# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 1. Corporate information

Bharti Airtel Limited ('the Company' or 'the Parent') is domiciled and incorporated in India as a limited liability company with its shares being listed on the National Stock Exchange and the Bombay Stock Exchange. The registered office of the Company is situated at Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase – II, New Delhi – 110070.

The Company together with its subsidiaries (hereinafter referred to as 'the Group') has presence in India, Africa and South Asia. The principal activities of the Group, its joint ventures and associates consist of provision of telecommunication services, tower infrastructure services and direct-to-home digital television services. The details as to the services provided by the Group are further provided in note 36. For details as to the Group structure, refer note 39.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

These consolidated 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 authorised for issue by the Company's Board of Directors on April 24, 2018.

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 Rupees ('Rupees' or '₹') and are rounded to the nearest million, except per share data and unless stated otherwise. Further, amounts which are less than a million 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 Group'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 all the group entities, to all the periods presented in the said financial statements. Further, previous year figures have been re-grouped, wherever necessary to conform to current year's classification.

### 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 or through other comprehensive income (refer note 2.10 (b)), liability for cash-settled awards (refer note 2.17), the component of carrying values of recognised liabilities that are designated in fair value hedges (refer note 2.10 (d)) - 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 paid to transfer a liability, in an orderly transaction between market participants. The Group's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortised cost are required to be disclosed in the said financial statements.

The Group 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 Group 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

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## 2.3 Basis of consolidation

### a. Subsidiaries

Subsidiaries include all the entities over which the Group has control. The Group controls an entity when it is exposed or has right to variable return from its involvement with the entity, and has the ability to affect those returns through its power (that is, existing rights that give it the current ability to direct the relevant activities) over the entity. The Group re-assesses whether or not it controls the entity, in case the under-lying facts and circumstances indicate that there are changes to above mentioned parameters that determine the existence of control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are de-consolidated from the date that control ceases. Non-controlling interests is the equity in a subsidiary not attributable to a parent and presented separately from the Group's equity. Non-controlling interests consist of the amount at the date of the business combination and its share of changes in equity since that date. Profit or loss and other comprehensive income are attributed to the controlling and non-controlling interests in proportion to their ownership interests, even if this results in the non-controlling interests having a deficit balance. However, in case where there are binding contractual arrangements that determine the attribution of the earnings, the attribution specified by such arrangement is considered.

The profit or loss on disposal (associated with loss of control) is recognised in the statement of profit and loss being the difference between (i) the aggregate of the fair value of consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. In addition, any amounts previously recognised in the other comprehensive income in respect of that de-consolidated entity, are accounted for as if the Group had directly disposed off the related assets or liabilities. This may mean that amounts previously recognised in the other comprehensive income are re-classified to the statement of profit and loss. Any retained interest in the entity is remeasured to its fair value with the resultant change in carrying value being recognised in statement of profit and loss.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as a transaction with equity holders. Any difference between the amount of the adjustment to non-controlling interests and any consideration exchanged is recognised in 'NCI reserve', a component of equity.

### b. Joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investment in joint ventures and associates are accounted for using equity method; from the date on which Group obtains joint control over the joint venture / starts exercising significant influence over the associate. The said investments are tested at-least annually and whenever circumstances indicate that their carrying values may exceed the recoverable amount (viz. higher of the fair value less costs to sell and the value-in-use).

### c. Method of consolidation

Accounting policies of the respective individual subsidiary, joint venture and associate are aligned wherever necessary, so as to ensure consistency with the accounting policies that are adopted by the Group under Ind AS.

The standalone financial statements of subsidiaries are fully consolidated on a line-by-line basis after adjusting for business combination adjustments (refer note 2.4). Intra-group balances and transactions, and income and expenses arising from intra-group transactions, are eliminated while preparing the said financial statements. The un-realised gains resulting from intra-group transactions are also eliminated. Similarly, the un-realised losses are eliminated, unless the transaction provides evidence as to impairment of the asset transferred.

The Group's investments in its joint ventures and associates are accounted for using the equity method. Accordingly, the investments are carried at cost less any impairment losses, as adjusted for post-acquisition changes in the Group's share of the net assets of

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investees. Any excess of the cost over the Group's share of net assets in its joint ventures / associates at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment. The un-realised gains / losses resulting from transactions with joint ventures and associates are eliminated against the investment to the extent of the Group's interest in the investee. However, un-realised losses are eliminated only to the extent that there is no evidence of impairment.

At each reporting date, the Group determines whether there is objective evidence that the investment is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of investment and its carrying value.

### 2.4 Business combinations

The Group accounts for business combinations using the acquisition method of accounting, and accordingly, the identifiable assets acquired and the liabilities assumed in the acquiree are recorded at their acquisition date fair values (except certain assets and liabilities which are required to be measured as per the applicable standard) and the non-controlling interest is initially recognised at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The consideration transferred for the acquisition of a subsidiary is aggregation of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group in exchange for control of the acquiree.

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

The excess of the consideration transferred, along with the amount of any non-controlling interests in the acquiree and the acquisition-date fair value (with the resulting difference being recognised in statement of profit and loss) of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with Ind AS 18 'Revenue'.

### 2.5 Foreign currency transactions

#### a. Functional and presentation currency

The items included in financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (i.e. 'functional currency').

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

#### b. Transactions and balances

Transactions in foreign currencies are initially recorded in the relevant functional currency at the rates prevailing at the date of the transaction.

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

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The equity items denominated in foreign currencies are translated at historical cost.

c. Foreign operations

The assets and liabilities of foreign operations (including the goodwill and fair value adjustments arising on the acquisition of foreign entities) are translated into Rupees at the exchange rates prevailing at the reporting date whereas their statements of profit and loss are translated into Rupees at monthly average exchange rates and the equity is recorded at the historical rate. The resulting exchange differences arising on the translation are recognised in other comprehensive income and held in foreign currency translation reserve ('FCTR'), a component of equity. On disposal of a foreign operation (that is, disposal involving loss of control), the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

### 2.6 Current versus non-current classification

The Group 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 and 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.

The derivatives designated in hedging relationship and separated embedded derivatives are classified basis the hedged item and host contract respectively.

### 2.7 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 Group 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), assets retirement obligations (refer note 2.18 (b)) and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Further, it includes assets installed on the premises of customers as the associated risks, rewards and control remain with the Group.

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

| Categories | Years |
|---|---|
| Leasehold improvement | Period of lease or 10-20 years, as applicable, whichever is less |
| Leasehold land | Period of lease |
| Buildings | 20 |
| Plant and equipment | |
| - Network equipment (inclusive passive infrastructure) | 3 - 20 |
| - Customer premise equipment | 5 - 6 |
| - Assets taken on finance lease | Period of lease or 10 years, as applicable, whichever is less |
| Other equipment, operating and office equipment | |
| Computer equipment | 3 |
| Furniture & fixture and Office equipment | 2 - 5 |
| Vehicles | 3 - 5 |

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

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

### 2.8 Intangible assets

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

Goodwill represents the cost of the acquired businesses in excess of the fair value of identifiable net assets purchased (refer note 2.4). Goodwill is not amortised; however it is tested annually for impairment (refer note 2.9) and carried at cost less any accumulated impairment losses. The gains / (losses) on the disposal of a cash-generating-unit ('CGU') include the carrying amount of goodwill relating to the CGU sold (in case goodwill has been allocated to group of CGUs; it is determined on the basis of the relative fair value of the operations sold).

The intangible assets that are acquired in a business combination are recognised at its fair value thereat. Other intangible assets are recognised at cost. These assets having finite useful life are carried at cost less accumulated amortisation and any impairment losses. Amortisation is computed using the straight-line method over the expected useful life of intangible assets.

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

a. Software

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

b. Bandwidth

Bandwidth is amortised over the period of the agreement.

c. Licenses (including spectrum)

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

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

d. Other acquired intangible assets

Other acquired intangible assets include the following:

**Rights acquired for unlimited license access:** Over the period of the agreement which ranges upto five years.

**Distribution network:** One year to two years

**Customer base:** Over the estimated life of such relationships which ranges from one year to five years.

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

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

Further, the cost of intangible assets under development includes the amount of spectrum allotted to the Group and related costs (including borrowing costs that are directly attributable to the acquisition or construction of qualifying assets) (refer note 2.21), if any, for which services are yet to be rolled out and are presented separately in the balance sheet.

### 2.9 Impairment of non-financial assets

a. Goodwill

Goodwill is tested for impairment, at-least annually and whenever circumstances indicate that it may be impaired. For the purpose of impairment testing, the goodwill is allocated to a cash-generating-unit ('CGU') or group of CGUs ('CGU'), which are expected to benefit from the acquisition-related synergies and represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, within an operating segment. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment occurs when the carrying value of a CGU / CGUs including the goodwill, exceeds the estimated recoverable amount of the CGU / CGUs. The

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recoverable amount of a CGU / CGUs is the higher of its fair value less costs to sell and its value in use. Value-in-use is the present value of future cash flows expected to be derived from the CGU / CGUs.

The total impairment loss of a CGU / CGUs is allocated first to reduce the carrying value of Goodwill allocated to that CGU / CGUs and then to the other assets of that CGU / CGUs - on pro-rata basis of the carrying value of each asset.

b. PPE, Intangible assets and Intangible assets under development

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. Intangible assets under development is tested for impairment, at-least annually and whenever circumstances indicate that it may be impaired.

