

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Idea Cellular Services Limited

**Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of Idea Cellular Services Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act., read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances [but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls]. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

## **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, 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 purpose 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, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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 2" to this report;
  - (g) 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, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements - Refer Note 22 to the Ind AS financial statements;
    - 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.

# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants


## **Other Matter**

The comparative financial information of the Company for the year ended March 31, 2017 were audited by the predecessor auditor whose report for the year ended March 31, 2017 dated May 09, 2017 expressed an unmodified opinion.

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Prashant Singhal

Partner

Membership Number: 93283

Place of Signature: Mumbai

Date: April 26, 2018

# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

## **Annexure 1**

**Annexure 1 referred to in paragraph 1 under "Report on other legal and regulatory requirements" of our report of even date**

**Re: Idea Cellular Services Limited ('the Company')**

- i. The Company has no Property, plant and equipment's and therefore the provisions of clause 3(i) of the Order are not applicable on the Company.
- ii. The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- v. The Company has not accepted any deposits from the public.
- vi. To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company.
- vii. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, cess and other statutory dues applicable to it. The provisions relating to sales tax, value added tax, duty of duty of custom and duty of excise are not applicable to the Company.  
  
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.  
  
(c) According to the records of the Company, the dues of income-tax, service tax, and cess on account of any dispute, are as follows.

Name of the statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Forum where the dispute is pending
Finance Act, 1994	Service tax	16,53,150	2012-13 to 2015-16	Assistant Commissioner

- viii. The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.
- ix. According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans. Accordingly, the provision of clause (ix) of the Order is not applicable to the Company and hence not commented upon.

# **S.R. BATLIBOI & ASSOCIATES LLP**


Chartered Accountants

- x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
- xi. According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company. Accordingly, reporting under clause 3(xi) of the Order is not applicable to the Company and hence not commented upon.
- xii. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of the Act, where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of sec 177 are not applicable to the Company. Accordingly, reporting under clause 3(xiii) of the Order insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- xiv. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, reporting requirements under clause 3(xiv) of the Order are not applicable to the Company and hence not commented upon.
- xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- xvi. According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

  
per Prashant Singh  
Partner

Membership Number: 93283

Place of Signature: Mumbai

Date: April 26, 2018

**Annexure 2 referred to in paragraph 2(f) under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date**

**Re: Idea Cellular Services Limited ('the Company')**

**Report on the Internal Financial Controls 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 Idea Cellular Services Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone 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. 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 the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. 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 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

# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

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

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

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

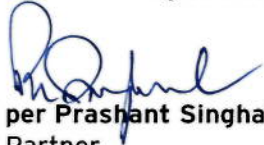
## **Opinion**

In our opinion, 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, 2018, 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.

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Prashant Singhal

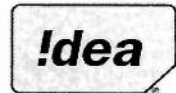
Partner

Membership Number: 93283

Place of Signature: Mumbai

Date: April 26, 2018

**Idea Cellular Services Limited**  
**Balance Sheet as at March 31, 2018**



₹ '000

Particulars	Notes	As at March 31, 2018	As at March 31, 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets			
Deposits and balances with government authorities		418	409
Deferred tax assets (net) (refer note 23)		7,981	13,264
Other non-current assets	7	31,412	14,962
<b>Total non-current assets (A)</b>		<b>39,811</b>	<b>28,635</b>
<b>Current assets</b>			
Financial assets			
Trade receivables	8	58,371	98,389
Cash and cash equivalents	9	2,956	1,348
Bank balance other than cash and cash equivalents	10	65,526	-
Other current financial assets	11	783	2
Current Tax Assets (net) (refer note 22)		790	9,245
Other current assets	12	11,865	8,446
<b>Total current assets (B)</b>		<b>140,291</b>	<b>117,430</b>
<b>Total Assets (A+B)</b>		<b>180,102</b>	<b>146,065</b>
<b>Equity And Liabilities</b>			
<b>Equity</b>			
Equity share capital	13	500	500
Other equity	14	23,647	8,426
<b>Total equity (A)</b>		<b>24,147</b>	<b>8,926</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Long term provisions	15	27,268	31,504
<b>Total non-current liabilities (B)</b>		<b>27,268</b>	<b>31,504</b>
<b>Current liabilities</b>			
Financial liabilities			
Trade payables (refer note 26 & 28)		65,215	88,824
Other current liabilities	16	57,397	10,295
Short Term Provisions	17	6,075	6,516
<b>Total current liabilities (C)</b>		<b>128,687</b>	<b>105,635</b>
<b>Total Equity and Liabilities (A+B+C)</b>		<b>180,102</b>	<b>146,065</b>

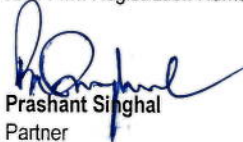
The accompanying notes are an integral part of the Financial Statements

