b>374</b>	<b>343</b>

\*Net of allowance for diminution in value Rs. 233 and Rs. 238 as of March 31, 2020 and March 31, 2019.

**11 Trade receivables**

	As of	
	March 31, 2020	March 31, 2019
<b>Unsecured</b>		
Trade receivable considered good - unsecured*	2,105	1,654
Less: Allowances for doubtful receivables	(784)	(609)
	<b>1,321</b>	<b>1,045</b>

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

Refer note 30 for credit risk





**Bharti Airtel Services Limited**  
**Notes to financial statements**

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

**The Movement in allowances for doubtful debts is as follows:**

	For the year ended	
	March 31, 2020	March 31, 2019
Opening balance	609	596
Additions	211	205
Write off (net of recovery)	(36)	(192)
	<b>784</b>	<b>609</b>

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

	As of	
	March 31, 2020	March 31, 2019
Balances with banks		
- On current accounts	43	87
Cheques on hand	-	3
Cash on hand	8	12
	<b>51</b>	<b>102</b>

**Other bank balances**

	As of	
	March 31, 2020	March 31, 2019
Other bank balances		
Margin money deposits	2	2
	<b>2</b>	<b>2</b>

**13 Share capital**

	As of	
	March 31, 2020	March 31, 2019
Authorised shares		
1,000,000 equity shares of Rs. 10 each	<b>10</b>	<b>10</b>
Issued, Subscribed and fully paid-up shares		
100,000 equity shares of Rs.10 each	1	1
	<b>1</b>	<b>1</b>

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

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

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

	As of			
	March 31,2020		March 31,2019	
	No. of shares	% holding	No. of shares	% holding
Equity shares of Rs.10 each fully paid				
Bharti Airtel Limited, the parent company	99,994	99.99%	99,994	99.99%



**Bharti Airtel Services Limited**  
**Notes to financial statements**

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

**14 Reserve and surplus**

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

**15 Borrowings**

**Current**

**Unsecured**

Loan from holding Company (refer note 28)

	As of	
	March 31, 2020	March 31, 2019
	2,596	1,664
	<b>2,596</b>	<b>1,664</b>

**15.1 Repayment terms of borrowings**

The INR borrowings of Rs. 2,596 and Rs. 1,664 as of March 31, 2020 and 2019 respectively, from holding company, repayable on demand. The borrowings are repayable on or before December 31, 2020, unless otherwise agreed and carries interest at nil rate.

**15.1.2 Unused Lines of Credit**

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

	As of	
	March 31, 2020	March 31, 2019
Unsecured*	1,404	836

\*excludes non-fund based facilities

**16 Provisions**

**Non-current**

Gratuity  
Other employee benefit plan

	As of	
	March 31, 2020	March 31, 2019
	11	25
	-	1
	<b>11</b>	<b>26</b>

**Current**

Gratuity  
Other employee benefit plan  
Provision for warranty

	As of	
	March 31, 2020	March 31, 2019
	-	4
	4	9
	-	5
	<b>4</b>	<b>18</b>

Refer note 23 for movement of provision towards employee benefits.



**Bharti Airtel Services Limited**  
**Notes to financial statements**

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

The movement of provision for warranty is as below:

	For the year ended	
	March 31, 2020	March 31, 2019
Opening balance	5	5
Net (reversal) / additions	(5)	(0)
	<b>-</b>	<b>5</b>

**17 Trade payables**

	As of	
	March 31, 2020	March 31, 2019
Due to Micro and Small enterprises	6	0
Other trade payables*	430	926
	<b>436</b>	<b>926</b>

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

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

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

Sr No	Particulars	As of	
		March 31, 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	6	0
2	Amount of interest paid by the buyer in terms of section 16 of the MSMED ACT 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	3	0
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.	-	-

**18 Financial liabilities**

**Others**

**Current**

	As of	
	March 31, 2020	March 31, 2019
Payables against capital expenditure	253	188
Employee payables	17	143
Others	1	1
	<b>271</b>	<b>332</b>



**Bharti Airtel Services Limited**  
**Notes to financial statements**

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

**19 Other liabilities**

**Current**

	As of	
	March 31, 2020	March 31, 2019
Taxes payable*	171	73
Advance received from customers	94	58
Others	-	5
	<b>265</b>	<b>136</b>

\* Taxes payable mainly pertains to GST and payable towards sub judice matters.