For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the 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 loss in respect of goodwill is not reversed. Other impairment losses are reversed in the statement of profit and loss and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset / CGU in previous years.

### 2.10 Financial instruments

a. Recognition, classification and presentation

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

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

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

The Group has classified all the non-derivative financial liabilities as measured at amortised cost.

The entire hybrid contract, financial assets with embedded derivatives, are considered in their entirety for determining the contractual terms of the cash flow and accordingly, the embedded derivatives are not separated. However, derivatives embedded in non-financial instrument / financial liabilities (measured at amortised cost) host contracts are classified as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts.

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 Group 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 Group measures the non-derivative financial instruments at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Otherwise transaction costs are expensed in the statement of profit and loss.

**II. Subsequent measurement - financial assets**

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

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

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

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**ii. Financial assets at fair value through other comprehensive income ('FVTOCI')**

Equity investments which are not held for trading and for which the Group has elected to present the change in the fair value in other comprehensive income and debt instruments that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flow represent solely payment of principal and interest, are measured at FVTOCI.

The changes in fair value are taken through OCI, except for the impairment (on debt instruments), interest (basis EIR method), dividend and foreign exchange differences which are recognised in the statement of profit and loss.

When the financial asset is derecognised, the related accumulated fair value adjustments in OCI as at the date of derecognition are reclassified from equity and recognised in the statement of profit and loss. However, there is no subsequent reclassification of fair value gains and losses to statement of profit and loss in case of equity instruments.

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

All equity instruments and financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. Interest (basis EIR method) and dividend income from financial assets at FVTPL is recognised in the statement of profit and loss within finance income / finance costs separately from the other gains/losses arising from changes in the fair value.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, twelve month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used.

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

**III. Subsequent measurement - financial liabilities**

Financial liabilities are subsequently measured at amortised cost using the EIR method (if the impact of discounting / any transaction costs is significant).

### c. Measurement - derivative financial instruments

Derivative financial instruments, including separated embedded derivatives, that are not designated as hedging instruments in a hedging relationship are classified as financial instruments at fair value through profit or loss - Held for trading. Such derivative financial instruments are initially recognised at fair value. They are subsequently measured at their fair value, with changes in fair value being recognised in the statement of profit and loss within finance income / finance costs.

### d. Hedging activities

I. Fair value hedge

Some of the group entities use certain type of derivative financial instruments (viz. interest rate / currency swaps) to manage / mitigate their exposure to the risk of change in fair value of the borrowings. The Group designates certain interest swaps to hedge the risk of changes in fair value of recognised borrowings attributable to the hedged interest rate risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit and loss within finance income / finance costs, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to profit or loss over the period to remaining maturity of the hedged item.

II. Cash flow hedge

Some of the group entities use certain types of derivative financial instruments (viz. foreign currency forwards, options, swaps) to manage / mitigate their exposure to foreign exchange and price risk. Further, the Group designates certain such derivative financial instruments (or its components) as hedging instruments for hedging the exchange rate fluctuation risk attributable to is either to an recognised item or a highly probable forecast transaction ('Cash flow hedge'). The effective portion of changes in the fair value of Derivative financial instruments (or its components) that are designated and qualify as Cash flow hedges, are recognised in

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the Other comprehensive income and held in Cash flow hedge reserve ('CFHR') - a component of Equity. Any gains / (losses) relating to the ineffective portion, are recognised immediately in the statement of profit and loss within finance income / finance costs. The amounts accumulated in Equity are re-classified to the statement of profit and loss in the periods when the hedged item affects profit / (loss).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains / (losses) existing in equity at that time remains in equity and is recognised (on the basis as discussed in the above paragraph) when the forecast transaction is ultimately recognised in the statement of profit and loss. However, at any point of time, when a forecast transaction is no longer expected to occur, the cumulative gains / (losses) that were reported in equity is immediately transferred to the statement of profit and loss within finance income / finance costs.

III. Net investment hedge

The Group hedges its certain net investment in foreign subsidiaries which are accounted for similar to cash flow hedges. Accordingly, any foreign exchange differences on the hedging instrument (viz. borrowings) relating to the effective portion of the hedge is recognised in other comprehensive income and held in foreign currency translation reserve ('FCTR') - a component of equity, so as to offset the change in the value of the net investment being hedged. The ineffective portion of the gain or loss on these hedges is immediately recognised in the statement of profit and loss. The amounts accumulated in equity are included in the statement of profit and loss when the foreign operation is disposed or partially disposed.

e. Derecognition

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

### 2.11 Leases

The determination of whether an arrangement is a lease is based on whether fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the lessor transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance lease and other leases are classified as operating lease.

Operating lease receipts / payments are recognised as an income / expense on a straight-line basis over the lease term unless the lease payments increase in line with expected general inflation.

Contingent rents are recognised as income / expense in the period in which they are earned / incurred.

a. Group as a lessee

Assets acquired under finance leases are capitalised at the lease inception at lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges (recognised in the statement of profit and loss) and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period.

Sale and leaseback transaction involves the sale and the leasing back of the same asset. In case it results in a finance lease, any profit or loss is not recognised, instead the asset leased back is retained at its carrying value. However, in case it results in an operating lease, any profit or loss is recognised immediately provided the transaction occurs at fair value.

b. Group as a lessor

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

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised in statement of profit and loss on a stratght-line basis over the lease term.

The Group enters into 'Indefeasible right to use' ('IRU') arrangement wherein the assets are given on lease over the substantial part of the asset life. However,

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the title to the assets and significant risk associated with the operation and maintenance of these assets remains with the Group. Hence, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the balance sheet.

### 2.12 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 in the respective countries where the group entities operate and generate taxable income. The payment made in excess / (shortfall) of the respective group entities' income tax obligation for the period are recognised in the balance sheet under non-current income tax assets / 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 Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### 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. Further, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

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. Moreover, deferred tax is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associates - unless the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax 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 Group currently has a legally enforceable right to set-off the current income tax assets and liabilities, and (b) when it relate to income tax levied by the same taxation authority and where there is an intention to settle the current income tax balances on net basis.

### 2.13 Inventories

Inventories are stated at the lower of cost (determined using the first-in-first-out method) and net realisable value. The costs comprise its purchase price and any directly attributable cost of bringing 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 variable costs necessary to make the sale.

### 2.14 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 Group's cash management, are also included as a component of cash and cash equivalents.

### 2.15 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets-held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The sale is considered highly probable only when the asset or disposal group is available for immediate sale in its present condition, it is

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

unlikely that the sale will be withdrawn and sale is expected within one year from the date of the classification. Disposal groups classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell except for assets such as deferred tax assets, financial assets that are carried at fair value. Non-current assets are not depreciated or amortised while they are classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the balance sheet.

Loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative loss previously recognised.

If the criteria for the held for sale are no longer met, it ceases to be classified as held for sale and are measured at the lower of (i) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation / amortisation that would have been recognised had that asset not been classified as held for sale, and (ii) its recoverable amount at the date when the disposal group ceases to be classified as held for sale.

**2.16 Share capital / Securities premium account / Treasury shares**

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.

When the Company purchases its ordinary shares through Bharti Airtel Employees' Welfare Trust, they are treated as treasury shares, and the consideration paid is deducted from the Equity. When the treasury shares are subsequently re-issued, any difference between its carrying amount and consideration received is recognised in share-based-payment reserve.

**2.17 Employee benefits**

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

a. Defined contribution plans

The contributions to defined contribution plans are recognised in profit or loss as and when the services are rendered by employees. The Group 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 Group provides for the liability towards the said plans on the basis of actuarial valuation carried out quarterly as at the reporting date, by an independent qualified actuary using the projected-unit-credit method.

The obligation towards the said benefits is recognised in the balance sheet, at the present value of the defined benefit obligations 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. The net interest income / (expense) on the net defined benefit obligations is recognised in the statement of profit and loss. However, the related re-measurements of the net defined benefit obligations are recognised directly in the other comprehensive income in the period in which they arise. The said re-measurements comprise of actuarial gains and losses (arising from experience adjustments and changes in actuarial assumptions), 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 Group 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 Group 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.

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d. Share-based payments

The Group operates equity-settled and cash-settled, employee share-based compensation plans, under which the Group receives services from employees as consideration for stock options either towards shares of the Company / cash settled units.

In case of equity-settled awards, the fair value is recognised as an expense in the statement of profit and loss within employee benefits as employee share-based payment expenses, with a corresponding increase in share-based payment reserve (a component of equity).

However, in case of cash-settled awards, the credit is recognised as a liability within other non-financial liabilities. Subsequently, at each reporting period, until the liability is settled, and at the date of settlement, liability is re-measured at fair value through statement of profit and loss.

The total amount so expensed is determined by reference to the grant date fair value of the stock options granted, which includes the impact of any market performance conditions and non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. However, the non-market performance vesting and service conditions are considered in the assumption as to the number of options that are expected to vest. The forfeitures are estimated at the time of grant and reduce the said expense rateably over the vesting period.

The expense so determined is recognised over the requisite vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. As at each reporting date, the Group revises its estimates of the number of options that are expected to vest, if required.

It recognises the impact of any revision to original estimates in the period of change. Accordingly, no expense is recognised for awards that do not ultimately vest, except for which vesting is conditional upon a market performance / non-vesting condition. These are treated as vesting irrespective of whether or not the market / non-vesting condition is satisfied, provided that service conditions and all other non-market performance are satisfied.