As per our report of even date

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

  
Prashant Singh  
Partner

Membership No.: 93283

Place : Mumbai

Date : April 26, 2018



For and on behalf of the Board of Directors of  
Idea Cellular Services Limited

  
Director

  
Director





**Idea Cellular Services Limited**  
**Statement of Profit and Loss for the year ended March 31, 2018**

₹ '000

Particulars	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Income</b>			
Service revenue		1,325,407	1,568,179
Miscellaneous receipts		3,663	2,416
<b>Revenue From Operations</b>		<b>1,329,070</b>	<b>1,570,595</b>
Interest income		3,326	1,001
<b>Total Income</b>		<b>1,332,396</b>	<b>1,571,596</b>
<b>Operating Expenditure</b>			
Employee benefit expenses	18	1,140,939	1,333,320
Other expenses	19	177,097	227,491
		<b>1,318,036</b>	<b>1,560,811</b>
<b>Profit before finance cost and tax</b>		<b>14,360</b>	<b>10,785</b>
Finance cost		-	7
<b>Profit before tax</b>		<b>14,360</b>	<b>10,778</b>
Tax expense:			
- Current tax	22	4,481	5,389
- Deferred tax	22	2,327	(1,825)
<b>Profit after tax</b>		<b>7,552</b>	<b>7,214</b>
<b>Other comprehensive income / (loss)</b>			
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>			
Re-measurement gains/ (losses) on defined benefit plans		10,625	(2,589)
Income tax effect		(2,956)	856
<b>Other comprehensive income / (loss) for the year, net of tax</b>		<b>7,669</b>	<b>(1,733)</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>15,221</b>	<b>5,481</b>
<b>Earnings per equity share of ₹ 10 each</b>			
Basic (₹)	24	151.04	144.28
Diluted (₹)		151.04	144.28

The accompanying notes are an integral part of the Financial Statements

As per our report of even date

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

  
**Prashant Singhal**  
 Partner

Membership No.: 93283

Place : Mumbai

Date : April 26, 2018



**For and on behalf of the Board of Directors of  
 Idea Cellular Services Limited**

  
**Utoponcha Himanshu Kapnis**  
 Director



Idea Cellular Services Limited  
Statement of Cash Flows for the year ended March 31, 2018

₹ '000

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>A) Cash Flow from Operating activities</b>		
Profit before tax	14,360	10,778
<b>Adjustments for:</b>		
Provision for gratuity and compensated absences	6,126	4,790
<b>Operating Profit before Working Capital changes</b>	<b>20,486</b>	<b>15,568</b>
<b>Adjustments for changes in Working Capital</b>		
(Increase)/decrease in trade receivables	40,018	(11,113)
(Increase)/decrease in other financial and non financial assets	(17,876)	1,466
Increase/(decrease) in trade payables	(23,609)	(4,295)
Increase/(decrease) in other financial and non financial liabilities	47,102	1,884
<b>Net cash generated from Operations</b>	<b>66,121</b>	<b>3,510</b>
Income tax paid (including TDS) (net)	1,013	(4,685)
<b>Net cash generated from Operating Activities (A)</b>	<b>67,134</b>	<b>(1,175)</b>
<b>B) Cash flow from Investing Activities</b>		
Fixed Deposit	(65,526)	-
<b>Net Cash Flows from / (used in) Investing Activities (B)</b>	<b>(65,526)</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents during the year (A+B)</b>	<b>1,608</b>	<b>(1,175)</b>
Cash and cash equivalents at the beginning of the year	1,348	2,523
<b>Cash and Cash Equivalents at the end of the year</b>	<b>2,956</b>	<b>1,348</b>

Notes to Statement of Cash Flows for the year ended March 31, 2018

1. Cash and Cash Equivalents includes the following Balance Sheet amounts

₹ '000

Particulars	As at March 31, 2018	As at March 31, 2017
Cash on hand	11	4
Balances with banks in current accounts	2,945	1,344
	<b>2,956</b>	<b>1,348</b>

2. The above statement of cash flows has been prepared under the Indirect method as set out in Ind AS 7 on Statement of Cash Flows.

As per our report of even date

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

For and on behalf of the Board of Directors of  
Idea Cellular Services Limited

Prashant Singhal  
Partner

Membership No.: 93283

Place : Mumbai

Date : April 26, 2018

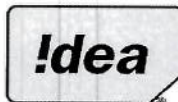


*Upasande*  
Director

*Himanshu Kapanis*  
Director



**Idea Cellular Services Limited**  
**Statement of Changes in Equity for the year ended March 31, 2018**



**a. Equity share capital:**

Equity shares of ₹ 10 each issued, subscribed and fully paid

	Numbers	₹ '000
As at April 1, 2016	50,000	500
Issue of share capital	-	-
As at March 31, 2017	50,000	500
Issue of share capital	-	-
As at March 31, 2018	50,000	500

**b. Other equity**

Particulars	₹ '000
As at April 1, 2016	2,945
Profit for the year	7,214
Other comprehensive loss for the year	(1,733)
As at March 31, 2017	8,426
Profit for the year	7,552
Other comprehensive income for the year	7,669
As at March 31, 2018	23,647

