

**Telesonic Networks Limited**

**Ind AS Financial Statements**

**March 31, 2020**

**Telesonic Networks Limited**  
**Ind AS Financial Statements - March 2020**

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## **Independent Auditor's Report**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF TELESONIC NETWORKS LIMITED Report on the Audit of financial statement**

#### **Opinion**

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statement 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 its cash flows for the year ended on that date.

#### **Basis for Opinion**

We conducted our audit of the financial statement 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 statement 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 statement 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 statement.

#### **Information Other than the financial statement and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report including Annexures to the Board's Report, but does not include the financial statement and our auditor's report thereon. The Board's report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statement does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information, identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

When we read the other information, 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 statement**

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

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

### **Auditor's Responsibility for the Audit of the financial statement**

Our objectives are to obtain reasonable assurance about whether the financial statement 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 statement.

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 statement, 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 statement 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 statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statement that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statement 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 statement.

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.

## 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 to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
  - 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 note 19(ii) in its financial statement.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "**Annexure B**" a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

Sd/-

**Nilesh H. Lahoti**  
**Partner**

(Membership No. 130054)

UDIN: 20130054AAAAARX6683

Place: New Delhi

Date: June 23, 2020



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

**(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Telesonic Networks 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 Telesonic Networks 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.

## **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)

Sd/-  
**Nilesh H. Lahoti**  
Partner  
(Membership No. 130054)

Place: New Delhi  
Date: June 23, 2020

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

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

- i. In respect of its fixed assets:
  - a) The Company has maintained proper records showing full particulars with respect to most of its fixed assets, and is in the process of updating quantitative and situation details with respect to certain fixed assets in the records maintained the Company.
  - b) The Company, except for optic fiber cables has a program of verification of fixed assets to cover all the fixed assets 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 optic fiber cables, 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 Company does not have any immovable properties and hence the provisions of the clause 3(i)(c) are not applicable.
- ii. According to information and explanation given to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- iii. According to information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of Section 185 and 186 of the Companies Act, 2013 are applicable.
- v. According to the information and explanations given to us, the Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2020 and therefore, the provisions of the clause 3 (v) of the Order are not applicable..
- vi. To the best of our knowledge and as explained, the central government has not prescribed maintenance of cost records under clause 148(1) of the Companies Act, 2013 for the services of the Company.
- vii. According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company is regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, cess and other material statutory dues applicable to it to the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

- (c) There are no dues of Goods and Services Tax, cess which have not been deposited on account of any dispute. Details of dues of Income-tax, Sales tax, Value Added Tax, 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	Amount disputed (in Rs million)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	4	FY 2010-2011	Assessing Officer
Finance Act, 1994 (Service Tax Provisions)	Service Tax	83	FY 2009-2014	CESTAT
Finance Act, 1994 (Service Tax Provisions)	Service Tax	15	FY 2012-2014	Commissioner Appeals
West Bengal VAT Act, 2003	Sales Tax	1	FY 2009-2010	Sr. Joint Commissioner (Commercial Taxes)
The Madhya Pradesh VAT Act, 2002	Sales Tax	2	FY 2011-2012	Tribunal

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government.
- ix. During the current year, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds.
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- 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. In our opinion and according to the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly

convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.

- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company, or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Sd/-  
**Nilesh H. Lahoti**  
Partner  
(Membership No. 130054)

Place: New Delhi  
Date: June 23, 2020

## **Ind AS Financial Statements**

**Telesonic Networks Limited**  
**Balance Sheet**  
*(All amounts are in millions of Indian Rupees)*

	Notes	As of	
		March 31, 2020	March 31, 2019#
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	60,687	56,126
Capital work-in-progress	5	1,193	1,785
Intangible assets	6	-	1
<b>Financial assets</b>			
- Security deposits (net)	7	16	846
Income tax assets (net)		426	271
Deferred tax assets (net)	8	-	202
Other non-current assets	9	7	14
		<b>62,329</b>	<b>59,245</b>
<b>Current assets</b>			
Inventories	10	782	981
<b>Financial assets</b>			
- Trade receivables	11	5,481	1,697
- Cash and cash equivalents	12	312	1
- Other bank balances	12	1	1
- Unbilled revenue		836	1,257
- Security deposits	7	230	-
Other current assets	9	4,051	629
		<b>11,693</b>	<b>4,566</b>
<b>Total assets</b>		<b>74,022</b>	<b>63,811</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	13	939	939
Other equity		3,960	(339)
		<b>4,899</b>	<b>600</b>
<b>Non-current liabilities</b>			
Deferred revenue		5,717	5,997
Provisions	14	383	342
Deferred tax liabilities (net)	8	988	-
		<b>7,088</b>	<b>6,339</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
- Borrowings	15	139	201
- Trade payables	16		
-total outstanding dues of micro enterprises and small enterprises		76	37
-total outstanding dues of creditors other than micro enterprises and small enterprises		2,631	5,820
- Others	17	56,775	49,914
Deferred revenue		619	513
Provisions	14	199	162
Current tax liabilities (net)		6	5
Other current liabilities	18	1,590	220
		<b>62,035</b>	<b>56,872</b>
<b>Total liabilities</b>		<b>69,123</b>	<b>63,211</b>
<b>Total equity and liabilities</b>		<b>74,022</b>	<b>63,811</b>

#Refer Note 4 (a)

The accompanying notes 1 to 31 form an integral part of these financial statements.

As per our report of even date  
**For DELOITTE HASKINS & SELLS LLP**  
**Chartered Accountants**  
**(Firm's Registration No. 117366W / W-100018)**