Where the terms of an award are modified, in addition to the expense pertaining to the original award, an incremental expense is recognised for any modification that results in additional fair value, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled (including due to non-vesting conditions not being met), it is treated as if it is vested thereon, and any un-recognised expense for the award is recognised immediately.

### 2.18 Provisions

a. General

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

b. Asset retirement obligations ('ARO')

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

### 2.19 Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised and disclosed only where an inflow of economic benefits is probable.

### 2.20 Revenue recognition

Revenue is recognised when it is probable that the entity will receive the economic benefits associated with the transaction and the related revenue can be measured reliably. Revenue is recognised at the fair value of the consideration received or receivable, which is generally the transaction price, net of any taxes, duties, discounts and process waivers.

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In order to determine if it is acting as a principal or as an agent, the Group assesses whether it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

a. Service revenues

Service revenues mainly pertain to usage, subscription and activation charges for voice, data, messaging, value added services and broadcasting. It also includes revenue towards interconnection / roaming charges for usage of the Group's network by other operators for voice, data, messaging and signalling services.

Usage charges are recognised based on actual usage. Subscription charges are recognised over the estimated customer relationship period or subscription pack validity period, whichever is lower. Customer onboarding revenue and associate cost is recognised upfront. Activation revenue and related activation costs are amortised over the estimated customer relationship period. However, any excess of activation costs over activation revenue are expensed as incurred.

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

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

Revenues from long distance operations comprise of voice services and bandwidth services (including installation), which are recognised on provision of services and over the period of arrangement respectively.

b. Multiple element arrangements

The Group has entered into certain multiple-element revenue arrangements which involve the delivery or performance of multiple products, services or rights to use assets. At the inception of the arrangement, all the deliverables therein are evaluated to determine whether they represent separately identifiable component basis it is perceived from the customer perspective to have value on standalone basis.

Total consideration related to the multiple element arrangements is allocated among the different components based on their relative fair values (i.e., ratio of the fair value of each element to the aggregated fair value of the bundled deliverables). In case the relative fair value of different components cannot be determined on a reasonable basis, the total consideration is allocated to the different components on a residual value method.

c. Equipment sales

Equipment sales mainly pertain to sale of telecommunication equipment and related accessories. Such transactions are recognised when the significant risks and rewards of ownership are transferred to the customer. However, in case of equipment sale forming part of multiple-element revenue arrangements which is not separately identifiable component, revenue is recognised over the customer relationship period.

d. Capacity swaps

The exchange of network capacity is recognised at fair value unless the transaction lacks commercial substance or the fair value of neither the capacity received nor the capacity given is reliably measurable.

e. Interest income

The interest income is recognised using the EIR method. For further details, refer note 2.10.

f. Dividend income

Dividend income is recognised when the Group's right to receive the payment is established. For further details, refer note 2.10

### 2.21 Borrowing costs

Borrowing costs consist of interest and other ancillary costs that the Group 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 of the period in which they are incurred.

### 2.22 Exceptional items

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

### 2.23 Non-operating expense / income

Non-operating expense comprises regulatory levies applicable to finance income in some of the geographies whereas non-operating income pertains to certain fee income in one of the group entities.

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### 2.24 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.

### 2.25 Earnings per share ('EPS')

The Company presents the Basic and Diluted EPS data.

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 excluding the treasury shares.

Diluted EPS is computed by adjusting, the profit for the year attributable to the shareholders and the weighted average number of shares considered for deriving Basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Further, the dilutive potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.

## 3. Critical accounting estimates, assumptions and judgements

The estimates and judgements used in the preparation of the said financial statements are continuously evaluated by the Group, and are based on historical experience and various other assumptions and factors (including expectations of future events), that the Group 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 Group regularly assesses these estimates, actual results could differ materially from these estimates-even if the assumptions under-lying such estimates were reasonable when made, if these results differ from historical experience or other assumptions do not turn out to be substantially accurate. The changes in estimates are recognised in the financial statements in the year in which they become known.

### 3.1 Critical accounting estimates and assumptions

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. Impairment reviews

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. Similarly, goodwill and intangible assets under development is tested for impairment, at-least annually and whenever circumstances indicate that it may be impaired. For details as to the impairment policy, refer note 2.9. Accordingly the Company has performed impairment reviews for the above assets. However, the said reviews did not result in any impairment charge.

In calculating the value in use, the Group is required to make significant judgements, estimates and assumptions inter-alia concerning the growth in EBITDA, long-term growth rates and discount rates to reflect the risks involved. Also, judgement is involved in determining the CGU /grouping of CGUs for allocation of the goodwill.

The Group mainly operates in developing markets and in such markets, the plan for shorter duration is not indicative of the long-term future performance. Considering this and the consistent use of such robust ten year information for management reporting purpose, the Group uses ten year plans for the purpose of impairment testing.

#### b. Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority.

Deferred tax assets are recognised for the unused tax losses and minimum alternate tax credits for which there is probability of utilisation against the future taxable profit. Significant management judgement

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is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, future tax planning strategies and recent business performances and developments.

c. Property, plant and equipment

Refer note 2.7 and 6 for the estimated useful life and carrying value of property, plant and equipment respectively.

During the year ended March 31, 2017, the Group had reassessed useful life of certain categories of network assets due to technological developments and accordingly, had revised the estimate of its useful life in respect of those assets. Out of those assets, the additional depreciation charge of ₹3,258 on assets for which the revised useful life had expired by March 31, 2016 has been recognised and disclosed as 'exceptional items' and additional depreciation charge of ₹6,969 for other assets has been recognised within 'Depreciation and amortisation' during the year ended March 31, 2017. The impact of above change on the depreciation charge for the future years after March 31, 2018 is as follows:

| | Year Ended | | Future period till end of life |
|---|---|---|---|
| | March 31, 2019 | March 31, 2020 | |
| Impact on future depreciation charge | (2,765) | (1,133) | 16,988 |

d. Allowance for impairment of trade receivables

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

e. Contingent liability

Refer note 24 (i) for details of contingent liability.

### 3.2 Critical judgement's in applying the Group's accounting policies

The critical judgement's, which the management has made in the process of applying the Group's accounting policies and has the most significant impact on the amounts recognised in the said financial statements, is discussed below:

a. Revenue recognition and presentation

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

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

b. Determination of functional currency

The Group has determined the functional currency of the group entities by identifying the primary economic environment in which the entity operates - based on under-lying facts / circumstances. However, in respect of certain intermediary foreign operations of the Group, the determination of functional currency is not very obvious due to mixed indicators and the extent of autonomy enjoyed by the foreign operation. In such cases management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

c. Taxes

The identification of temporary differences pertaining to the investment in subsidiaries that are expected to reverse in the foreseeable future and the determination of the related deferred income tax liabilities after considering the requisite tax credits require the Group to make significant judgements.

## 4. Standards issued but not effective until the date of authorisation for issuance of the said financial statements

The new significant standards, amendments to Standards that are issued but not yet effective until the date of authorisation for issuance of the said financial statements are discussed below. The Group has not early adopted these amendments and intends to adopt when they become effective.

**Ind AS 115, 'Revenue from Contracts with Customers'**

In March 2018, MCA has notified the Ind AS 115, Revenue from Contract with Customers. As a consequence of issuance of Ind AS 115, relevant paragraphs have been inserted / amended in various other standards.

The Standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under this standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in Ind AS 115 provide a more

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structured approach to measure and recognise revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under Ind AS. The effective date of Ind AS 115 is annual periods beginning on or after April 1, 2018. The Group does not expect that the adoption of the said standard and related amendments will have any significant impact on the consolidated financial statements per se.

## 5. Significant transactions / new developments

a) During the year ended March 31, 2018, the Group has entered into an agreement to sell 15% equity stake in Bharti Telemedia Limited, a subsidiary of the Company. The said transaction is subject to requisite regulatory approvals and other closing conditions.

b) i. During the year ended March 31, 2018, the Group had entered into a share purchase agreement with Millicom International Cellular S.A. to acquire 100% equity interest in Tigo Rwanda Limited. The acquisition will make the Group the second largest mobile operator in Rwanda. The difference of ₹362 between the purchase consideration (including contingent consideration) aggregating to ₹3,200 and provisional fair value of net assets has been recognised as goodwill. The said goodwill is mainly attributable to the acquired customer base and economies of scale expected from combining the operations of the Group.

The contingent consideration arrangement requires the Group to pay between Nil to ₹554 (undiscounted basis) which is contingent on the achievement of meeting a target performance and is essentially an earn out condition. As at the acquisition date, the fair value of the said consideration was ₹339 determined using the discounted cash flow and estimated probability of payout.

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period. At the date of finalisation of these consolidated financial statements, the necessary deferred tax related implications and calculations thereto had not been finalised and they have therefore only been provisionally determined based on the management's best estimate.