As per our report of even date  
 For S.R. Batliboi & Associates LLP  
 Chartered Accountants  
 ICAI Firm Registration Number: 101049W/E300004

For and on behalf of the Board of Directors of  
 Idea Cellular Services Limited

  
**Prashant Singh**  
 Partner

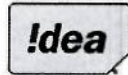


  
 Director

  
 Director

Membership No.: 93283  
 Place : Mumbai  
 Date : April 26, 2018





**Notes forming part of the financial statements**

**1. Corporate Information**

Idea Cellular Services Limited ('the Company'), a 100% subsidiary of Idea Cellular Limited was incorporated under the provisions of the Companies Act applicable in India on October 3, 2007 and is in the business of providing manpower services to its Holding Company and fellow subsidiaries.

The financial statements for the year ended March 31, 2018 were approved by the Board of Directors and authorized for issue on April 26, 2018.

**2. Statement of Compliance**

The financial statements of the Company comprising of Balance Sheet, Statement of Profit and Loss, Statement of Changes in Equity and Statement of Cash Flows together with the notes have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act 2013 read with Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

**3. Basis of Preparation**

These financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services on the transaction date.

All financial information presented in INR has been rounded off to the nearest thousand unless otherwise stated.

The financial statements are based on the classifications provisions contained in Ind AS 1, 'Presentation of Financial Statements' and division II of schedule III of the Companies Act 2013.

**4. Significant Accounting Policies**

**a) Revenue recognition**

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and can be reliably measured, regardless of the timing of receipt of payment. Revenue is measured at fair value of the consideration received or receivable and is reduced for rebates and other similar allowances. Taxes and duties collected by the service provider are to be deposited with the Government and not received by the company on their own account. Accordingly, it is excluded from revenue.



**Notes forming part of the financial statements****i) Service Revenue**

Revenue on account of manpower services is recognised as and when services are rendered and related costs are incurred.

**ii) Interest Income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recorded using the applicable Effective Interest Rate (EIR), which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**b) Employee benefits****i) Defined Contribution Plan**

Contributions to Provident and Pension funds are funded with the appropriate authorities and charged to the Statement of Profit and Loss when the employees have rendered service entitling them to the contributions.

The company has no obligation other than contributions payable to these funds.

**ii) Defined Benefit Plan**

The Company operates a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund with the Life Insurance Corporation of India. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, with actuarial valuations being carried out at periodic intervals.

Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding charge or credit to Other Comprehensive Income (OCI) in the period in which they occur. Re-measurements are not reclassified to statement of profit and loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs; and
- Net interest expense or income

**iii) Short-term and other long-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of salaries, wages and other short term employee benefits in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Provision for leave benefits to employees is based on actuarial valuation done by projected accrued benefit method at the reporting date. The related re-measurements are recognised in the Consolidated Statement of Profit and Loss in the period in which they arise.



Notes forming part of the financial statements

c) **Exceptional items**

Items of income or expense from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Company are disclosed as exceptional items in the Statement of Profit and Loss.

d) **Taxes**

Income tax expense represents the sum of the current tax and deferred tax.

i) **Current Tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax is based on the taxable income and calculated using the applicable tax rates and tax laws. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax relating to items recognised outside profit or loss is recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in OCI or directly in equity.

ii) **Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognised for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at the end of each reporting date and are recognised to the extent it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



**Notes forming part of the financial statements**

**e) Current / Non – Current Classification**

An asset is classified as current when

- a) It is expected to be realized or consumed in the Company’s normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is expected to be realized within twelve months after the reporting period; or
- d) If it is cash or cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Any asset not conforming to the above is classified as non-current.

A liability is classified as current when

- a) It is expected to be settled in the normal operating cycle of the Company;
- b) It is held primarily for the purposes of trading;
- c) It is expected to be settled within twelve months after the reporting period; or
- d) The Company has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Any liability not conforming to the above is classified as non-current.

**f) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise of cash at bank and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company’s cash management.

**g) Financial Instruments**

**Initial recognition and measurement**

Financial Instruments (assets and liabilities) are recognised when the Company becomes a party to a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than those designated as fair value through profit or loss (FVTPL), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in Statement of Profit and Loss.

**i) Financial assets**

All regular way purchase or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.



**Notes forming part of the financial statements****Subsequent measurement**

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the financial assets:

- a) Financial assets measured at amortised cost
- b) Financial assets measured at fair value through profit or loss (FVTPL)
- c) Financial assets measured at fair value through other comprehensive income (FVTOCI) – The Company does not have any assets classified as FVTOCI.

**I) Financial assets measured at amortised cost.**

A financial asset is measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- Contractual terms of the instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The EIR amortisation is included in other income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. This category generally applies to trade and other receivables, loans, etc.