**20 Contingent liabilities and commitments**

**(i) Contingent liabilities**

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

	As of	
	March 31, 2020	March 31, 2019
Taxes, duties and other demands (under adjudication/appeal/dispute)		
-Service tax and Sales tax	172	174
-Income tax	7	7
-Entry tax	101	-
-Others	8	12
	<b>288</b>	<b>193</b>

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

**a) Service Tax**

Department has raised the demand for reversal of Cenvat Credit on common input service used in trading as well as provision of taxable service.

**b) Sales Tax**

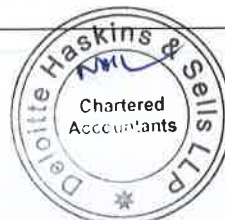
Sales Tax Authorities have raised demands on various issues related to disallowance of Input Tax Credit, Non submission of C and F Forms, Vehicle Seizure cases and other miscellaneous issues.

**c) 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.

**d) 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.



**Bharti Airtel Services Limited**  
**Notes to financial statements**

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

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. During the year ended March 31, 2020, the Company has reassessed the position and accordingly recorded provision for some states and for some states this is disclosed as contingent liability.

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

**Guarantees:**

Guarantees outstanding as of March 31, 2020 and March 31, 2019 amounting to Rs. 30 and Rs. 62 respectively have been issued by banks and financial institutions on behalf of the Company.

**(ii) Commitments**

The Company has contractual commitments towards capital expenditure (net of related advances) and towards trading goods of Rs. 1,546 and Rs. 1,124 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	1,745	1,694
Sale of traded goods*	2,019	2,055
	<b>3,764</b>	<b>3,749</b>

\* Includes price differential on dongles sales received from the parent company.

**Disaggregation of Revenue**

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Timing of revenue recognition</b>		
Products transferred at a point in time	2,019	2,055
Services transferred over time	1,745	1,694
	<b>3,764</b>	<b>3,749</b>

**Geographical Markets**

	For the year ended	
	March 31, 2020	March 31, 2019
India	3,650	3,547
Africa	25	107
Others	89	95
	<b>3,764</b>	<b>3,749</b>



**Bharti Airtel Services Limited**  
**Notes to financial statements**

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

Revenues from one customer amounting to Rs. 530 (March 31, 2019: Rs. 661), arising from rendering of Sales of Dongle, Mifi Devices and other telecom hardware with allied services.

**Contract Balances**

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

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Unbilled Revenue (refer note 7)	43	-
Deferred Revenue	137	253

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

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	
	<b>Unbilled Revenue</b>	<b>Deferred Revenue</b>
Revenue recognised that was included in the deferred revenue balance at the beginning of the period	-	208
Increases due to cash received, excluding amounts recognised as revenue during the period	-	92
Transfers from Unbilled Revenue recognised at the beginning of the period to receivables	-	-
Unbilled Created during the year but still outstanding at end of the period	43	-

**22 Cost of goods sold**

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Inventory at the beginning of the year	343	299
Add: Purchases	1,795	1,739
Less: Inventory at the end of the year	374	343
	<b>1,764</b>	<b>1,695</b>

**23 Employee benefits expense**

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Salaries and bonus	129	93
Contribution to provident and other funds	2	7
Staff welfare expenses	-	27
Defined benefit plan / other long-term benefits	3	14
Share based payment expense	3	2
Others	-	1
	<b>137</b>	<b>144</b>



**Bharti Airtel Services Limited**  
**Notes to financial statements**

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

**23.1 Employee benefits**

The details of significant defined benefit obligations are as follows:

	For the year ended		March 31, 2019	
	March 31, 2020	March 31, 2020	March 31, 2019	March 31, 2019
	Gratuity	Compensated absence	Gratuity	Compensated absence
<b>Obligation</b>				
Balance as at beginning of the year	29	9	160	87
Current service cost	1	0	2	1
Interest cost	2	1	12	7
Benefits paid	(20)	(5)	(10)	(4)
Transfers	(0)	(0)	(122)	(74)
Remeasurements	(1)	(1)	(13)	(8)
<b>Present value of obligation</b>	<b>11</b>	<b>4</b>	<b>29</b>	<b>9</b>
<b>Current portion</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>9</b>
<b>Non-current portion</b>	<b>11</b>	<b>-</b>	<b>25</b>	<b>-</b>

As at March 31, 2020, expected contributions for the next annual reporting period is Rs. 2.