From the date of acquisition, the acquired entities have contributed for the year ended March 31, 2018, revenue of ₹473 and loss of ₹85 to the revenue and profit of the Group respectively, Management estimates if the said business combination had taken place at the beginning of the year, the statement of profit and loss would show pro-forma revenue of ₹839,816 and the profit of ₹20,209.

ii. During the year ended March 31, 2018, the Group had entered into a share purchase agreement with seller of Tikona Digital Networks Private Limited ('TDNPL') to acquire 100% equity interest in TDNPL. The difference of ₹739 Mn between the purchase consideration and fair value of net assets has been recognised as goodwill. The said goodwill is mainly attributable to synergies expected from the combined operation of the Group and TDNPL.

iii. The fair value of the assets and liabilities recognised at the date of acquisition for the above acquisitions are as follows:

| | Tigo | Tikona | Total |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment (including CWIP) | 4,634 | 206 | 4,840 |
| Intangible assets | 945 | 17,258 | 18,203 |
| **Non-current liabilities** | | | |
| Borrowings | 1,786 | 10,538 | 12,324 |
| Defferred tax liabilities | - | 1,709 | 1,709 |
| Working capital | (955) | 3,014 | 2,059 |
| **Net assets acquired** | **2,838** | **8,231** | **11,069** |

c) During the year ended March 31, 2017, the Group signed a definitive agreement to enter into 50-50 joint venture between Bharti Airtel Ghana Holdings B.V. and MIC Africa B.V. against consideration of their respective ownership interest of operations in Ghana. Further during the year ended March 31, 2018, as the closing conditions for consummation of the transaction have been fulfilled, the Group and Millicom International Cellular have formed a joint venture to combine their telecommunication operations in Ghana.

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The details of consideration received (determined on provisional basis), assets and liabilities over which control was lost and gain on disposal (recorded as exceptional item) is as follows:

(₹ millions)

| | | As of October 12, 2017 |
|---|---|---|
| **A.** | **Consideration received** | |
| | Fair value of consideration received | 7,663 |
| **B.** | **Net assets disposed off** | |
| | **Non-current assets** | |
| | Property, plant and equipment | 5,776 |
| | Goodwill and other intangible assets | 7,962 |
| | Others | 47 |
| | **Current Assets** | |
| | Cash and cash equivalents | 135 |
| | Trade receivables | 640 |
| | Other current assets | 570 |
| | **Total Assets (a)** | **15,130** |
| | **Non-current liabilities** | |
| | Others | 862 |
| | **Current liabilities** | |
| | Borrowings | 4,278 |
| | Trade payable | 2,065 |
| | Others | 895 |
| | **Total Liabilities (b)** | **8,100** |
| | **Net assets disposed off (a-b)** | **7,030** |
| **C.** | **Gain on disposal*** | 312 |
| **D.** | **Net cash inflow on disposal** | |
| | Consideration received in cash and cash equivalent | - |
| | Less: cash and cash equivalents held by the entity | (135) |
| | | **(135)** |

*Gain on disposal has been computed after adjusting FCTR reclassified to Statement of profit and loss and provision towards future contractual settlements.

d) During the year ended March 31, 2018, an understanding for demerger of consumer mobile businesses of Tata Teleservices Limited and Tata Teleservices Maharashtra Limited into the Company / Bharti Hexacom Limited (subsidiary of the Company) was entered into. Further, the board of directors have approved the scheme(s) of arrangement under section 230 to section 232 of the Companies Act, 2013 for the said demerger. The said transaction is subject to requisite regulatory approvals.

e) During the year ended March 31, 2017, Bharti Infratel Limited ('BIL'), a subsidiary of the Company had bought back its approx. 47 Mn shares against a consideration of ₹425 per share aggregating to ₹20,000, wherein the Company and other shareholders had tendered the shares in the ratio of 62% and 38% approximately. Accordingly, the shareholding of the Company in BIL had increased by 0.25%, and hence the consideration paid to NCI over and above the reduction in their carrying value amounting ₹1,514 had been recognised in NCI reserve, a component of equity.

Further, the Group has sold approx. 150.5 Mn equity shares and 190.6 Mn equity shares of BIL during the year ended March 31, 2018 and March 31, 2017 respectively. The excess of proceeds (net of associated transaction costs, taxes and regulatory levies) over the change in NCI amounting to ₹42,598 and ₹39,241 during the year ended March 31, 2018 and March 31, 2017 has been recognised directly in NCI reserve, a component of equity.

f) During the year ended March 31, 2017, the Group had entered into a scheme of amalgamation for the merger of Telenor (India) Communication Private Limited with the Company. The said transaction is subject to requisite regulatory approvals and other closing conditions.

g) During the year ended March 31, 2017, Bharti Telemedia Limited ('BTL'), a subsidiary of the Company allotted 500 Mn shares, against a consideration of ₹10 per share aggregating to ₹5,000, to the Company and Bharti Enterprises Limited ('BEL') in the ratio of their existing shareholding (viz. 95:5). Accordingly, the Group

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had allocated BEL's share of accumulated losses in BTL to the extent of capital contribution received from BEL.

h) During the year ended March 31, 2017, the Group acquired rights to use spectrum in the 1800 MHz band for six circles against a consideration of ₹46,530 from Videocon Telecommunications Limited.

i) During the year ended March 31, 2017, the Group acquired rights to use spectrum in the 2300 MHz band for eight circles against a consideration of ₹35,000 from Aircel Limited and its subsidiaries Dishnet Wireless Limited.

j) During the year ended March 31, 2017, the Group acquired 24.89% of shares in Airtel Ghana Limited by subscribing to the right issue through the conversion of existing shareholder loans hereby, increasing its shareholding to 99.89%. The excess of consideration over the carrying value of the interest acquired, ₹9,130, had been recognised in transaction with NCI reserve, a component of equity.

k) During the year ended March 31, 2017, the Group acquired 4.20% equity stake in Airtel Networks Limited, thereby, increasing its shareholding to 83.25%. The excess of consideration paid to NCI over the carrying value of the interest acquired, ₹3,923, had been recognised in transaction with NCI reserve, a component of equity.

l) (i) During the year ended March 31, 2017, the Group merged its business operations in Bangladesh with Robi Axiata Limited and accordingly lost control over Airtel Bangladesh Limited and acquired 25% stake in the merged entity (viz. Robi Axiata Limited) as an associate of the Group.

(ii) During the year ended March 31, 2017, the Group had sold Group's operations in Burkina Faso and Sierra Leone.

The details of consideration received, assets and liabilities over which control was lost and gain on disposals (recorded as exceptional item) is as follows:

| | As of | | |
|---|---|---|---|
| | June 22, 2016 | July 19, 2016 | November 16, 2016 |
| | Burkina Faso | Sierra Leone | Bangladesh |
| **A. Consideration received** | | | |
| Fair value of consideration received | 39,554 | 22,185 | 25,956 |
| **B. Net assets disposed off** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6,922 | 4,110 | 18,661 |
| Goodwill and other intangible assets | 25,232 | 8,972 | 16,765 |
| Others | 1,203 | 1,014 | 720 |
| **Current Assets** | | | |
| Cash and cash equivalents | 1,017 | 402 | 426 |
| Trade receivables | 1,153 | 132 | 689 |
| Other current assets | 3,953 | 629 | 1,752 |
| **Total Assets (a)** | **39,480** | **15,259** | **39,013** |
| **Non-current liabilities** | | | |
| Others | 1,018 | 153 | 961 |
| **Current liabilities** | | | |
| Borrowings | 1,074 | 73 | 7,445 |
| Trade payable | 9,090 | 904 | 4,681 |
| Others | 1,096 | 69 | 2,812 |
| **Total Liabilities (b)** | **12,278** | **1,199** | **15,899** |
| **Net assets disposed off (a-b)** | **27,202** | **14,060** | **23,114** |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

| | | As of | | |
|---|---|---|---|---|
| | | June 22, 2016 | July 19, 2016 | November 16, 2016 |
| | | Burkina Faso | Sierra Leone | Bangladesh |
| **C.** | **Gain on disposal *** | 8,404 | 1,778 | 2,038 |
| **D.** | **Net cash inflow on disposal** | | | |
| | Consideration received in cash and cash equivalent (net of transaction tax) | 39,554 | 20,820 | - |
| | Less: cash and cash equivalents held by the entity | 58 | (402) | (426) |
| | | **39,612** | **20,418** | **(426)** |

*Gain on disposal has been computed after adjusting FCTR reclassified to statement of profit and loss, transactional taxes, deferred gains on account of transaction with associate and provision towards future contractual settlements.

m) During the year ended March 31, 2017, the Group has been allotted 172 MHz spectrum across 1800 / 2100 / 2300 MHz. Consequently, the Group had paid amount of ₹74,018 upfront and opted the deferred payment option for ₹66,764.

n) During the year ended March 31, 2017, the Group had sold its entire stake in its African associate, Tanzania Telecommunications Company Limited and recognised gain of ₹443 on disposal as exceptional item.

o) During the year ended March 31, 2017, the Group had acquired 100% equity stake of Augere Wireless Broadband India Private Limited ('AWBPL'). On June 7, 2016, on fulfillment of the relevant conditions the transactions has been consummated and goodwill of ₹150 has been recognised. Subsequently, with effect from February 15, 2017, AWBIPL had merged with the Company through the scheme of arrangement under Sections 391 to 394 of the Companies Act, 1956.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 6. Property, plant and equipment ('PPE')