**II) Financial Assets measured at FVTPL.**

FVTPL is a residual category for financial assets in the nature of debt instruments. Financial assets included within the FVTPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - the Company has transferred substantially all the risks and rewards of the asset; or
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.





**Notes forming part of the financial statements****Impairment of financial assets**

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Debt instruments measured at amortised cost e.g., loans and bank deposits
- Trade receivables
- Other Financial assets not designated as FVTPL

For recognition of impairment loss on debt instruments and other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables (including lease receivables). The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition.

**ii) Financial liabilities****Subsequent measurement**

All financial liabilities are subsequently measured at amortised cost using the EIR method or at FVTPL.

**I) Financial liabilities at amortised cost**

After initial recognition, interest-bearing borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

**II) Financial Liabilities at FVTPL**

Financial liabilities are classified as FVTPL when the financial liabilities are held for trading or are designated as FVTPL on initial recognition. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit and Loss.



**Notes forming part of the financial statements****De-recognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

In case, an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

**iii) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

**h) Fair value measurement**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- \* Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- \* Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- \* Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) (a) on the date of the event or change in circumstances that caused the transfer or (b) at the end of each reporting period or (c) at the beginning of each reporting period.

**i) Earnings per share**

The earnings considered in ascertaining the Company's Earnings per share (EPS) is the net profit / loss after tax.

EPS is disclosed on basic and diluted basis. 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 year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless the effect of the potential dilutive equity shares is anti-dilutive.



**Notes forming part of the financial statements****j) Provisions and Contingent Liabilities**

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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the Statement of Profit and Loss.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Contingent Liability**

A Contingent Liability is disclosed where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent Assets are not recognised.

**5. Use of Estimates, assumptions and judgments**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures including the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of assets or liabilities in future periods. Difference between actual results and estimates are recognised in the periods in which the results are known / materialise.

The Company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Estimates and Assumptions****i) Taxes**

The Company provides for tax considering the applicable tax regulations and based on reasonable estimates. Management periodically evaluates positions taken in the tax returns giving due considerations to tax laws and establishes provisions in the event if required as a result of differing interpretation or due to retrospective amendments, if any.

The recognition of deferred tax assets is based on availability of sufficient taxable profits in the Company against which such assets can be utilized. MAT is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax and will be able to utilize such credit during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset, the said asset is created by way of a credit to the Statement of Profit and loss and is included in Deferred Tax Assets. The Company reviews the same at each balance sheet date and if required, writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will be able to absorb such credit during the specified period.



## Notes forming part of the financial statements

### ii) Defined benefit plans (gratuity benefits)

The Company's obligation on account of gratuity and compensated absences is determined based on actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter subject to frequent changes is the discount rate. In determining the appropriate discount rate, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables in India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

Further details about gratuity obligations are given in note 20.

### iii) Provisions and Contingent Liabilities

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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 6. Standards issued or modified but not yet effective up to the date of issuance of the Company's financial statements

The standards and the amendments to standards that are issued, but not yet effective up to the date of issuance of company's financial statements are discussed below. The company intends to adopt these standards, if applicable, when they became effective. All these standards / amendments have been notified on March 28, 2018 and are effective from April 1, 2018.

### a) Ind AS 115 Revenue from contracts with Customers

Ind AS 115 'Revenue from Contracts with Customers' supersedes all existing revenue recognition requirements under IND AS 18. This standard is based on the principle that revenue is recognised when control of a good or service is transferred to the customer. The notion of control replaces the existing notion of risk and rewards. It requires the company to identify deliverables in contracts with customers that qualify as "performance obligations". The transaction price receivable from customers must be allocated between the Company's performance obligations under the contracts on a relative stand-alone selling price basis.

The standard permits full retrospective application (with or without optional practical expedient) or through a cumulative effect adjustment as on the start of the first period for which the standard is applied (i.e. April 1, 2018). The Company is currently assessing the impact of the application of Ind AS 115 on the financial statements of the Company.



**Notes forming part of the financial statements**

**b) Amendment to Ind AS 40 'Investment Property'**

The amendment clarifies the principles regarding when a Company should transfer asset to / from Investment property. The transfer can be done when and only when:

- i. There is an actual change of use i.e. an asset meets or ceases to meet the definition of investment property.
- ii. There is evidence of the change in use.

This amendment has no impact on the Company's Statement of Profit and Loss and Balance Sheet.

**c) Amendment to Ind AS 21 'Effects of Changes in Foreign Exchange Rates'**

Under current Ind AS, foreign currency transactions are recorded in the Company's functional currency by applying the spot exchange rate on the date of transaction. The amendment clarifies the date of transaction in case of foreign currency consideration paid/ received in advance as the earlier of:

- i. Date of initial recognition of such advance; or
- ii. Date that the related item is recognised in the financial statements

This amendment has no impact on the Company's Statement of Profit and Loss and Balance Sheet.