**Amount recognised in other comprehensive income**

	For the year ended	
	March 31, 2020	March 31, 2019
Experience gains	1	11
Gains / (losses) from change in demographic assumptions	0	(1)
(Losses) / gains from change from financial assumptions	(0)	3
<b>Remeasurements of liability</b>	<b>1</b>	<b>13</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 salary increase	7.50%	7.00%
Rate of attrition	0% to 12%	14% to 27%
Retirement age	58	58





**Sensitivity analysis**

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

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

Change in assumption	March 31, 2020	March 31, 2019
	Gratuity	Gratuity
Discount Rate		
+1%	(0)	(1)
-1%	0	1
Salary Growth Rate		
+1%	0	1
-1%	(0)	(1)

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.

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's gratuity liability:

	As of	
	March 31, 2020	March 31, 2019
Within one year	0	4
Within one - three years	0	7
Within three - five years	0	5
Above five years	19	13
<b>Total</b>	<b>19</b>	<b>29</b>
Weighted average duration (in years)	10.66	5.33





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**24 Other expenses**

	For the year ended	
	March 31, 2020	March 31, 2019
Legal and professional charges*	34	34
Travelling and conveyance	-	6
Repair and maintenance	5	11
Provision for diminution in value of inventory	(5)	(64)
Provision for doubtful debts (net)	175	13
Collection and recovery charges	33	30
Charity and donation #	8	6
Bad debts written off	36	192
Miscellaneous expenses	46	168
	<b>332</b>	<b>396</b>

\*Details of Auditor's remuneration (excluding GST) included in legal and professional charges:

	For the year ended	
	March 31, 2020	March 31, 2019
-Audit fee	2	1
-Reimbursement of expenses	0	0
	<b>2</b>	<b>1</b>

#As per the requirements of section 135 of the Companies Act, 2013, the Company was required to spend an amount of Rs. 8 and 6 for the year ended March 31, 2020 and March 31, 2019 on Corporate Social Responsibility expenditure. During the year ended March 31, 2020 and March 31, 2019, the Company has spent Rs. 8 and 6 towards Corporate Social Responsibility.

**25 Finance costs and income**

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Finance costs</b>		
Interest on finance lease liabilities	1	2
Foreign exchange loss (net)	-	28
Other finance charges	2	1
	<b>3</b>	<b>31</b>
<b>Finance income</b>		
Foreign exchange gain (net)	1	-
Interest income on deposits	-	0
Interest on Income tax refund	21	44
	<b>22</b>	<b>44</b>

**26 Exceptional items**

Charge of Rs. 25 and Rs. Nil for the year ended March 31, 2020 and 2019 on account of Entry tax, largely paid under protest in earlier years, arising from a detailed management's review in light of High Court judgements in multiple states.



## **27 Earnings per share ('EPS')**

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

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Weighted average shares outstanding ('000) for basic / diluted EPS	100	100
Profit for the year	106	200

## **28 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 where parent company exercises significant influence with whom transactions have taken place during the reporting periods**

Indus Towers Limited

Robi Axiata Limited

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

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

#### **i. Fellow subsidiaries**

Bharti Hexacom Limited

Telesonic Networks Limited

Nxtra Data Limited

Bharti Telemedia Limited

Bharti Infratel Limited

Bharti Airtel Lanka (Private) Limited

Bharti Airtel International (Netherlands) B.V.

Africa Towers N.V.