The following table presents the reconciliation of changes in the carrying value of PPE for the year ended March 31, 2018 and 2017:

| | Leasehold improvement | Building | Land | Plant and equipment | Furniture & fixture | Vehicles | Office equipment | Computer | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying value** | | | | | | | | | |
| **As of April 1, 2016** | **9,163** | **11,873** | **3,687** | **1,230,511** | **3,661** | **2,414** | **9,212** | **85,745** | **1,356,266** |
| Additions / capitalisation | 378 | 86 | 351 | 202,705 | 710 | 157 | 981 | 4,309 | 209,677 |
| Disposals / adjustments | (471) | (153) | (241) | (28,714) | (361) | (151) | (1,496) | (3,136) | (34,723) |
| Sale of subsidiaries / toweco operation^ | (130) | (610) | (97) | (69,400) | (970) | (115) | (328) | (4,777) | (76,427) |
| Net transfers to / from assets-held-for-sale | - | - | - | 4,990 | - | - | - | - | 4,990 |
| Exchange differences | (537) | (788) | (262) | (53,624) | (317) | (131) | (942) | (10,635) | (67,236) |
| **As of March 31, 2017** | **8,403** | **10,408** | **3,438** | **1,286,468** | **2,723** | **2,174** | **7,427** | **71,506** | **1,392,547** |
| Additions / capitalisation | 318 | 147 | 123 | 220,354 | 389 | 57 | 798 | 7,688 | 229,874 |
| Acquisition through business combinations^ | 15 | 157 | - | 3,996 | - | 19 | - | 510 | 4,697 |
| Disposals / adjustments | 229 | (498) | 520 | (38,517) | (29) | (52) | (547) | 119 | (38,775) |
| Sale of subsidiaries^ | (82) | (66) | - | (9,184) | (145) | (4) | (114) | (1,345) | (10,940) |
| Exchange differences | 127 | 9 | 131 | (4,665) | 59 | 88 | (54) | (141) | (4,446) |
| **As of March 31, 2018** | **9,010** | **10,157** | **4,212** | **1,458,452** | **2,997** | **2,282** | **7,510** | **78,337** | **1,572,957** |
| **Accumulated depreciation** | | | | | | | | | |
| **As of April 1, 2016** | **6,674** | **2,841** | **127** | **651,301** | **2,493** | **1,977** | **6,791** | **73,554** | **745,758** |
| Charge# | 804 | 570 | 5 | 136,400 | 561 | 177 | 1,040 | 6,474 | 146,031 |
| Disposals / adjustments | (503) | 677 | 5 | (26,576) | 688 | (151) | (2,278) | (3,332) | (31,470) |
| Sale of subsidiaries / towerco operation^ | (98) | (152) | - | (38,421) | (900) | (96) | (268) | (3,949) | (43,884) |
| Net transfers to / from assets-held-for-sale | - | - | - | 1,374 | - | - | - | - | 1,374 |
| Exchange differences | (392) | (245) | (9) | (33,975) | (491) | (94) | (621) | (9,523) | (45,350) |
| **As of March 31, 2017** | **6,485** | **3,691** | **128** | **690,103** | **2,351** | **1,813** | **4,664** | **63,224** | **772,459** |
| Charge# | 533 | 495 | 18 | 128,189 | 429 | 176 | 1,028 | 6,154 | 137,022 |
| Disposals / adjustments | 228 | (384) | (33) | (32,400) | (3) | (28) | (170) | 119 | (32,671) |
| Sale of subsidiaries^ | (60) | (27) | - | (4,168) | (134) | (3) | (90) | (1,222) | (5,704) |
| Exchange differences | 122 | 5 | 11 | (4,318) | 13 | 72 | (42) | (91) | (4,228) |
| **As of March 31, 2018** | **7,308** | **3,780** | **124** | **777,406** | **2,656** | **2,030** | **5,390** | **68,184** | **866,878** |
| **Net carrying value** | | | | | | | | | |
| As of March 31, 2017 | 1,918 | 6,717 | 3,310 | 596,365 | 372 | 361 | 2,763 | 8,282 | 620,088 |
| As of March 31, 2018 | 1,702 | 6,377 | 4,088 | 681,046 | 341 | 252 | 2,120 | 10,153 | 706,079 |

^Refer note 5 (e), (i) & (o).

#It includes ₹3,672 (March 31, 2017 ₹2,936) on account of exceptional item with respect to plant and equipment (refer note 32 (i) a & (ii) b, c, d) and ₹387 (March 31, 2017 ₹510) on account of court approved scheme / arrangements.

@Refer note 24 (ii) (a) for assets given on operating lease

The carrying value of CWIP as at March 31, 2018 and 2017 is ₹52,089 and ₹23,942 respectively, which mainly pertains to plant and equipment.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

The following table summarises the detail of the significant assets taken on finance lease:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Plant and equipment** | | |
| Gross carrying value@ | 36,453 | 37,165 |
| Accumulated depreciation | 19,898 | 18,757 |
| Net carrying value | 16,555 | 18,408 |

@During the year ended March 31, 2017, sale and lease back of 1,510 towers in two of the African countries was completed for a consideration of ₹13,193. The portion leased back which have been classified as finance lease, has been retained at the carrying value of ₹5,430 and the finance lease obligation has been recorded at ₹5,855, being the fair value of the leased back portion.

For details towards pledge of the above assets refer note 20.

## 7. Intangible assets

The following table presents the reconciliation of changes in the carrying value of goodwill and other intangible assets for the year ended March 31, 2018 and 2017:

| | | Other intangible assets | | | | |
|---|---|---|---|---|---|---|
| | Goodwill # | Software | Bandwidth | Licenses (including spectrum) | Other acquired intangibles | Total |
| **Gross carrying value** | | | | | | |
| **As of April 1, 2016** | **431,018** | **16,218** | **19,901** | **771,197** | **4,405** | **811,721** |
| Additions / capitalisation | - | 2,783 | 4,903 | 205,372 | 5,463 | 2,18,521 |
| Acquisition through business combinations^ | 150 | - | - | 1,250 | - | 1,250 |
| Disposals / adjustments@ | - | (92) | (86) | (1,095) | - | (1,273) |
| Sale of subsidiaries / towerco operation^ | (44,066) | (944) | (182) | (19,015) | - | (20,141) |
| Exchange differences | (46,383) | 17 | (954) | (24,497) | (91) | (25,525) |
| **As of March 31, 2017** | **340,719** | **17,982** | **23,582** | **933,212** | **9,777** | **984,553** |
| Additions / capitalisation | - | 3,637 | 7,451 | 64,352 | 6 | 75,446 |
| Acquisition through business combinations^ | 1,084 | - | - | 321 | 632 | 953 |
| Disposals / adjustment@ | - | (140) | (824) | (10,362) | (389) | (11,715) |
| Sale of subsidiaries^ | (6,310) | - | (463) | (16,112) | - | (16,575) |
| Exchange differences | (4,783) | 2 | (71) | (2,830) | 102 | (2,797) |
| **As of March 31, 2018** | **330,710** | **21,481** | **29,675** | **968,581** | **10,128** | **1,029,865** |
| **Accumulated amortisation** | | | | | | |
| **As of April 1, 2016** | **-** | **12,027** | **5,342** | **108,011** | **2,302** | **127,682** |
| Charge | - | 2,780 | 1,507 | 48,611 | 2,247 | 55,145 |
| Disposals / adjustments@ | - | 36 | (82) | (1,127) | (100) | (1,273) |
| Sale of subsidiaries / towerco operation^ | - | (792) | (68) | (8,849) | - | (9,709) |
| Exchange differences | - | 13 | (79) | (11,344) | (63) | (11,473) |
| **As of March 31, 2017** | **-** | **14,064** | **6,620** | **135,302** | **4,386** | **160,372** |
| Charge | - | 2,731 | 1,663 | 52,612 | 2,462 | 59,468 |
| Disposals / adjustments | | (140) | (824) | (10,362) | (389) | (11,667) |
| Sale of subsidiaries^ | - | - | (53) | (14,868) | - | (14,921) |
| Exchange differences | - | 2 | (9) | (1,295) | 108 | (1,194) |
| **As of March 31, 2018** | **-** | **16,657** | **7,397** | **161,389** | **6,567** | **192,010** |
| **Net carrying value** | | | | | | |
| **As of March 31, 2017** | **3,38,082** | **3,918** | **16,962** | **7,97,910** | **5,391** | **8,24,181** |
| **As of March 31, 2018** | **328,070** | **4,824** | **22,278** | **807,192** | **3,561** | **837,855** |

#Net carrying value of goodwill includes accumulated impairment of ₹2,640.

^Refer note 5 (b), (c), (i) & (o)

@Mainly pertains to gross block and accumulated amortisation of license (including spectrum), bandwidth and software whose useful life has expired.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

The carrying value of Intangible assets under development as at March 31, 2018 and March 31, 2017 is ₹45,423 and ₹84,443 respectively, which pertains to spectrum.

During the year ended March 31, 2018 and 2017 the Group has capitalised borrowing cost of ₹3,037 and ₹2,750 respectively.

Weighted average remaining amortization period of licenses as of March 31, 2018 and March 31, 2017 is 15.88 years and 16.60 years respectively.

For details towards pledge of the above assets refer note 20.

**Impairment review**

The Group tests goodwill for impairment annually on December 31. During the year ended March 31, 2018, the testing did not result in any impairment in the carrying amount of goodwill.