**d) Amendment to Ind AS 112 'Disclosure of Interests in Other Entities'**

The amendment clarifies that disclosure requirements for interests in other entities also applies to the interests that are classified as held for sale or as discontinued operations.

**e) Amendment to Ind AS 12 'Income Taxes'**

The amendment to Ind AS 12 explains that determining temporary difference and estimating probable future taxable profit against which deductible temporary difference are assessed for utilization are two separate steps and the carrying amount of an asset is relevant only to determination of temporary differences.

The amendment considers that:

- i. Tax law determines which deductions are offset against taxable income in determining taxable profits.
- ii. No deferred tax is recognized if the reversal of the deductible temporary difference will not lead to tax deductions.

This amendment has no significant impact on the Company's Statement of Profit and Loss and Balance Sheet.

**f) Amendment to Ind AS 28 'Investments in Associates and Joint Ventures'**

The amendment clarifies that a venture capital organization, or mutual fund, or unit trust and similar entities may elect, at initial recognition, to measure investments in associate or joint venture at FVTPL separately for each associate or joint venture.

Also, Ind AS 28 permits an entity that is not an investment entity to retain the fair value measurement applied by its associates and joint venture (that are investment entities) when applying the equity method. This amendment is not applicable to the Company.



7 Other non-current assets

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
a) Advance income tax (net)	17,923	14,962
b) Payments made under protest	13,489	-
<b>Total</b>	<b>31,412</b>	<b>14,962</b>

8 Trade receivables

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
<b>Billed Receivables *</b>		
Unsecured - Considered Good	58,371	98,389
<b>Total</b>	<b>58,371</b>	<b>98,389</b>

\* including amount referred in note 26

9 Cash and cash equivalents

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
a) Cash on hand	11	4
b) Balances with banks in current accounts	2,945	1,344
<b>Total</b>	<b>2,956</b>	<b>1,348</b>

10 Bank balance other than cash and cash equivalents

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
Margin money with banks	65,526	-
<b>Total</b>	<b>65,526</b>	<b>-</b>

11 Other current financial assets

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
Interest Receivable	783	-
Other Receivables - Considered Good	-	2
<b>Total</b>	<b>783</b>	<b>2</b>

12 Other current assets

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
a) Input tax credit	722	1,775
b) Prepaid expenses *	8,743	4,646
c) Advance to Employee	2,400	2,025
<b>Total</b>	<b>11,865</b>	<b>8,446</b>

\* Includes payment made for gratuity of Rs. 5,905 (thousands)



13 Equity share capital

Particulars	As at March 31, 2018		As at March 31, 2017	
	Numbers	₹ '000	Numbers	₹ '000
<b>Authorised share capital</b>				
Equity Shares of ₹10 each	2,000,000	20,000	2,000,000	20,000
	<u>2,000,000</u>	<u>20,000</u>	<u>2,000,000</u>	<u>20,000</u>
<b>Issued, subscribed and paid up</b>				
Equity Shares of ₹10 each fully paid up	50,000	500	50,000	500
	<u>50,000</u>	<u>500</u>	<u>50,000</u>	<u>500</u>

a) Reconciliation of Number of Equity Shares outstanding

Particulars	As at March 31, 2018		As at March 31, 2017	
	Numbers	₹ '000	Numbers	₹ '000
Equity shares outstanding at the beginning of the year	50,000	500	50,000	500
Issue of equity shares	-	-	-	-
	<u>50,000</u>	<u>500</u>	<u>50,000</u>	<u>500</u>

The entire paid up Equity Share Capital is held by Idea Cellular Limited (the "Holding Company") and its nominees.

b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

14 Other Equity

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
<b>Retained Earnings</b>		
Opening balance	8,426	2,945
Add : Profit during the year	7,552	7,214
Add : Other Comprehensive Income	7,669	(1,733)
Closing balance	<u>23,647</u>	<u>8,426</u>

15 Long term provisions

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
a) Gratuity (refer note 20)	-	1,307
b) Compensated Absences	27,268	30,197
Total	<u>27,268</u>	<u>31,504</u>

16 Other current liabilities

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
Taxes and other liabilities	57,397	10,295
Total	<u>57,397</u>	<u>10,295</u>

17 Short term provisions

Particulars	₹ '000	
	As at March 31, 2018	As at March 31, 2017
Compensated absences	6,075	6,516
Total	<u>6,075</u>	<u>6,516</u>



**Idea Cellular Services Limited**

Notes to financial statements for the year ended March 31, 2018

**!idea****18 Employee benefit expenses**

Particulars	₹ '000	
	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, wages and bonus	1,027,324	1,223,723
Contribution to provident and other funds (refer note 20)	65,202	52,676
Staff welfare	48,356	56,656
Recruitment and training	57	265
<b>Total</b>	<b>1,140,939</b>	<b>1,333,320</b>