**For and on behalf of the Board of Directors of Telesonic Networks Limited**

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

Sd/-  
**Badal Bagri**  
**Director**  
DIN: 00367278

Sd/-  
**Rakesh Kumar**  
**Whole Time Director & CEO**  
DIN: 08637697

Sd/-  
**Vikram Singla**  
**Chief Financial Officer**

Sd/-  
**Nikhil V Shah**  
**Company Secretary**

Place: New Delhi

Date: June 23, 2020

**Telesonic Networks Limited**  
**Statement of Profit and Loss**

*(All amounts are in millions of Indian Rupees; except per share data)*

	Notes	For the year ended	
		March 31, 2020#	March 31, 2019#
<b>Income</b>			
Revenue from operations	20	17,955	9,610
Other income		7	5
		<b>17,962</b>	<b>9,615</b>
<b>Expenses</b>			
Network operating expenses	21	5,330	5,409
Employee benefits expenses	22	2,080	2,089
Other expenses	23	1,485	1,230
		<b>8,895</b>	<b>8,728</b>
<b>Profit from operating activities before depreciation and amortisation</b>			
		<b>9,067</b>	<b>887</b>
Depreciation and amortisation expense	24	3,546	314
Finance costs	25	10	13
Finance income	25	(0)	-
<b>Profit before tax</b>		<b>5,511</b>	<b>560</b>
<b>Tax expense / (credit)</b>			
Current tax	8	-	147
Deferred tax	8	1,488	(44)
<b>Profit for the year</b>		<b>4,023</b>	<b>457</b>
<b>Other comprehensive income ('OCI')</b>			
Items not to be reclassified to profit or loss:			
Re-measurement gains / (losses) on defined benefit plans		(22)	1
Tax (charge) / credit		5	(0)
<b>Other comprehensive (loss) / income for the year</b>		<b>(17)</b>	<b>1</b>
<b>Total comprehensive income for the year</b>		<b>4,006</b>	<b>458</b>
<b>Earnings per share (Face value : Rs 10/- each)</b>			
Basic and Diluted earnings per share	26	42.82	4.86

#Refer Note 4 (a)

The accompanying notes 1 to 31 form an integral part of these financial statements.

As per our report of even date  
**For DELOITTE HASKINS & SELLS LLP**  
**Chartered Accountants**  
**(Firm's Registration No. 117366W / W-100018)**

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

**For and on behalf of the Board of Directors of Telesonic Networks Limited**

Sd/-  
**Badal Bagri**  
**Director**  
 DIN: 00367278

Sd/-  
**Rakesh Kumar**  
**Whole Time Director & CEO**  
 DIN: 08637697

Sd/-  
**Vikram Singla**  
**Chief Financial Officer**

Sd/-  
**Nikhil V Shah**  
**Company Secretary**

**Place: New Delhi**

**Date: June 23, 2020**



**Telesonic Networks Limited**  
**Statement of Changes in Equity**  
*(All amounts are in millions of Indian Rupees; unless stated otherwise)*

	Share capital		Other equity		Total	Total equity
	No. of shares (In '000)	Amount	Retained earnings	Capital reserve		
<b>As of April 1, 2018#</b>	<b>93,927</b>	<b>939</b>	<b>(322)</b>	<b>(475)</b>	<b>(797)</b>	<b>142</b>
Profit for the year #	-	-	147	310	<b>457</b>	<b>457</b>
Other comprehensive income	-	-	1	-	<b>1</b>	<b>1</b>
<b>Total comprehensive income</b>	-	-	<b>148</b>	<b>310</b>	<b>458</b>	<b>458</b>
<b>As of March 31, 2019#</b>	<b>93,927</b>	<b>939</b>	<b>(174)</b>	<b>(165)</b>	<b>(339)</b>	<b>600</b>
Profit for the year #	-	-	4,098	(75)	<b>4,023</b>	<b>4,023</b>
Tax impact on account of common control transaction (note 4 (a) & 8)	-	-	-	293	<b>293</b>	<b>293</b>
Other comprehensive loss	-	-	(17)	-	<b>(17)</b>	<b>(17)</b>
<b>Total comprehensive income</b>	-	-	<b>4,081</b>	<b>218</b>	<b>4,299</b>	<b>4,299</b>
<b>As of March 31, 2020</b>	<b>93,927</b>	<b>939</b>	<b>3,907</b>	<b>53</b>	<b>3,960</b>	<b>4,899</b>

#Refer Note 4 (a)

The accompanying notes 1 to 31 form an integral part of these financial statements.

As per our report of even date

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

**For and on behalf of the Board of Directors of Telesonic Networks Limited**

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

Sd/-  
**Badal Bagri**  
**Director**  
 DIN: 00367278

Sd/-  
**Rakesh Kumar**  
**Whole Time Director & CEO**  
 DIN: 08637697

Sd/-  
**Vikram Singla**  
**Chief Financial Officer**

Sd/-  
**Nikhil V Shah**  
**Company Secretary**

**Place: New Delhi**

**Date: June 23, 2020**

**Telesonic Networks Limited****Cash flow statement***(All amounts are in millions of Indian Rupees; unless stated otherwise)*

	For the year ended	
	March 31, 2020#	March 31, 2019#
<b>Cash flows from operating activities</b>		
Profit before tax	5,586	249
<b>Adjustments for :</b>		
Depreciation and amortisation	3,427	46
Finance costs	10	13
Finance income	(0)	-
Other non-cash items	7	42
<b>Operating cash flow before changes in working capital</b>	<b>9,030</b>	<b>350</b>
<b>Changes in working capital</b>		
Inventories	211	(402)
Trade receivables	(3,690)	(260)
Trade payables	(1,103)	(325)
Provisions	56	131
Other financial and non- financial assets	17	811
Other financial and non- financial liabilities	998	(160)
<b>Net cash generated from operations before tax</b>	<b>5,519</b>	<b>145</b>
Income tax paid (net)	(153)	(224)
<b>Net cash generated from operating activities (a)</b>	<b>5,366</b>	<b>(79)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(4,983)	(48)
Proceeds from sale of property, plant and equipment	(0)	1
Interest received	0	-
<b>Net cash used in investing activities (b)</b>	<b>(4,983)</b>	<b>(47)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	100	-
Interest and other finance charges paid	(10)	(13)
<b>Net cash generated from / (used in) financing activities (c)</b>	<b>90</b>	<b>(13)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the year (a+b+c)</b>	<b>473</b>	<b>(139)</b>
Cash and cash equivalents as at the beginning of the year	(200)	(61)
<b>Cash and cash equivalents as at the end of the year (Refer note 12)</b>	<b>273</b>	<b>(200)</b>

#During the year, Company has accounted the transaction as a common control transaction as required under Ind AS 103, so comparative information has been restated with the relevant carrying amounts pertaining to said business acquired. Considering the transaction is of non-cash nature, hence the impact of the same has not been considered in above cash flow statement {note 4 (a)}.

The accompanying notes 1 to 31 form an integral part of these financial statements.