The carrying amount of goodwill is attributable to the following CGU / group of CGUs:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Mobile Services - Africa | 281,182 | 291,959 |
| Mobile Services - India | 40,413 | 39,676 |
| Airtel business | 6,131 | 6,103 |
| Homes services | 344 | 344 |
| | **328,070** | **338,082** |

The recoverable amount of the above CGUs are based on value-in-use, which is determined based on ten year business plans that have been approved by management for internal purposes. The said planning horizon reflects the assumptions for short-to-mid term market developments. The cash flows beyond the planning period are extrapolated using appropriate terminal growth rates. The terminal growth rates used do not exceed the long term average growth rates of the respective industry and country in which the entity operates and are consistent with the internal / external sources of information.

The key assumptions used in value-in-use calculations are as follows:

- Earnings before interest, taxes, depreciation and amortisation ('EBITDA') margins
- Discount rate
- Growth rates
- Capital expenditures

**EBITDA margins:** The margins have been estimated based on past experience after considering incremental revenue arising out of adoption of valued added and data services from the existing and new customers, though these benefits are partially offset by decline in tariffs in competitive scenario. Margins will be positively impacted from the efficiencies and cost rationalisation / others initiatives driven by the Company; whereas, factors like higher churn, increased cost of operations may impact the margins negatively.

**Discount rate:** Discount rate reflects the current market assessment of the risks specific to a CGU or group of CGUs and estimated based on the weighted average cost of capital for respective CGU / group of CGUs. Post-tax discount rates used are 18.20% / 10.60% for Mobile Services – Africa / other CGUs respectively, for the year ended March 31, 2018 and 17.55% / 9.13% for Mobile Services – Africa / other CGUs respectively, for the year ended March 31, 2017. The post-tax discount rates as grossed up for tax impact during the projection period (marginal tax rates are mainly in the range of 30% to 40%) are the pre-tax discount rates used for discounting the cash flows.

**Growth rates:** The growth rates used are in line with the long-term average growth rates of the respective industry and country in which the entity operates and are consistent with the internal / external sources of information. The average growth rates used in extrapolating cash flows beyond the planning period ranged from 3.5% to 4.0% for March 31, 2018 and ranged from 3.5% to 4.0% for March 31, 2017.

**Capital expenditures:** The cash flow forecasts of capital expenditure are based on past experience after considering the additional capital expenditure required for roll out of incremental coverage requirements and to provide enhanced voice and data services.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Sensitivity to changes in assumptions**

With regard to the assessment of value-in-use for Homes Services, Mobile Services - India CGU group (as of December 31, 2016) and Airtel Business, no reasonably possible change in any of the above key assumptions would have caused the carrying amount of these units to exceed their recoverable amount.

In case of Mobile Services - India CGU group, the recoverable amount exceeds the carrying amount by ₹3,49,671 (25.5%) as of December 31, 2017. An increase of 1.78% in discount rate shall equate the recoverable amount with the carrying amount of the Mobile Services – India CGU group as of December 31, 2017. Further, no reasonably possible change in the terminal growth rate beyond the planning horizon would cause the carrying amount to exceed the recoverable amount.

In case of Mobile Services - Africa CGU group, the recoverable amount exceeds the carrying amount by ₹54,087 (15.2%) as of December 31, 2017 and ₹33,103 (8.1%) as of December 31, 2016. An increase of 2.4% (December 31, 2016: 0.9%) in pre-tax discount rate shall equate the recoverable amount with the carrying amount of the Mobile Services – Africa CGU group as of December 31, 2017. Further, no reasonably possible change in the terminal growth rate beyond the planning horizon would cause the carrying amount to exceed the recoverable amount.

## 8. Investment in joint ventures and associates

**Details of joint ventures:**

| S. no. | Name of joint ventures | Principal place of business | Principal activities | Ownership interest % As of March 31, 2018 | Ownership interest % As of March 31, 2017 |
|---|---|---|---|---|---|
| 1 | Indus Towers Limited* | India | Passive infrastructure services | 22.49 | 25.91 |
| 2 | Airtel Ghana Limited$ | Ghana | Telecommunication services | 49.95 | - |
| 3 | Milicom Ghana Company Limited$ | Ghana | Telecommunication services | 49.95 | - |
| 4 | Airtel Mobile Commerce Ghana Limited$ | Ghana | Mobile commerce services | 49.95 | - |
| 5 | Mobile Financial Services Limited$ | Ghana | Mobile commerce services | 49.95 | - |
| 6 | Bharti Airtel Ghana Holdings B.V.$ | Netherlands | Investment company | 50 | - |
| 7 | Bridge Mobile Pte Limited | Singapore | Provision of regional mobile services | 10 | 10 |
| 8 | FireFly Networks Limited | India | Telecommunication services | 50 | 50 |

*Bharti Infratel Limited, in which the Group has 53.54% equity interest (61.68% as of March 31, 2017), owns 42% of Indus Towers Limited.
$ w.e.f. October 12, 2017, refer note 5 (C)

**Details of associates:**

| S. no. | Name of associates | Principal place of business | Principal activities | Ownership interest % As of March 31, 2018 | Ownership interest % As of March 31, 2017 |
|---|---|---|---|---|---|
| 1 | Seychelles Cable Systems Company Limited | Seychelles | Submarine cable system | 26 | 26 |
| 2 | Robi Axiata Limited (refer note 5 (I)) | Bangladesh | Telecommunication services | 25 | 25 |
| 3 | Seynse Technologies Private Limited | India | Financial services | 22.54 | 22.54 |
| 4 | Juggernaut Books Private Limited (w.e.f. November 29, 2017) | India | Digital books publishing services | 10.71 | - |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

The amounts recognised in the balance sheet are as follows:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Joint ventures | 64,714 | 59,461 |
| Associates | 22,125 | 22,816 |
| | **86,839** | **82,277** |

The amounts recognised in the statement of profit and loss are as follows:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Recognised in profit and loss | | |
| Joint ventures | 10,715 | 11,091 |
| Associates | (106) | (642) |
| | **10,609** | **10,449** |
| Recognised in other comprehensive income | | |
| Joint ventures | 1 | (9) |
| Associates | 17 | - |
| | **18** | **(9)** |

The summarised financial information of joint venture and associate that are material to the Group are as follows:

**Summarised balance sheet**

| | As of | | | | |
|---|---|---|---|---|---|
| | Joint ventures | | | Associate | |
| | March 31, 2018 | March 31, 2017 | March 31, 2018 | March 31, 2018 | March 31, 2017 |
| | Indus Towers Limited | | Bharti Airtel Ghana Holdings B.V.* | Robi Axiata Limited | |
| **Assets** | | | | | |
| **Non current assets** | **201,576** | **207,357** | **12,102** | **104,308** | **95,480** |
| **Current assets** | | | | | |
| Cash and cash equivalents ('C&CE') | 1,063 | 1,121 | 1,759 | 1,111 | 1,507 |
| Other current assets (excluding 'C&CE') | 33,534 | 17,182 | 2,120 | 8,899 | 6,904 |
| **Total current assets** | **34,597** | **18,303** | **3,879** | **10,010** | **8,411** |
| **Liabilities** | | | | | |
| **Non current liabilities** | | | | | |
| Borrowings | 9,556 | 10,589 | 4,122 | 6,078 | 8,578 |
| Other liabilities | 31,751 | 30,294 | 716 | 2,836 | 2,706 |
| **Total non current liabilities** | **41,307** | **40,883** | **4,838** | **8,914** | **11,284** |
| **Current liabilities** | | | | | |
| Borrowings | 30,683 | 24,090 | 869 | 22,177 | 11,620 |
| Other liabilities | 32,233 | 28,522 | 12,283 | 37,396 | 33,521 |
| **Total current liabilities** | **62,916** | **52,612** | **13,152** | **59,573** | **45,141** |
| **Equity** | **131,950** | **132,165** | **(2,009)** | **45,831** | **47,466** |
| Percentage of Group's ownership interest | 42% | 42% | 50% | 25% | 25% |
| Interest in joint venture / associate | 55,419 | 55,509 | (1,005) | 11,458 | 11,867 |
| Consolidation adjustment (inlcuding goodwill) / accounting policy alignment* | 2,691 | 3,900 | 7,548 | 10,162 | 10,700 |
| **Carrying amount of investment** | **58,110** | **59,409** | **6,543** | **21,620** | **22,567** |

*Based on Consolidated financial statements of the entity

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Summarised information on statement of profit and loss**

| | For the year / period ended | | | | |
|---|---|---|---|---|---|
| | Joint ventures | | | Associate | |
| | March 31, 2018 | March 31, 2017 | March 31, 2018 | March 31, 2018 | March 31, 2017 |
| | Indus Towers Limited | | Bharti Airtel Ghana Holdings B.V.* | Robi Axiata Limited | |
| **Revenue** | 187,424 | 174,817 | 5,612 | 52,635 | 19,901 |
| Depreciation and amortisation | 27,766 | 26,116 | 1,388 | 11,574 | 7,958 |
| Finance income | 995 | 376 | - | 66 | 52 |
| Finance cost | 5,053 | 5,440 | 789 | 1,343 | 479 |
| Income tax expense | 16,593 | 15,273 | 3 | 1,385 | (1,814) |
| **Profit / (loss) for the year / period** | **31,013** | 28,451 | **(1,092)** | **(1,668)** | (4,932) |
| OCI / loss for the year / period | 3 | (22) | - | 76 | - |
| Percentage of Group's ownership interest | 42% | 42% | 50% | 25% | 25% |
| Group's share in profit / (loss) for the year | 13,025 | 11,949 | (546) | (417) | (1,233) |
| Group's share in OCI / (loss) for the year / period | 1 | (9) | - | 19 | - |
| Consolidation adjustments / accounting policy alignment | (1,209) | (867) | (564) | 135 | 51 |
| Group's share in profit / (loss) recognised@ | 11,816 | 11,083 | (1,110) | (282) | (1,182) |
| Dividend received from joint venture / associate | 10,010 | 9,510 | - | - | - |

*Based on Consolidated financial statements of the entity

@ During the year ended March 31, 2017 loss of ₹540 has been recognised as exceptional item for Robi Axiata Limited (refer note 32 (ii) (f)).