**19 Other expenses**

Particulars	₹ '000	
	For the year ended March 31, 2018	For the year ended March 31, 2017
Rates and taxes	96	125
Printing and stationery	395	404
Communication expenses	33,473	39,707
Travelling and conveyance	138,057	182,400
Bank charges	47	22
Directors Sitting Fees (refer note 26)	140	116
Legal and professional charges	4,584	4,461
Audit fees (refer note 21)	200	175
Miscellaneous expenses	105	81
<b>Total</b>	<b>177,097</b>	<b>227,491</b>





**20. Employee Benefits:****A. Defined Benefit Plan (Gratuity):****General Description and Benefits of the plan**

The Company operates a defined benefit salary gratuity plan through a trust. The gratuity benefits payable to the employees are based on the employee's service and last drawn salary at the time of leaving. In case of employees retiring from the company, the Company's scheme is more favorable as compared to the obligation under Payment of Gratuity Act, 1972 depending on the period of continuous service. The benefit is payable on termination of service or retirement, whichever is earlier. The employees do not contribute towards this plan and the full cost of providing these benefits are met by the Company.

**Regulatory Framework, Funding Arrangement and Governance of the Plan**

The gratuity plan is governed by the Payment of Gratuity Act, 1972 (Gratuity Act). The trustees of the gratuity fund have a fiduciary responsibility to act according to the provisions of the trust deed and rules. Since the fund is income tax approved, the Company and the trustees have to ensure that they are at all times fully compliant with the relevant provisions of the income tax act and rules. The Company is bound to pay the statutory minimum gratuity as prescribed under Gratuity Act. There are no minimum funding requirements for a gratuity plan in India. The Company's philosophy is to fund the benefits based on its own liquidity and tax position as well as level of underfunding of the plan, vis-à-vis settlements. The trustees of the trust are responsible for the overall governance of the plan. The trustees of the plan have outsourced the investment management of the fund to insurance companies which in turn manage these funds as per the mandate provided to them by the trustees and applicable insurance and other regulations.

The Company operates its gratuity plans through separate trust which is administered and managed by the Trustees. As on March 31, 2018 and March 31, 2017, the contribution towards the plans have been invested in Insurer Managed Funds.

**Inherent Risks**

The plan is of a final salary defined benefit in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. In particular, there is a risk for the Company that any significant change salary growth or demographic experience or inadequate returns on underlying plan assets can result in an increase in cost of providing these benefits to employees in future.

The following tables summarize the components of net benefit expense recognized in the Statement of Profit and Loss and the funded status and amounts recognized in the Balance Sheet for gratuity:



₹ '000

Sr. No	Particulars	As at March 31, 2018	As at March 31, 2017
1	<b>Amount recognised in Balance Sheet</b>		
	Present value of obligations as at the end of the year	38,280	38,559
	Fair value of plan assets as at the end of the year	44,185	37,252
	Net Funded (Obligation)/Assets	5,905	(1,307)
	Net Asset/(Liability) recognized in Balance Sheet	5,905	(1,307)
	Net Asset/(Liability) recognized in Balance Sheet is bifurcated as		
	Other Current Assets/(Long term provision)	5,905	(1,307)

₹ '000

Sr. No	Particulars	As at March 31, 2018	As at March 31, 2017
1	<b>Reconciliation of Net Defined Benefit Obligation</b>		
	Opening Net Defined Benefit liability / (asset)	1,307	(178)
	Expense charged to the Statement of Profit & Loss	11,393	8,756
	Expense / (Income) charged to OCI	(10,625)	2,589
	Employer Contributions	(7,989)	(9,859)
	Impact of Transfer In / (Out)	9	0
	Closing Net Defined Benefit liability (asset)	(5,905)	1,307
2	<b>Reconciliation of Defined Benefit Obligation</b>		
	Opening Defined Benefit Obligation	38,559	28,471
	Current Service cost	11,596	9,184
	Interest on Defined Benefit Obligation	2,578	2,153
	Re-measurement (Gain)/Loss arising from change in financial assumptions	(2,122)	2,676
	Re-measurement (Gain)/Loss arising on account of experience changes	(7,839)	(140)
	Benefits paid	(4,492)	(3,785)
	Closing of Defined Benefit Obligation	38,280	38,559
3	<b>Reconciliation of plan assets</b>		
	Opening fair value of plan assets	37,252	28,650
	Employer Contributions	7,989	9,859
	Impact of Transfer In / (Out)	(9)	0
	Interest on plan assets	2,781	2,581
	Re-measurements due to		
	- Actual return on plan assets less interest on plan assets	664	(53)
	Benefits paid	(4,492)	(3,785)
	Closing fair value of plan assets	44,185	37,252



Amounts recognized in Statements of Profit and Loss in respect of these defined benefit plans are as follows :