As per our report of even date

**For DELOITTE HASKINS & SELLS LLP**

**Chartered Accountants**

**(Firm's Registration No. 117366W / W-100018)**

Sd/-

**Nilesh H. Lahoti**

**Partner**

Membership No: 130054

**For and on behalf of the Board of Directors of Telesonic Networks Limited**

Sd/-

**Badal Bagri**

**Director**

DIN: 00367278

Sd/-

**Rakesh Kumar**

**Whole Time Director & CEO**

DIN: 08637697

Sd/-

**Vikram Singla**

**Chief Financial Officer**

Sd/-

**Nikhil V Shah**

**Company Secretary**

**Place: New Delhi**

**Date: June 23, 2020**

## **1. Corporate information**

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

The Company is engaged in managing Pan-India Fiber Optic Cables, wire line voice/broadband services and support its transition to next generation networks and innovative services. The Company is also engaged in designing, planning, deploying, laying, commissioning of Dark Fiber Optic Cables, duct space, broadband and fixed telephone network across India, along with leasing to various customers.

## **2. Summary of significant accounting policies**

### **2.1 Basis of preparation**

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

The financial statements are prepared on the basis of accounting policies applicable to a going concern assumption. In making its assessment, management acknowledges that the ability of the Company to continue as a going concern is dependent on the generation of sufficient profits, positive cash flows and the continued support of parent as and when required in the future which has been confirmed by the parent entity.

The financial statements are approved for issue by the Company's Board of Directors on June 23, 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.

All the amounts included in the financial statements are reported in millions of Indian Rupee ('Rupee' or 'Rs.') and are rounded to the nearest million, except per share data and unless stated otherwise. 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 judgements. It also requires the management to exercise judgement in the process of applying the Company's accounting policies. The areas where estimates are significant to the financial statements, or areas involving a higher degree of judgement or complexity, are disclosed in note 3.

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

Previous year figures have been re-grouped or reclassified, to confirm to such current year's classification for material items.

### **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. However, since the Company is not a lessee in a leasing arrangement, the impact of Ind AS 116 is not material. Refer note 28 for impact of adoption of Ind AS 116. Also refer note 2.9 for accounting policy on 'leases'.

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

MCA had notified Amendment to Ind AS 12, Income taxes, effective for annual reporting periods beginning on or after April 1, 2019. As per the amendment, an entity shall recognise the income tax consequences of dividends when it recognises a liability to pay a dividend and shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The amendment does not have a material impact on the financial statements of the Company, in addition to what the Company has already recorded/disclosed.

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

MCA had notified Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments, effective for annual reporting periods beginning on or after April 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 already recorded/disclosed.

## **2.2 Basis of measurement**

The financial statements have been prepared on the accrual and going concern basis, and the historical cost convention except where the Ind AS requires a different accounting treatment. The principal variations from the historical cost convention relate to financial instruments classified as fair value through profit or loss and liability (refer note 2.8) - which are measured at fair value.

### **Fair value measurement**

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

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

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

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

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

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

### **2.3 Common control transactions**

Transactions arising from transfers of assets / liabilities, interest in entities or businesses between entities that are under the common control, are accounted at historical carrying amounts. The difference, between any consideration paid / received and the aggregate historical carrying amounts of assets/ liabilities and interests in entities acquired / disposed (other than impairment, if any), is recorded in capital reserve.

### **2.4 Current versus non-current classification**

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

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

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

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

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

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

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

The expenditures that are incurred after the item of PPE has been put to use, such as repairs and maintenance, are normally charged to the statement of profit and loss in the period in which such costs

are incurred. However, in situations where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

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

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

The details of the estimated range of useful lives of different categories of PPE are as follows:

<b>Particulars</b>	<b>Useful life</b>
Computer	3 - 5
Furniture and fixtures	5
Office equipment	2-5
Plant and equipment (Fiber Cables)	25
Plant and equipment (Other)	3-10

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

The cost of capital work-in-progress ('CWIP') is presented separately in the balance sheet.

## **2.6 Intangible assets**

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

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

### **Software**

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

The useful lives and amortisation method are reviewed, and adjusted appropriately, at least at each financial year end so as to ensure that the method and period of amortisation are consistent with the

expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives and / or amortisation method is accounted for prospectively, and accordingly the amortisation is calculated over the remaining revised useful life.

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

### **Property, plant and equipment and intangible assets**

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

## **2.8 Financial instruments**

### **a. Recognition, classification and presentation**

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

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

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

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the balance sheet, if and only when, the Company currently has a legally enforceable right to set-off the related recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.



**b. Measurement – Non-derivative financial instruments**

**I. Initial measurement**

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

**II. Subsequent measurement - financial assets**

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

**i. Financial assets measured at amortised cost**

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

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

All financial assets that do not meet the criteria for amortised cost are measured at 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 ('ECL') associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, twelve month ECL is used to provide for impairment loss, otherwise lifetime ECL is used. However, only in case of trade receivables, the company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**III. Subsequent measurement - financial liabilities**

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 resultant impact of derecognition is recognised in the statement of profit and loss. The financial liabilities are de-recognised from the balance sheet when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released.

## **2.9 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 lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the lessee has the right to direct the use of the asset.

### **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.

## **2.10 Taxes**

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

### **a. Current tax**

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

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

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

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The Company considers the projected future taxable income and tax planning strategies in making this assessment .

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when 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 relates to income tax levied by the same taxation authority and where there is an intention to settle the current income tax balances on net basis.

**2.11 Inventories**

Inventories represent the service consumables and other overheads incurred for the contracts in progress. Inventories (including service 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 of consumables, manpower services consumed 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.

### **2.12 Cash and cash equivalents**

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

### **2.13 Share capital**

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

### **2.14 Employee benefits**

The Company's employee benefits mainly include wages, salaries, bonuses, defined contribution plans, defined benefit plans, compensated absences and deferred compensation. The employee benefits are recognised in the year in which the associated services are rendered by the Company employees. 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 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 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 less the fair value of plan assets (being the funded portion). The present value of the said obligation is determined by discounting the estimated future cash outflows, using interest rates of government bonds.

The interest income / (expense) are calculated by applying the above mentioned discount rate to the plan assets and defined benefit obligations liability. The net interest income / (expense) on the net defined benefit liability is recognised in the statement of profit and loss. However, the related re-measurements of the net defined benefit liability 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), the return on plan assets (excluding interest). Re-measurements are not re-classified to the statement of profit and loss in any of the subsequent periods.