The aggregate information of joint ventures that are individually immaterial is as follows:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Carrying amount of investments | 61 | 52 |

| Group's share in joint ventures | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Net profit | 9 | 8 |
| Total comprehensive income | 9 | 8 |

The aggregate information of associates that are individually immaterial is as follows:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Carrying amount of investments | 505 | 249 |
| Cumulative unrecognised losses | - | 90 |

| Group's share in associates' | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Net profit | 176 | 0 |
| Total comprehensive income | 176 | 0 |
| Unrecognised losses | - | 46 |

Refer note 24 for Group's share of joint venture's and associate's commitments and contingencies.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 9. Investments in subsidiaries

Information as to the subsidiaries which are part of the Group is as follows:

| S. no. | Principal activity | Principal place of business | Number of wholly-owned subsidiaries | |
|---|---|---|---|---|
| | | | As of March 31, 2018 | As of March 31, 2017 |
| 1 | Telecommunication services | India | 4 | 3 |
| 2 | Telecommunication services | Africa | 8 | 7 |
| 3 | Telecommunication services | South Asia | 1 | 1 |
| 4 | Telecommunication services | Others | 6 | 6 |
| 5 | Mobile commerce services | India | - | - |
| 6 | Mobile commerce services | Africa | 13 | 14 |
| 7 | Infrastructure services | Africa | 4 | 4 |
| 8 | Infrastructure services | South Asia | - | 2 |
| 9 | Direct to home services | Africa | - | 1 |
| 10 | Submarine cable | Mauritius | 1 | 1 |
| 11 | Investment company | Netherlands | 22 | 25 |
| 12 | Investment company | Mauritius | 7 | 6 |
| 13 | Investment company | Others | 3 | 4 |
| 14 | Others | India | 2 | 1 |
| | | | **71** | **75** |

| S. no. | Principal activity | Principal place of business | Number of non-wholly-owned subsidiaries | |
|---|---|---|---|---|
| | | | As of March 31, 2018 | As of March 31, 2017 |
| 1 | Telecommunication services | India | 2 | 2 |
| 2 | Telecommunication services | Africa | 7 | 8 |
| 3 | Mobile commerce services | India | 1 | 1 |
| 4 | Mobile commerce services | Africa | 3 | 3 |
| 5 | Infrastructure services | India | 1 | 1 |
| 6 | Infrastructure services | Africa | 2 | 3 |
| 7 | Direct to home services | India | 1 | 1 |
| 8 | Investment company | Africa | 1 | 1 |
| 9 | Others | India | - | 1 |
| | | | **18** | **21** |

Additionally, the Group also controls the employee stock option plan trusts as mentioned herebelow:

| S. no. | Name of trust | Principal place of business |
|---|---|---|
| 1 | Bharti Airtel Employees' Welfare Trust | India |
| 2 | Bharti Infratel Employees' Welfare Trust | India |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

The summarised financial information of subsidiaries (including acquisition date fair valuation and adjustments thereto, and accounting policies alignment) having material non-controlling interests is as follows:-

**Summarised balance sheet**

| | Bharti Infratel Limited* | | Bharti Hexacom Limited | | Airtel Networks Limited | |
|---|---|---|---|---|---|---|
| | As of March 31, 2018 | As of March 31, 2017 | As of March 31, 2018 | As of March 31, 2017 | As of March 31, 2018 | As of March 31, 2017 |
| **Assets** | | | | | | |
| Non current assets | 135,827 | 178,274 | 94,539 | 89,157 | 53,692 | 63,174 |
| Current assets | 76,121 | 47,118 | 8,931 | 6,984 | 465 | 5,343 |
| **Liabilities** | | | | | | |
| Non current liabilities | 14,613 | 14,705 | 2,628 | 3,560 | 32,288 | 37,798 |
| Current liabilities | 18,159 | 43,952 | 35,949 | 25,753 | 37,573 | 43,049 |
| **Equity** | **179,176** | **166,735** | **64,893** | **66,828** | **(15,704)** | **(12,330)** |
| % of ownership interest held by NCI | 46.46% | 38.32% | 30.00% | 30.00% | 16.75% | 16.75% |
| Accumulated NCI | 83,245 | 63,893 | 19,468 | 20,049 | (2,630) | (2,064) |

**Summarised statement of profit and loss**

| | Bharti Infratel Limited* | | Bharti Hexacom Limited | | Airtel Networks Limited | |
|---|---|---|---|---|---|---|
| | For the year ended March 31, 2018 | For the year ended March 31, 2017 | For the year ended March 31, 2018 | For the year ended March 31, 2017 | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
| **Revenue** | 64,751 | 60,178 | 44,181 | 51,313 | 66,781 | 69,543 |
| Net profit / (loss) | 22,651 | 25,624 | (1,119) | 6,601 | (2,927) | (22,173) |
| Other comprehensive income / (loss) | 24 | 84 | 2 | (1) | (450) | (2,010) |
| Total comprehensive income / (loss) | 22,675 | 25,708 | (1,117) | 6,600 | (3,377) | (24,183) |
| Profit / (loss) allocated to NCI | 9,530 | 7,242 | (335) | 2,007 | (566) | (4,810) |

**Summarised statement of cash flows**

| | Bharti Infratel Limited* | | Bharti Hexacom Limited | | Airtel Networks Limited | |
|---|---|---|---|---|---|---|
| | For the year ended March 31, 2018 | For the year ended March 31, 2017 | For the year ended March 31, 2018 | For the year ended March 31, 2017 | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
| Net cash inflow from operating activities | 34,694 | 28,662 | 9,882 | 15,162 | 20,141 | 13,605 |
| Net cash outflow from investing activities | (18,551) | (2,434) | (14,884) | (16,443) | (9,213) | (10,291) |
| Net cash (outflow) / inflow from financing activities | (35,548) | (26,648) | 2,883 | 49 | (13,270) | (6,497) |
| **Net cash outflow** | **(19,405)** | **(420)** | **(2,119)** | **(1,232)** | **(2,342)** | **(3,183)** |
| Dividend paid to NCI (including tax) | 3,411 | 1,873 | 246 | 695 | - | - |

*Based on consolidated financial statements of the entity (refer note 5 (e)).

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 10 Investments

**Non-current**

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Investment at FVTPL** | | |
| Government securities | 292 | 38,783 |
| Equity instruments | 2,672 | 2,648 |
| Mutual funds | 334 | 308 |
| Preference shares | 318 | 316 |
| | **3,616** | **42,055** |
| **Investment at FVTOCI** | | |
| Bonds | 2,153 | 2,132 |
| | **2,153** | **2,132** |
| | **5,769** | **44,187** |

**Current**

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Investment at FVTPL** | | |
| Mutual funds | 51,038 | 221 |
| Government securities | 11,798 | 13,089 |
| Corporate deposits | - | 1,425 |
| Bonds | 1,001 | - |
| Non-convertible debenture | 997 | - |
| | **64,834** | **14,735** |
| **Investment at FVTOCI** | | |
| Government securities | 3,904 | 1,711 |
| Commercial paper | 240 | 477 |
| | **4,144** | **2,188** |
| | **68,978** | **16,923** |
| **Aggregate book / market value of quoted investments** | | |
| Non-current | 2,777 | 41,222 |
| Current | 65,074 | 15,466 |
| **Aggregate book value of unquoted investments** | | |
| Non-current | 2,992 | 2,965 |
| Current | 3,904 | 1,457 |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 11 Derivative financial instruments

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Assets** | | |
| Currency swaps, forward and option contracts | 8,541 | 814 |
| Interest swaps | 2,101 | 4,963 |
| Embedded derivatives | 330 | 1,015 |
| | **10,972** | **6,792** |
| **Liabilities** | | |
| Currency swaps, forward and option contracts | 474 | 3,412 |
| Interest swaps | 5,210 | 880 |
| Embedded derivatives | 8 | 769 |
| | **5,692** | **5,061** |
| Non-current derivative financial assets | 2,031 | 4,732 |
| Current derivative financial assets | 8,941 | 2,060 |
| Non-current derivative financial liabilities | (5,409) | (2,726) |
| Current derivative financial liabilities | (283) | (2,335) |
| | **5,280** | **1,731** |

## 12 Security deposits

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Considered good* | 9,703 | 9,630 |
| Considered doubtful | 1,357 | 1,464 |
| Less: provision for doubtful deposits | (1,357) | (1,464) |
| | **9,703** | **9,630** |

Security deposits primarily include deposits given towards rented premises, cell sites and interconnect ports.

*It includes amount due from related party refer note 35.

For details towards pledge of the above assets refer note 20.