₹ '000

Sr. No	Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
1	<b>Expenses Recognised in Statement of Profit &amp; Loss</b>		
	Current Service cost	11,596	9,184
	Interest on Net Defined Benefit liability/ (asset)	(203)	(428)
	Expenses recognised in the Statement of Profit & Loss	<b>11,393</b>	<b>8,756</b>
2	<b>Amount recorded as Other Comprehensive Income (OCI)</b>		
	Re-measurement during the year due to		
	– Changes in financial assumptions	(2,122)	2,676
	– Experience adjustments	(7,839)	(140)
	– Return on plan assets (excluding amounts included in net interest expense)	(664)	53
	Amount recognised in OCI (gains) / loss	<b>(10,625)</b>	<b>2,589</b>

The principal assumptions used in determining gratuity obligations are shown below:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Discount rate	7.85%	7.10%
Future salary increases*	8.00%	8.00%
Mortality rate during employment	As per Indian Assured Lives Mortality (2006-08) Ult Table	
Rate of Employee Turnover	12.00%	12.00%
Disability	No explicit allowance	

\*The estimates of future salary increase considered takes into account inflation, seniority, promotion and other relevant factors.

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is as below:

Particulars	For the year ended March 31, 2018		For the year ended March 31, 2017	
	Discount rate %	Salary escalation rate %	Discount rate %	Salary escalation rate %
Impact of increase in 50 bps on DBO	8.35%	8.5%	6.6%	8.5%
Impact of decrease in 50 bps on DBO	7.35%	7.5%	7.6%	7.5%

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.



**IDEA Cellular Services Limited**
**Notes to financial statements for the year ended March 31, 2018**

The following payments are expected contributions to the defined benefit plan in future years:

₹ '000

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Within the next 12 months	8,000	8,000

Disaggregation details of plan assets (% allocation):

₹ '000

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Insurer Managed Funds *	44,184	37,252

\*The funds are managed by Insurers and they do not provide breakup of plan assets by investment type.

**Projected plan cash flow:**

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan based on past service of the employees as at the valuation date.

Maturity Profile	₹ '000	
	As at March 31, 2018	As at March 31, 2017
Expected benefits for year 1	4,460	3,728
Expected benefits for year 2	3,730	3,129
Expected benefits for year 3	4,598	4,188
Expected benefits for year 4	6,204	5,307
Expected benefits for year 5 and above	53,624	57,436

The average duration of the defined benefit plan obligation at the end of the reporting period is 11.88 years (March 31, 2017: 12.92 years).

**B. Defined contribution plans:**

During the year, the Company has recognised the following amounts in the statement of profit and loss:

₹ '000

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Employers' contribution to provident and pension fund	27,980	33,230
Employee State Insurance Corporation contribution	25,630	10,465



**IDEA Cellular Services Limited**

Notes to financial statements for the year ended March 31, 2018

**21. Auditor's Remuneration:**

₹ '000

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Statutory Audit Fees	200	175
Certification (included in Legal and professional charges)	-	40

**22. Income Tax Expense:**
**(a) Major components of Tax Expense:**

₹ '000

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Current Tax</b>		
Current Tax on profits for the year	4,481	5,389
<b>Total Current Tax Expense (A)</b>	<b>4,481</b>	<b>5,389</b>
<b>Deferred Tax</b>		
Relating to origination & reversal of temporary differences	266	(1,825)
Relating to change in tax rate	2,061	-
<b>Total Deferred Tax Expense (B)</b>	<b>2,327</b>	<b>(1,825)</b>
<b>Total Tax Expense (A+B)</b>	<b>6,808</b>	<b>3,564</b>
<b>Income tax impact of re-measurement gains/ (losses) on defined benefit plans taken to other comprehensive income</b>	<b>2,956</b>	<b>(856)</b>

**(b) Reconciliation of average effective tax rate and applicable tax rate:**

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit before Income tax expense (₹ '000)	14,360	10,778
<b>Applicable Tax Rate</b>	<b>33.06%</b>	<b>33.06%</b>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Effects of expenses that are not deductible in determining the taxable profits	0%	0%
Change in tax rate	14.36%	0.01%
<b>Effective Tax Rate</b>	<b>47.42%</b>	<b>33.07%</b>



**IDEA Cellular Services Limited**
**Notes to financial statements for the year ended March 31, 2018**
**23. Movement in Deferred Tax Assets :**

₹ '000

Particulars	Depreciation	Expenses allowable on payment basis	Total
As at April 01, 2016	161	10,422	10,583
Recognised in			
- Statement of Profit & Loss Statement	(24)	1,849	1,825
- Other Comprehensive Income	-	856	856
As at March 31, 2017	137	13,127	13,264
Recognised in			
- Statement of Profit & Loss Statement	(39)	(2,288)	(2,327)
- Other Comprehensive Income	-	(2,956)	(2,956)
As at March 31, 2018	98	7,883	7,981

**24. Basic & Diluted Earnings per Share**

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Nominal value of equity shares (₹)	10/-	10/-
Profit after Tax (₹ in '000)	7,552	7,214
Profit attributable to equity shareholders (₹ in '000)	7,552	7,214
Weighted average number of equity shares outstanding during the year	50,000	50,000
Basic & Diluted Earnings Per Share (₹)	151.04	144.28

**25. Contingent Liability**

Company has not accepted liability demanded by Service Tax Authority &amp; Provident Fund Authority.