**c. Other long-term employee benefits**

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

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

**2.15 Provisions**

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

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

**2.16 Contingencies**

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

**2.17 Revenue recognition**

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

which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether it is primarily responsible for fulfilling the performance obligation and whether it controls the promised service before transfer to customers. To the extent that the intermediary is considered a principal, the consideration to which the Company is entitled is determined to be that received from the intermediary.

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

Revenue in excess of invoicing are classified as unbilled revenue.

**a. Operations and maintenance revenue**

Revenue from operations and maintenance services are recognised upon satisfaction of performance obligation as per the terms of the contract with the customer.

**b. Build service revenue**

The company recognize revenue upon satisfaction of performance obligation by transferring promised goods or service to the customer.

**c. Interest income**

Interest income is recognised based on Effective interest rate (EIR) basis taking into account the amount outstanding and the applicable interest rate.

**2.18 Dividends paid**

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

**2.19 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 number of shares considered for deriving Basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Further, the dilutive

potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.

## **2.20 Borrowing costs**

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

## **2.21 Segmental reporting**

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

The Company is operating in India. Thus, no information concerning geographical areas is applicable to the Company.

## **3. Critical accounting estimates and assumptions**

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

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

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 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 imp act the useful lives of PPE and therefore the depreciation charges.

**b. Operating lease**

The Company has estimated economic life of Optical Fiber Cables (OFC) for the purpose of assessing the classification of lease. The estimate is based on the market conditions, industry practice, technological developments and other factors.

**4. Significant transactions / new developments**

a. During the year ended March 31, 2020, the Company has acquired the operations pertaining to fiber factory from Bharti Airtel Limited ('BAL') (parent of the company), for a consideration of Rs. 51,139. Accordingly, excess of consideration over cost of assets acquired amounting to Rs. 53 (Net of deferred tax impact on account of the common control transaction of Rs. 293) has been recognised in capital reserve. The Company has accounted the transaction as a common control transaction as required under Ind AS 103, 'Business Combinations' and given the effect from April 1, 2018 (beginning of the preceding period). Accordingly, the comparative information has been restated with the relevant carrying amounts pertaining to the said operation acquired.

In the above business on an as is basis; it was substantially captive business of BAL apart from few external customers. Consequently, the cost incurred in the said operation was against the captive as well as non-captive business whereas revenue recognized was against only non-captive business. In order to reflect the underlying performance, the Company has considered the cost attributable to the non-captive business only (allocated on the basis of the total revenue of the said operations post transfer to the Company vis-à-vis the related actual non-captive revenue) rather than attributing notional revenue for captive business.

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**Telesonic Networks Limited**  
**Notes to financial statement**  
*(All amounts are in millions of Indian Rupees; unless stated otherwise)*

The summarised financial information of the above operations as determined on the above basis is given below.

<b>Balance Sheet</b>	<b>As of</b>		
	<b>July 31, 2019</b>	<b>March 31, 2019</b>	<b>April 1, 2018</b>
<b>Assets</b>			
Non-current assets*	59,469	58,667	51,234
Deferred tax assets	293	-	-
Current assets	3,712	787	852
<b>Total assets</b>	<b>63,474</b>	<b>59,454</b>	<b>52,086</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	53	(165)	(475)
<b>Non Current liabilities</b>			
Non-current liabilities	5,980	5,997	6,017
<b>Current liabilities</b>			
Trade payables & Deferred Revenue	2,104	4,108	2,916
Equipment supply payables	4,198	5,211	4,085
Consideration payable	51,139	44,303	39,543
<b>Total equity and liabilities</b>	<b>63,474</b>	<b>59,454</b>	<b>52,086</b>
	<b>For the Period</b>	<b>For the year ended</b>	
	<b>April 1, 2019 to July 31, 2019</b>	<b>March 31, 2019</b>	
<b>Statement of profit and loss</b>			
Income	266	771	
Expenses	222	193	
<b>Profit from operating activities</b>	44	578	
Depreciation and amortisation	119	268	
<b>Profit for the period</b>	(75)	310	

\* It mainly includes PPE

b. 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).

**Telesonic Networks Limited**  
**Notes to financial statement**  
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**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, 2020 and 2019:

	Computer	Plant and equipment	Office equipment	Furniture and fixtures	Total
<b>Gross carrying value</b>					
<b>As at April 1, 2018<sup>^</sup></b>	<b>159</b>	<b>89,367</b>	<b>33</b>	<b>1</b>	<b>89,560</b>
Additions / capitalisation <sup>^</sup>	15	13,082	8	-	13,105
Disposals / adjustments	(20)	-	(1)	-	(21)
<b>As at March 31, 2019</b>	<b>154</b>	<b>102,449</b>	<b>40</b>	<b>1</b>	<b>102,644</b>
Additions / capitalisation <sup>^</sup>	4	9,825	10	0	9,839
Disposals / adjustments	-	(35)	(1)	-	(36)
<b>As at March 31, 2020</b>	<b>158</b>	<b>112,239</b>	<b>49</b>	<b>1</b>	<b>112,447</b>
<b>Accumulated depreciation</b>					
<b>As at April 1, 2018<sup>^</sup></b>	<b>139</b>	<b>42,814</b>	<b>27</b>	<b>1</b>	<b>42,981</b>
Charge <sup>^</sup>	17	3,536	5	0	3,558
Disposals / adjustments	(20)	-	(1)	-	(21)
<b>As at March 31, 2019</b>	<b>136</b>	<b>46,350</b>	<b>31</b>	<b>1</b>	<b>46,518</b>
Charge <sup>^</sup>	11	5,258	8	0	5,277
Disposals / adjustments	-	(35)	(0)	-	(35)
<b>As at March 31, 2020</b>	<b>147</b>	<b>51,573</b>	<b>39</b>	<b>1</b>	<b>51,760</b>
<b>Net carrying value</b>					
As at March 31, 2019 <sup>^</sup>	<b>18</b>	<b>56,099</b>	<b>9</b>	<b>0</b>	<b>56,126</b>
As at March 31, 2020	<b>11</b>	<b>60,666</b>	<b>10</b>	<b>0</b>	<b>60,687</b>

<sup>^</sup> Refer Note 4(a)

The carrying value of capital work-in-progress as at March 31, 2020 and 2019 is Rs. 1,193 and Rs. 1,785, respectively, mainly pertains to plant and machinery.