Airtel Payment Bank Limited (until October 25, 2018)

Airtel Malawi plc

Airtel Network Kenya Limited

Airtel Networks Limited



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Airtel Tanzania plc (formerly known as Airtel Tanzania Limited)  
Airtel Congo S.A  
Celtel Niger S.A.  
Airtel Networks Zambia Plc  
Bharti International (Singapore) Pte Limited  
Airtel Uganda Limited  
Airtel (Seychelles) Limited  
Nettle Infrastructure Investments Limited  
Airtel digital limited (formerly known as Wynk Limited)

ii. **Other related parties**

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

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



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The summary of transactions with above mentioned parties is as follows:

Particulars	For the Year ended March 31, 2020			
	Parent Company	Fellow Subsidiaries	Entity where Parent exercises significant influence	Other related parties
Rendering of Services/Sale of traded goods	597	90	13	133
Receiving of services/Purchase of traded goods	12	264	-	69
Fund transferred/Expenses incurred on behalf of others	1	-	-	-
Fund received/Expenses incurred on behalf of the Company	140	-	-	-
Donation	-	-	-	8
Loans taken	5,062	-	-	-
Repayment of Loan taken	4,130	-	-	-
Guarantees and collaterals taken on behalf of others (Including Performance guarantees)	(27)	-	-	-

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

The significant related party transactions are as follows: -

	For the year ended	
	March 31, 2020	March 31, 2019
<b>(i) Rendering of Services/ Sale of traded goods</b>		
<b>Parent Company</b>		
Bharti Airtel Limited	597	780
<b>Fellow subsidiaries</b>		
Bharti Hexacom Limited	30	5
Bharti Airtel International (Netherlands) B.V.	0	47
Bharti Infratel Limited	0	118
Bharti Airtel Lanka (Private) Limited	64	52
<b>(ii) Receiving of services/ Purchase of traded goods</b>		
<b>Fellow subsidiaries</b>		
Airtel digital Limited (formerly known as Wynk Limited)	258	-
<b>(iii) Loan taken</b>		
<b>Parent Company</b>		
Bharti Airtel Limited	5,062	6,398
<b>(iv) Repayment of loan taken</b>		
<b>Parent Company</b>		
Bharti Airtel Limited	4,130	6,054



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

	Parent Company	Fellow Subsidiaries	Entity where Parent exercises significant influence	Other related parties
<b>As of March, 2020</b>				
Trade Payables	-	100	-	49
Trade Receivables	450	138	14	2
Borrowings	2,596	-	-	-
Advances to suppliers	-	2	174	-
<b>As of March, 2019</b>				
Trade Payables	148	19	40	7
Trade Receivables	-	159	5	2
Borrowings	1,664	-	-	-
Advances to suppliers	-	2	69	-

Outstanding balances at year end are un-secured.

**29 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 1, 2019:

	<b>As of</b>
	<b>April 1, 2019</b>
Property, plant and equipment	(15)
Right-of-use assets	15
<b>Decrease in equity</b>	<b>-</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.

**Company as a lessee**

**ROU**

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

	<b>Plant and machinery</b>
Balance at April 1, 2019	15
Additions	-
Depreciation	(4)
<b>Balance at March 31, 2020</b>	<b>11</b>

- Plant & machinery: The Company leases plant and equipment comprising of hardware equipment.



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**Amounts recognised in profit or loss**

<b>Leases under Ind AS 116</b>	<b>For the year ended March 31, 2020</b>
Interest on lease liabilities	1

**Amounts recognised in statement of cash flows**

<b>Leases under Ind AS 116</b>	<b>For the year ended March 31, 2020</b>
Total cash outflow for leases	10

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.

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

<b>Leases under Ind AS 116</b>	<b>For the year ended March 31, 2020</b>
Not later than one year	7
Later than one year but not later than five years	8
	<b>15</b>

**Company as a lessor - operating lease**

**Amounts recognised in profit or loss**

<b>Leases under Ind AS 116</b>	<b>For the year ended March 31, 2020</b>
Lease income	219

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 lease under Ind AS 116</b>	<b>As of March 31, 2020</b>
Less than one year	194
One to two years	-



### **30 Financial and Capital risk**

#### **1. Financial Risk**

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

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

#### **(i) Foreign currency risk**

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

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





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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:

	<b>Change in currency exchange rate</b>	<b>Effect on profit before tax</b>	<b>Effect on equity (OCI)</b>
<b>For the year ended March 31, 2020</b>			
US Dollars	+5%	1	-
	-5%	(1)	-
<b>For the year ended March 31, 2019</b>			
US Dollars	+5%	(1)	-
	-5%	1	-

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

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.