₹ '000

Particulars	As at March 31, 2018	As at March 31, 2017
Service Tax Payable	1,653	-
Other – Payable to PF office	158,029	-



**IDEA Cellular Services Limited**
**Notes to financial statements for the year ended March 31, 2018**
**26. Related party transactions**

The company has transaction with the below related parties:

- i) **Holding Company:**  
Idea Cellular Limited (ICL)
- ii) **Fellow Subsidiaries:**  
Idea Telesystems Limited (ITL)
- iii) **Key Managerial Personnel:**  
Mr. Tarjani Vakil  
Mr. Baldev Raj Gupta
- iv) **Other Related Parties:**  
Idea Cellular Services Limited Employees Group Gratuity Scheme  
(Transaction refer note 20 for information on transactions with post-employment benefit plans mentioned above.)

**A) Transactions with Related Parties for the year ended March 31, 2018 and March 31, 2017**

₹ '000

Particulars	Holding Company	Fellow Subsidiaries	Key Managerial Personnel	Grand Total
Expense incurred on Company's behalf by	3,667 (3,455)	-	-	3,667 (3,455)
Purchase of service	33,763 (39,306)	-	-	33,763 (39,306)
Sale of service	1,319,882 (1,561,163)	5,525 (7,016)	-	1,325,407 (1,568,179)
Sitting Fees	-	-	140 (116)	140 (116)

(Figures in brackets represent corresponding figures for the year ended March 31, 2017)

**B) Balances with Related Parties.**

₹ '000

Particulars	As at March 31, 2018
Trade receivables - Holding Company	58,371 (98,389)

(Figure in bracket is for the year ended March 31, 2017)

27. As the Company operates in only one business segment, there is no separate reportable segment as per Ind AS - 108 on "Operating Segment".



**IDEA Cellular Services Limited**
**Notes to financial statements for the year ended March 31, 2018**

28. As of March 31, 2018 and March 31, 2017 there were no amounts payable to Micro, Small and Medium Enterprises (SMES) within the meaning of the Micro, Small and Medium Enterprises Development Act, 2006.

**29. Financial Instruments**
**(a) Financial Instruments by Category:**

₹ '000

Particulars	As at March 31, 2018		As at March 31, 2017	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
<b>Financial Assets</b>				
Trade Receivables	-	58,371	-	98,389
Cash and cash equivalents	-	2,956	-	1,348
Bank balance other than cash & cash equivalents	-	65,526	-	-
Others *	-	783	-	2
Deposits and balances with government authorities	-	418	-	409
<b>Total Financial Assets</b>	-	<b>128,054</b>	-	<b>100,148</b>
<b>Financial Liabilities</b>				
Trade Payables	-	65,213	-	88,824
<b>Total Financial Liabilities</b>	-	<b>65,213</b>	-	<b>88,824</b>

\* included in other current financial assets.

**(b) Fair value hierarchy**

The carrying amounts of the financial assets and financial liabilities are reasonable approximation of their fair values. Accordingly, the fair values of such financial assets and financial liabilities have not been disclosed separately.

**30. Financial risk management objectives and policies**

The Company's principal financial liabilities comprise trade payables. The main purpose of these financial liabilities is to finance and support the Company's operations. The Company's principal financial assets comprise cash and bank balance, trade and other receivables.

The Company is exposed to various financial risks such as, credit risk and liquidity risk. The Holding company's team comprising of qualified finance professionals with appropriate skills and experience provides assurance to the management that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The risk and measures to mitigate such risk is reviewed by the committee of Board of Directors periodically.





**IDEA Cellular Services Limited****Notes to financial statements for the year ended March 31, 2018****Other financial assets and cash deposits**

The Company's maximum exposure to credit risk for the components of the balance sheet at March 31, 2018 and March 31, 2017 on its carrying amounts has been illustrated in note 7, 9, 10 & 11.

**Liquidity risk**

Liquidity risk is the risk that the company may encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The company has Financial liabilities of trade and other payables which are payable within one year. The Company maintains sufficient cash and other liquid financial assets to meet the payment of financial liabilities within the due dates.

**31. Capital management**

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company is a 100% subsidiary of Idea Cellular Limited and has no borrowings. The existing surplus fund along with the cash generated by the company is sufficient to take care of its long term and working capital requirements.

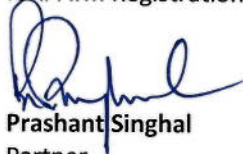
32. Previous year figures have been regrouped or rearranged where ever necessary to confirm to the correct period grouping.

As per our report of even date

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



**Prashant Singhal**  
Partner

Partner

Membership No.: 93283

Place : Mumbai

Date : April 26, 2018



**For and on behalf of the Board of Directors of  
Idea Cellular Services Limited**



**Director**



**Director**