The following table presents the property, plant and equipment subject to an operating lease for the year ended March 31, 2020 included above:

	Plant and equipment
Gross block (March 31, 2020)	112,036
Net block (March 31, 2020)	60,616

*(This space has been intentionally left blank)*

**6. Intangible assets**

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

	<b>Software</b>
<b>Gross carrying value</b>	
<b>As at April 1, 2018</b>	<b>159</b>
Additions	-
<b>As at March 31, 2019</b>	<b>159</b>
Additions	-
<b>As at March 31, 2020</b>	<b>159</b>
<b>Accumulated amortisation</b>	
<b>As at April 1, 2018</b>	<b>158</b>
Amortisation	0
<b>As at March 31, 2019</b>	<b>158</b>
Amortisation	1
<b>As at March 31, 2020</b>	<b>159</b>
<b>Net carrying value</b>	
As at March 31, 2019	1
As at March 31, 2020	-

**7. Other financial assets**

**Non-current**

	<b>As of</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Security deposits	585	846
Less: Allowance on security deposit	(569)	(0)
	<b>16</b>	<b>846</b>

**Current**

	<b>As of</b>	
<b>Particulars</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Security deposits	230	-
	230	-

*(This space has been intentionally left blank)*

**Telesonic Networks Limited**  
**Notes to financial statement**  
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**8. Income tax expense**

The major components of the income tax expense are:

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Current income tax</b>		
- For the year	-	147
	-	147
<b>Deferred tax</b>		
- Origination and reversal of temporary differences	1,431	(44)
- Effect of change in tax rate	57	-
	1,488	(44)
<b>Income tax expense</b>	<b>1,488</b>	<b>103</b>

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

- Re-measurement gains / (losses) on defined benefit plans	5	(0)
<b>Deferred Tax charged to Other Comprehensive Income</b>	<b>5</b>	<b>(0)</b>

The reconciliation between the amount computed by applying the statutory income tax rate to the profit before tax and income tax charge is summarized below:

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Profit before tax	5,511	560
Tax expense @ 25.168% / 34.944%	1,387	196
Effect of:		
Changes in tax rate {refer note 4 (b)}	57	-
Expense not deductible (net)	39	(93)
Others	5	-
<b>Income tax expense</b>	<b>1,488</b>	<b>103</b>

The analysis of deferred tax assets and liabilities is as follows:

	<b>As of</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Deferred tax asset / (liabilities)</b>		
Allowance for impairment of debtors / advances	233	12
Losses available for offset against future taxable income	46	-
Employee benefits	130	155
Depreciation / amortisation on PPE / intangible assets	(1,397)	35
<b>Net deferred tax (liabilities) / asset</b>	<b>(988)</b>	<b>202</b>

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Deferred tax income / (Expense)</b>		
Allowance for impairment of debtors / advances	(12)	1
Losses available for offset against future taxable income	46	-
Employee benefits	(27)	35
Lease rent equalization	-	6
Depreciation / amortisation on PPE / intangible assets	(1,494)	(1)
Others	(1)	3
<b>Net deferred tax (expense) / income</b>	<b>(1,488)</b>	<b>44</b>

**Telesonic Networks Limited**  
**Notes to financial statement**  
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The movement in deferred tax assets / (liabilities) during the year is as follows:

	As of	
	March 31, 2020	March 31, 2019
<b>Opening balance</b>	<b>202</b>	<b>158</b>
Tax expense recognised in profit or loss	(1,488)	44
Tax Income / (expense) recognised in OCI	5	(0)
Tax impact on account of common control transaction in equity	293	-
<b>Closing balance</b>	<b>(988)</b>	<b>202</b>

**9. Other assets**

**Non-current**

	As of	
	March 31, 2020	March 31, 2019
Advances - paid under protest	5	3
Capital advances (net)	1	10
Others	1	1
	<b>7</b>	<b>14</b>

**Current**

	As of	
	March 31, 2020	March 31, 2019
Taxes recoverable	3,736	302
Advances to suppliers (net of provision)@	93	74
Employee receivables	8	17
Advance rent	194	-
Others*	20	236
	<b>4,051</b>	<b>629</b>

\* It includes security deposit and prepaid expenses.

@ Advances to suppliers are disclosed net of provision of Rs. 100 and Rs. Nil as of March 31, 2020 and March 31, 2019 respectively.

**10. Inventories**

	As of	
	March 31, 2020	March 31, 2019
Inventories	873	1,022
Less : Provision for diminution in value of inventory	(91)	(41)
	<b>782</b>	<b>981</b>

**11. Trade receivables**

	As of	
	March 31, 2020	March 31, 2019
Trade receivable – unsecured*	5,674	1,810
Less: Allowance for doubtful receivables	(193)	(113)
	<b>5,481</b>	<b>1,697</b>

\*It includes amount due from related parties (refer note 27)

**Telesonic Networks Limited**  
**Notes to financial statement**  
*(All amounts are in millions of Indian Rupees; unless stated otherwise)*

**The movement in allowances for doubtful receivable is as follows:**

	For the year ended	
	March 31, 2020	March 31, 2019
Opening balance	113	41
Additions (net of reversal)	80	72
<b>Closing balance</b>	<b>193</b>	<b>113</b>

**12. Cash and bank balances**

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

	As of	
	March 31, 2020	March 31, 2019
<b>Balances with banks</b>		
On current accounts	312	1
	<b>312</b>	<b>1</b>

**Other bank balances**

<b>Other bank balances</b>		
Margin Money	1	1
	<b>1</b>	<b>1</b>

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

	As of	
	March 31, 2020	March 31, 2019
C&CE as per balance sheet	312	1
Bank overdraft (Refer note 15)	(39)	(201)
	<b>273</b>	<b>(200)</b>

**13. Share capital**

	As of	
	March 31, 2020	March 31, 2019
<b>Authorised shares</b>		
95,000,000 (March 31, 2019- 95,000,000) equity shares of Rs.10 each	950	950
<b>Issued, subscribed and fully paid-up shares</b>		
93,927,154 (March 31, 2019- 93,927,154) equity shares of Rs.10 each	939	939
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>939</b>	<b>939</b>

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

	As of March 31, 2020		As of March 31, 2019	
	No. of shares '000	Amount	No. of shares '000	Amount
At the beginning of the year	93,927	939	93,927	939
Add: Issue of share capital	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>93,927</b>	<b>939</b>	<b>93,927</b>	<b>939</b>

**Telesonic Networks Limited**  
**Notes to financial statement**  
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**b) Terms / rights attached to equity shares**

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

**c) Details of shareholders holding more than 5% shares in the Company (including shares held by the holding company and its subsidiary)**

	As of March 31, 2020		As of March 31, 2019	
	No. of shares '000	% holding	No. of shares '000	% holding
<b>Equity shares of Rs.10 each fully paid up</b>				
Bharti Airtel Limited, the holding company and nominees	89,231	95%	89,231	95%

**d) Reserves and surplus**

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

**Capital reserve:** It pertains to capital reserve acquired pursuant to excess of purchase consideration over fair value of net assets (for common control transactions).