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

**(ii) Interest rate risk**

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

**(iii) Credit risk**

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

The Company is exposed to credit risk mainly with respect to trade receivables, investment in bank deposits.



## Trade receivables

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

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

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

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

	Neither past due nor impaired (excluding unbilled)	Past due but not impaired				Total
		Less Than 30 days	30 to 60 days	60 to 90 days	Above 90 days	
Trade Receivables as of March 31, 2020	117	173	304	390	337	1,321
Trade Receivables as of March 31, 2019	101	68	184	195	497	1,045

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



**Financial instruments and cash deposits**

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

**(iv) Liquidity risk**

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

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

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



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

	As of March 31, 2020						Total
	Carrying amount	On Demand	Less than 6 months	6 to 12 months	1 to 2 years	> 2 years	
Borrowings (refer note 15)	2,596	2,596	-	-	-	-	2,596
Security deposit	2	2	-	-	-	-	2
Other financial liabilities	271	-	271	-	-	-	271
Trade payables	436	-	436	-	-	-	436
Lease liabilities	13	-	3	3	8	1	15
<b>Financial liabilities</b>	<b>3,318</b>	<b>2,598</b>	<b>710</b>	<b>3</b>	<b>8</b>	<b>1</b>	<b>3,320</b>

	As of March 31, 2019						Total
	Carrying amount	On Demand	Less than 6 months	6 to 12 months	1 to 2 years	> 2 years	
Borrowings (refer note 15)	1,664	1,664	-	-	-	-	1,664
Security deposit	2	2	-	-	-	-	2
Other financial liabilities	332	-	332	-	-	-	332
Trade payables	984	-	984	-	-	-	984
Lease liabilities	23	3	3	3	6	10	25
<b>Financial liabilities</b>	<b>3,005</b>	<b>1,669</b>	<b>1,319</b>	<b>3</b>	<b>6</b>	<b>8</b>	<b>3,007</b>

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

	Non-cash changes				March 31, 2020
	April 1, 2019	Net cash flows	Interest Expense	Foreign exchange movements	
Borrowings	1,664	932	-	-	2,596

**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.



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

	As of	
	March 31, 2020	March 31, 2019
Borrowings (refer note 15)	2,596	1,664
Less: Cash and Cash Equivalents	51	102
<b>Net Debt</b>	<b>2,545</b>	<b>1,562</b>
Equity	3	(104)
<b>Total Capital</b>	<b>3</b>	<b>(104)</b>
<b>Capital and Net Debt</b>	<b>2,548</b>	<b>1,458</b>
<b>Gearing Ratio</b>	<b>99.9%</b>	<b>107.0%</b>

### 31 COVID 19

Covid 19 pandemic has resulted in a nationwide locked down with restrictions imposed on movement of people and goods. Telecommunications and Internet Services have been mentioned as an "Essential" service in all government orders/notifications. 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 for each business segment 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 borrowing arrangements and no changes in terms of those arrangements are expected due to COVID-19. In borrowing arrangements, the Company has not defaulted and there is no breach of any of the debt covenants.

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. Accordingly, there is no material impact on the financial statements for the year ended March 31, 2020.



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**32 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>Amortised cost</b>				
Security deposits	1	5	1	5
Trade receivables	1,321	1,045	1,321	1,045
Cash and cash equivalents	51	102	51	102
Other bank balances	2	2	2	2
Other financial assets	43	-	43	-
	<b>1,418</b>	<b>1,154</b>	<b>1,418</b>	<b>1,154</b>
<b>Financial Liabilities</b>				
<b>Amortised cost</b>				
Borrowings	2,596	1,664	2,596	1,664
Trade payables	436	926	436	926
Security deposit	2	2	2	2
Other financial liabilities	271	332	271	332
	<b>3,305</b>	<b>2,924</b>	<b>3,305</b>	<b>2,924</b>

Management has determined that the carrying amounts of trade receivables, trade payables, borrowings, cash and cash equivalents, security deposits and other financial liability reasonably approximate their fair values because these are short term in nature and repriced regularly.