**14. Provisions**

**Non-current**

	As of	
	March 31, 2020	March 31, 2019
Gratuity	317	277
Other employee benefits plans	66	65
	<b>383</b>	<b>342</b>

**Current**

	As of	
	March 31, 2020	March 31, 2019
Gratuity	61	43
Other employee benefits plans	138	119
	<b>199</b>	<b>162</b>

**15. Borrowings**

**Current**

	As of	
	March 31, 2020	March 31, 2019
<b>Unsecured</b>		
Term Loans	100	-
Bank overdraft	39	201
	<b>139</b>	<b>201</b>

**Analysis of borrowings**

The details given below are gross of debt origination cost.

**Telesonic Networks Limited**  
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**15.1.1 Repayment terms of borrowings**

The table below summarises the details of the Company's borrowings based on contractual undiscounted payments

	As of March 31, 2020					
	Interest rate (range)	Frequency of installments	Number of installments outstanding per facility	Within one year	Between one and two years	Between two and five years
Term loans	0.0%	Payable on demand	NA	100	-	-
Bank overdraft	8.4%	Payable on demand	NA	39	-	-
				<b>139</b>	<b>-</b>	<b>-</b>

  

	As of March 31, 2019					
	Interest rate (range)	Frequency of installments	Number of installments outstanding per facility	Within one year	Between one and two years	Between two and five years
Bank overdraft	8.9%	Payable on demand	NA	201	-	-
				<b>201</b>	<b>-</b>	<b>-</b>

**15.1.2 Unused line of credit**

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

	As of	
	March 31, 2020	March 31, 2019
Unsecured*	1,900	-

\*Exclude non-fund based facilities

**16. Trade payable**

	As of	
	March 31, 2020	March 31, 2019
Due to micro and small enterprises	76	37
Others*	2,631	5,820
	<b>2,707</b>	<b>5,857</b>

\*Includes amount due to related parties (refer note 27)

**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:



**Telesonic Networks Limited**  
**Notes to financial statement**  
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	As of	
	March 31, 2020	March 31, 2019
1 The principal amount and the interest due thereon [Rs Nil (March 31, 2018 – Rs Nil)] remaining unpaid to any supplier as at the end of each accounting year	76	37
2 The 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	218	147
3 The 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 The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
5 The 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.	-	-

**17. Other financial liabilities- current**

	As of	
	March 31, 2020	March 31, 2019
Employee payable	240	220
Equipment supply payable	5,303	5,301
Others* <sup>@</sup>	51,232	44,393
	<b>56,775</b>	<b>49,914</b>

\* It includes retention money

<sup>@</sup> It includes payable to BAL on acquisition of operations pertaining to fiber factory {(refer notes 4 (a)} and 27).

**18. Other liabilities**

**Current**

	As of	
	March 31, 2020	March 31, 2019
Taxes payable#	1,590	220
Advance from customers*	-	0
	<b>1,590</b>	<b>220</b>

# Taxes payable mainly pertains to goods and services tax (GST).

\* Includes amount due to related parties (refer note 27)

**19. Guarantees, Contingencies and commitments**

(i) Guarantees outstanding as of March 31, 2020 and March 31, 2019 amounting to Rs. 2 and Rs. 1 respectively have been issued by banks and financial institutions on behalf of the Company.

(ii) Contingent liabilities

Claims against the Company not acknowledged as debt:

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	As of	
	March 31, 2020	March 31, 2019
Taxes and duties		
-Service tax	98	98
-Sales tax and entry tax	5	4
	<b>103</b>	<b>102</b>

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

**Service Tax**

The Service Tax demand relates to non-monetary consideration received by company from BAL by way of free of cost space provided by BAL to employees of the Company.

**Sales Tax and entry tax**

The claims for sales tax comprised of cases relating to the appropriateness of declarations made by the Company under relevant sales tax legislations, claims made for input tax credit and other procedural compliance.

**(iii) Commitments**

**Capital commitments**

	As of	
	March 31, 2020	March 31, 2019
Estimated value of contracts to be executed on capital account and not provided for (net of advances related)	4,851	3,296
	<b>4,851</b>	<b>3,296</b>

**20. Revenue from operations**

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Revenue from services</b>		
Operations and maintenance revenue	2,588	4,004
Build services revenue	3,234	4,835
<b>Other operating revenue</b>		
Lease rental income	12,133	771
	<b>17,955</b>	<b>9,610</b>

**Disaggregation of Revenue**

Revenue is disaggregated by major products / service lines of revenue recognition are as follows:

	March 31, 2020	March 31, 2019
Operation and Maintenance revenue (transferred over time)	2,588	4,004
Build Services (transferred over time)	3,234	4,835
	<b>5,822</b>	<b>8,839</b>

**Telesonic Networks Limited**  
**Notes to financial statement**  
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**Segment**

The Company's more than 10% of revenue comes from one customer amounting to Rs. 16,694 for the year ended March 31, 2020.

**Contract balances**

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

	As of	
	March 31, 2020	March 31, 2019
Unbilled Revenue	620	1,100

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

	For the year ended
	March 31, 2020
	<b>Unbilled Revenue</b>
Transfer from unbilled revenue to receivables	1,100

**21. Network operating expenses**

	For the year ended	
	March 31, 2020	March 31, 2019
Installation cost	334	397
Rollout cost	939	2,401
Maintenance cost	2,882	1,375
Manpower cost	1,175	1,236
	<b>5,330</b>	<b>5,409</b>

**22. Employee benefits expense**

	For the year ended	
	March 31, 2020	March 31, 2019
Salaries and bonus	1,723	1,725
Contribution to provident and other funds	115	175
Defined benefit plan / other long term benefits	99	56
Staff welfare expenses	143	133
	<b>2,080</b>	<b>2,089</b>

The Company is depositing provident fund directly into Government approved fund Telesonic Networks Limited Employees Gratuity Fund. As per the Trust Deed, every employee who has completed specified number of years gets gratuity on termination of employment at 15 days salary (last drawn salary) for each completed year of service.

**i. Defined benefits plans/ Long-term employee benefits**

The details of defined benefit obligations / long-term employee benefits and plan assets are as follows:

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	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Gratuity	Compensated absence	Gratuity	Compensated absence
<b>Obligation:</b>				
Balance as at beginning of the year	324	119	245	95
Current service cost	39	20	34	16
Interest cost	25	9	18	8
Benefits paid	(33)	(10)	(79)	(16)
Transfers	5	2	107	41
Remeasurements	22	(2)	(1)	(25)
<b>Present value of funded obligation</b>	<b>382</b>	<b>138</b>	<b>324</b>	<b>119</b>
<b>Assets:</b>				
Balance as at beginning of year	4	-	16	-
Interest income	-	-	0	-
Benefits paid	-	-	(12)	-
Remeasurements	-	-	(0)	-
<b>Fair value of plan assets</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>
<b>Liability recognised in the balance sheet</b>	<b>378</b>	<b>138</b>	<b>320</b>	<b>119</b>
<b>Current portion</b>	<b>61</b>	<b>138</b>	<b>43</b>	<b>119</b>
<b>Non-current portion</b>	<b>317</b>	<b>-</b>	<b>277</b>	<b>-</b>

As at March 31, 2020, expected contributions for the next annual reporting period is Rs. 66.

**Amount recognised in other comprehensive income**

	For the year ended	
	March 31, 2020	March 31, 2019
Experience (losses) / gains	(3)	36
Gains / (losses) from change in demographic assumptions	1	(2)
Gains / (losses) from change in financial assumptions	24	(35)
<b>Remeasurements on Liability</b>	<b>22</b>	<b>(1)</b>

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

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

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

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

	As of	
	March 31, 2020	March 31, 2019
Discount rate	6.90%	7.65%
Rate of return on plan assets	6.90%	7.65%
Rate of salary increase	7.50%	7.00%
Rate of attrition	15% to 31%	13% to 19%
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:

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	Change in assumption	As of	
		March 31, 2020	March 31, 2019
		Gratuity	Gratuity
Discount Rate	+1%	(17)	(16)
	-1%	19	18
Salary Growth Rate	+1%	18	18
	-1%	(17)	(16)

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

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 and duration of the gratuity liability:

	As of	
	March 31, 2020	March 31, 2019
Within one year	66	49
Within one-three years	116	88
Within three-five years	96	73
above five years	257	263
	<b>535</b>	<b>473</b>
Weighted average duration (in years)	4.67	5.87

### 23. Other expenses

	For the year ended	
	March 31, 2020	March 31, 2019
Legal & professional charges*	8	11
Rates, fees and taxes	19	47
Consumption of material	914	738
Electricity & water	6	9
Telephone, telex and postage	42	39
Travelling and conveyance	107	84
Rent expenses	99	113
Repair & maintenance	19	37
Provision for other debts	199	113
Charity and donation	15	1
Others	57	38
	<b>1,485</b>	<b>1,230</b>

As per the requirements of section 135 of the Companies Act, 2013, the Company was required to spend an amount of Rs. 6.76 and Rs. 7.25 for the year ended March 31, 2020 and 2019 on Corporate Social Responsibility expenditure. During the year ended March 31, 2020, the Company has spent Rs. 14 towards Corporate Social Responsibility.

**Telesonic Networks Limited**  
**Notes to financial statement**  
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\*Detail of Auditor's remuneration (excluding GST) included in legal and professional fees:

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

**24. Depreciation & amortisation expenses**

	For the year ended	
	March 31, 2020	March 31, 2019
Depreciation	3,545	314
Amortisation	1	0
	<b>3,546</b>	<b>314</b>

**25. Finance costs and income**

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Finance costs</b>		
Bank charges, LCs & guarantees	10	13
	<b>10</b>	<b>13</b>

	For the year ended	
	March 31, 2020	March 31, 2019
<b>Finance income</b>		
Interest income on deposits	0	-
	<b>0</b>	<b>-</b>

**26. Earnings per share ('EPS')**

	For the year ended	
	March 31, 2020	March 31, 2019
Weighted average shares outstanding for basic and diluted EPS (' In 000)	93,927	93,927
Profit for the year	4,023	457

**27. Related party disclosures**

**a. Parent company:**

- Bharti Airtel Limited

**b. 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.

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

**(i) Fellow subsidiaries**

- Bharti Hexacom Limited

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- Bharti Airtel Services Limited
- Bharti Telemedia Limited
- Airtel Payment Bank Limited (ceased to be subsidiary w.e.f October 25, 2018)

**(ii) Other related parties\***

- Bharti Realty Limited
- Bharti Realty Holdings Limited
- Bharti Axa General Insurance Company Limited
- Bharti Foundation

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

**(iii) Associates**

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

**d. Key management personnel ('KMP')**

- Rakesh Kumar, Whole Time Director & CEO (Appointed as WTD & CEO w.e.f. from Dec 13, 2019)

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

	Parent company		Fellow subsidiaries		Other related parties		Associates		KMP	
	March 31,2020	March 31,2019	March 31,2020	March 31,2019	March 31,2020	March 31,2019	March 31,2020	March 31,2019	March 31,2020	March 31,2019
<b>Transactions during the year</b>										
Purchase of Business	(51,139)	-	-	-	-	-	-	-	-	-
Rendering of services	18,000	10,371	136	194	-	-	-	-	-	-
Salary	-	-	-	-	-	-	-	-	-	7
Receiving of services	(67)	-	(20)	-	-	-	-	-	-	-
Expenses incurred by related party on behalf of the Company	(15)	(165)	-	(1)	-	0	(46)	-	-	-
Employee settlement - out	13	204	-	(10)	-	-	-	(14)	-	-
Receiving of services others	-	(44)	-	(27)	-	(0)	-	-	-	-
Rental expenses	(90)	(83)	-	(1)	-	0	-	-	-	-
Donations to related party	-	-	-	(3)	(16)	-	-	-	-	-
Loan taken from related party	(100)	-	-	-	-	-	-	-	-	-
Common cost allocation	(73)	-	(0)	-	-	-	-	-	-	-
<b>Outstanding balances as at the end of the year</b>										
Trade payables	(67)	(155)	-	(6)	-	-	-	-	-	-
Others financial liability	(51,139)	-	-	-	-	-	-	-	-	-
Unbilled receivables	479	1,066	15	36	-	-	-	-	-	-
Trade receivables	3,235	1,327	10	16	-	-	-	-	-	-
Advances	-	(0)	-	-	-	-	-	-	-	-
Loans	(100)	-	-	-	-	-	-	-	-	-

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

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Significant related party transactions are summarised below:

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Purchase of assets</b>		
<b>Holding company</b>		
Bharti Airtel Limited	51,139	-
<b>Rendering of services</b>		
<b>Holding company</b>		
Bharti Airtel Limited	18,000	10,371
<b>Fellow subsidiaries</b>		
Bharti Hexacom Limited	135	191
<b>Employee settlement</b>		
<b>Holding company</b>		
Bharti Airtel Limited	1	107
<b>Fellow subsidiaries</b>		
Airtel Payment Bank Limited	-	(10)
<b>Associates</b>		
Airtel Payment Bank Limited	(46)	(14)
<b>Receiving of services others</b>		
<b>Holding company</b>		
Bharti Airtel Limited	67	-
<b>Fellow subsidiaries</b>		
Bharti Telemedia Limited	13	(16)
Airtel Payment Bank Limited	-	(8)

Note: Transactions reported above are inclusive of taxes wherever applicable.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise.

Remuneration to key management personnel were as follows:

	<b>For the year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Short term employee benefit	10	7
Performance linked incentive ('PLI')#	3	2
Post employment benefits	1	0
	<u>14</u>	<u>9</u>

As the liabilities for the gratuity and compensated absences are provided on an actuarial basis, and calculated for the Company as a whole rather than each of the individual employees, the said liabilities pertaining specifically to KMP are not known and hence, not included in the above table.

#Value of PLI considered above represents incentive at 100% performance level. However, same will be paid on the basis of actual performance parameters in next year.



## **28. Leases**

### **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 lessor- operating lease**

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

#### **Amounts recognised in profit or loss**

<b>Leases under Ind AS 116</b>	<b>For the year ended March 31, 2020</b>
Not later than one year	11,004

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

<b>Leases under Ind AS 116</b>	<b>As at March 31, 2020</b>
Less Than 1 Year	17,628
1 to 2 Years	17,628
2 to 3 Years	17,628
3 to 4 Years	17,628
4 to 5 Years	17,628
More than 5 Years	252,898

## **29. Financial and capital risk**

### **1. Financial risk**

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

The financial risk management for the Company is driven by the Company's senior management ('CSM'), in close co-ordination with internal / external experts subject to necessary supervision. The Company does not undertake any speculative transactions either through derivatives or otherwise. The CSM are accountable to the Board of Directors. They ensure that the Company's financial risk-taking activities are

governed by appropriate financial risk governance frame work, policies and procedures. The BoD periodically reviews the exposures to financial risks, and the measures taken for risk mitigation and the results thereof.

**(a) Credit risk**

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

The Company is exposed to credit risk mainly with respect to trade receivables.

**Trade receivables**

The trade receivables of the Company are typically non-interest bearing un-secured and derived from sales made to related entities. As the customer base is widely distributed both economically and geographically, there is no concentration of credit risk. The credit period provided by the Company to its customers (other than Group entities), generally ranges between 14-30 days.

The Company's major revenue is generated from the holding company. For details of trade receivables / revenues from related-parties, refer note 27. 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	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	-	4,728	344	208	201	5,481
Trade receivables as of March 31, 2019	1,451	155	52	39	-	1,697

**(b) Liquidity risk**

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

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committed credit facilities, so that there is no breach of borrowing limits or relevant covenants on any of its borrowings. For details as to the Borrowings, refer note 15.

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

**Analysis of financial instruments by remaining contractual maturities**

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	
Trade payables	2,707	-	2,707	-	-	-	2,707
Borrowings	139	139	-	-	-	-	139
Other financial liabilities	56,775	-	56,775	-	-	-	56,775
	<b>59,621</b>	<b>139</b>	<b>59,482</b>	-	-	-	<b>59,621</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	
Trade payables	5,947	-	5,947	-	-	-	5,947
Borrowings	201	201	-	-	-	-	201
Other financial liabilities	49,824	-	49,824	-	-	-	49,824
	<b>55,972</b>	<b>201</b>	<b>55,771</b>	-	-	-	<b>55,972</b>

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

	April 1 '2019	Cash flows	Interest exp	Non cash changes	March 31' 2020
Borrowings*	-	100	-	-	100

\* It does not include bank overdraft.

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or the future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. Since Company has only bank overdraft, there is no exposure to fluctuation in interest rate.

**2. Capital Risk**

The Company's objective while managing capital is to safeguard its ability to continue as a going concern support business stability and growth, ensure adherence to 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

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Company's capital management is to, ensure that it maintains a stable capital structure with the focus on total Equity and ensure future development of its business activities. In order to maintain or adjust the capital structure, the Company may issue new shares, declare dividends, return capital to shareholders, etc.

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

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

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

	<b>As of</b>	
	<b>March 31, 2020*</b>	<b>March 31, 2019</b>
Loans & Borrowings	139	201
Less: Cash and Cash Equivalents	139	1
Net Debt	-	200
Equity	4,899	600
Total Capital	4,899	600
Capital and Net Debt	4,899	800
Gearing Ratio	0.00%	25.02%

\*For the purpose of gearing ratio, in calculating the amount of net debt, C&CE balance has been considered up to the amount of loans and borrowing.

### **30. COVID 19**

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

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

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

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

**31. 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:

	<b>As of</b>			
	<b>March 31, 2020</b>		<b>March 31, 2019</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Assets at amortised cost</b>				
Trade receivables	5,481	5,481	1,698	1,698
Cash and Cash equivalents	312	312	1	1
Security deposits	246	246	846	846
Unbilled revenue	836	836	1,257	1,257
	<b>6,875</b>	<b>6,875</b>	<b>3,802</b>	<b>3,802</b>
<b>Liabilities at amortised cost</b>				
Borrowings- floating rate	139	139	201	201
Trade payables	2,707	2,707	5,947	5,947
Other financial liabilities	56,775	56,775	49,824	49,824
	<b>59,621</b>	<b>59,621</b>	<b>55,972</b>	<b>55,972</b>

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