## 13 Financial assets – others

**Non-current**

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Rent equalisation | 4,164 | 4,183 |
| Tower sale receivable | - | 10,323 |
| Bank deposits | 950 | 744 |
| Margin money deposits | 419 | 554 |
| Claims recoverable | 74 | 73 |
| Others | 207 | 776 |
| | **5,814** | **16,653** |

**The details of interest accrued on above items (which is included within 'interest accrued on deposits' under current other financial assets) is provided in the table given below:**

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Bank deposits | 30 | 25 |
| Margin money depostis | 8 | 0 |
| Tower sale receivable | - | 474 |
| | **38** | **499** |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Current**

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Unbilled revenue | 16,136 | 15,880 |
| Claims recoverable | 1,180 | 2,007 |
| Receivable on sale of business / tower assets* | 8,736 | - |
| Interest accrued on investments / deposits | 870 | 1,447 |
| Others# | 540 | 403 |
| | **27,462** | **19,737** |

*Interest accrued on tower sale receivable amount to ₹150 and is included within 'interest accrued on deposits' above.

#It includes finance lease receivables and amounts due from related party (refer note 35).

For details towards pledge of the above assets refer note 20

## 14 Income tax

The major components of the income tax expense are:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Current income tax** | | |
| - For the year | 21,082 | 21,332 |
| - Adjustments for prior periods | (2,852) | (92) |
| | **18,230** | **21,240** |
| **Deferred tax** | | |
| - Origination and reversal of temporary differences | (4,536) | 18,436 |
| - Effect of change in tax rate | 411 | - |
| - Adjustments for prior periods | (3,270) | (4,857) |
| | **(7,395)** | **13,579** |
| **Income tax expense** | **10,835** | **34,819** |

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

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Profit before tax | 32,672 | 77,233 |
| Tax expense @ company's domestic tax rate of 34.608% | 11,307 | 26,728 |
| Effect of: | | |
| Share of profits in associates and joint ventures | (3,985) | (3,618) |
| Tax holiday | 303 | 778 |
| Adjustments in respect of previous years | (6,125) | (4,967) |
| Effect of changes in tax rate | 411 | - |
| Additional taxes / taxes for which no credit is allowed | 2,339 | 4,466 |
| Difference in overseas tax rates | (77) | (465) |
| Items subject to different tax rate | 452 | (4,311) |
| (Income) / expense (net) not taxable / deductible | (551) | 1,065 |
| Tax on undistributed retained earnings | 2,434 | 2,184 |
| Items for which no deferred tax asset was recognised | 4,662 | 12,311 |
| Settlements of various disputes | (395) | 369 |
| Others | 60 | 279 |
| **Income tax expense** | **10,835** | **34,819** |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

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

Deferred tax assets (net)

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **a) Deferred tax liability due to** | | |
| Depreciation / amortisation on PPE / intangible assets | (86,565) | (66,798) |
| **b) Deferred tax asset arising out of** | | |
| Provision for impairment of debtors / advances | 16,291 | 13,004 |
| Carry forward losses | 23,424 | 3,382 |
| Unearned income | 576 | 385 |
| Employee benefits | 1,285 | 1,133 |
| Minimum alternative tax ('MAT') credit | 57,484 | 57,465 |
| Lease rent equalisation | 7,093 | 6,983 |
| Fair valuation of financial instruments and exchange differences | 8,210 | 7,748 |
| Rates and taxes | 1,431 | 1,527 |
| Others | 101 | 1,366 |
| | **29,330** | **26,195** |

Deferred tax liabilities (net)

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **a) Deferred tax liability due to** | | |
| Lease rent equalisation (net) | 3,639 | 4,076 |
| Fair valuation of financial instruments and exchange differences | (569) | 691 |
| Depreciation / amortisation on PPE / intangible assets | 6,242 | 4,112 |
| Undistributed retained earnings | 3,541 | 2,987 |
| Others | 115 | 187 |
| **b) Deferred tax asset arising out of** | | |
| Provision for impairment of debtors / advances | (1,652) | (1,389) |
| Carry forward losses | (498) | (720) |
| Unearned income | 7 | (301) |
| Employee benefits | (219) | (214) |
| | **10,606** | **9,430** |

Deferred tax expense

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Provision for impairment of debtors / advances | 2,604 | 2,858 |
| Carry forward losses | 19,575 | (99) |
| Unearned income | (497) | 23 |
| Employee benefits | 162 | 235 |
| MAT credit | (47) | 1,223 |
| Lease rent equalisation (net) | 658 | 789 |
| Fair valuation of financial instruments & exchange difference | 864 | 2,377 |
| Rates and taxes | (96) | 1,527 |
| Depreciation / amortisation on property, plant and equipment / intangible assets | (16,178) | (22,496) |
| Undistributed retained earnings | (549) | (259) |
| Others | 899 | 243 |
| **Net deferred tax expense** | **7,395** | **(13,579)** |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

The movement in deferred tax assets and liabilities during the year is as follows:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Opening balance** | **16,766** | **34,226** |
| Tax expense / (credit) recognised in statement of profit or loss | 7,395 | (13,579) |
| Tax income recognised in equity | - | 1,426 |
| Tax expense on Business combination | (1,709) | - |
| Tax expense recognised in OCI: | | |
| - on net investments hedge | (122) | (10) |
| - on fair value through OCI investments | (29) | (6) |
| Exchange differences and others | (3,577) | (5,291) |
| **Closing balance** | **18,724** | **16,766** |

The deferred tax assets are recognised for carry-forward losses and credits, to the extent that the realisation of the related tax benefit is probable. Accordingly, deferred tax assets are recognised for the entire credits and certain carry-forward losses, since the Group estimates that the realisation of the related tax benefit in future, through adjustment against future taxable profits and reversal of deferred tax liabilities in the relevant tax jurisdictions, is probable. Further, the Group has not recognised deferred tax assets in respect of deductible temporary differences, carry forward of unabsorbed depreciation and unused tax losses of ₹509,731 and ₹484,266 as of March 31, 2018 and March 31, 2017 respectively as it is not probable that taxable profits will be available in future. The tax rates applicable to these unused tax losses, unabsorbed depreciation and deductible temporary differences vary from 3% to 45% depending on the jurisdiction in which the respective group entity operates. Of the above balance as of March 31, 2018 and March 31, 2017, tax losses, unabsorbed depreciation and deductible temporary differences to the extent of ₹70,508 and ₹58,861 respectively have an indefinite carry forward period and the balance amount expires unutilised as follows:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Expiry Date** | | |
| Within one-three years | 52,694 | 38,289 |
| Within three-five years | 31,265 | 44,242 |
| Above Five years | 355,264 | 342,874 |
| | **439,223** | **425,405** |

Moreover, deferred tax liability has not been recognised in respect of temporary differences pertaining to the investment in its certain subsidiaries, as where Group is in a position to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The temporary differences associated with respect to such investment in subsidiaries are represented by their retained earnings and other reserves (on the basis of their standalone financial statements), aggregating to ₹130,715 and ₹129,808 as of March 31, 2018 and March 31, 2017 respectively. In case of distribution of the same as dividend, it is expected to attract tax in the range of 10% to 21% depending on the tax rates applicable as of March 31, 2018 in the relevant jurisdiction. Further, the Group has been substantially availing the tax credit and believes that it would continue to avail the tax credit, for the dividend distribution tax payable by the subsidiaries on its dividend distribution.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 15 Other non-financial assets

### Non-current

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Advances (net)# | 32,267 | 32,980 |
| Capital advances | 1,147 | 2,961 |
| Prepaid expenses | 1,600 | 1,783 |
| Taxes recoverable | - | 15,092 |
| Others | 1,305 | 672 |
| | **36,319** | **53,488** |

#Advances represent payments made to various government authorities under protest and are disclosed net of provision (refer note 22).

Capital advances includes advance payment of Nil and ₹1,720 towards spectrum as at March 31, 2018 and March 31, 2017 respectively.

### Current

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Taxes recoverable | 74,004 | 13,524 |
| Advances to suppliers (net) | 17,642 | 17,054 |
| Prepaid expenses | 9,275 | 11,490 |
| Others* | 2,459 | 2,377 |
| | **103,380** | **44,445** |

*It mainly includes security deposits given towards rented premises, cell sites, interconnect ports and other miscellaneous deposits.

Taxes recoverable primarily include Goods and service tax ('GST'), customs duty, excise duty, service tax and sales tax.

Advance to suppliers are disclosed net of provision of ₹2,680 and ₹2,128 as of March 31, 2018 and March 31, 2017 respectively

## 16 Trade receivables

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Unsecured** | | |
| Considered good* | 58,830 | 47,402 |
| Considered doubtful | 51,579 | 42,258 |
| Less: provision for doubtful receivables | (51,579) | (42,258) |
| | **58,830** | **47,402** |

*It includes amount due from related party refer note 35.

Refer note 36 (iv) for credit risk.

### The movement in allowances for doubtful debts is as follows:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Opening balance** | 42,258 | 35,080 |
| Additions* | 11,257 | 8,509 |
| Write off (net of recovery) | (1,156) | (873) |
| Exchange differences | (780) | (458) |
| **Closing balance** | **51,579** | **42,258** |

*Includes exceptional item of ₹1,094 (refer note 32 (i) (c)) for the year ended March 31, 2018.

For details towards pledge of the above assets refer note 20.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 17 Cash and bank balances

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

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Balances with banks | | |
| - On current accounts | 8,218 | 9,871 |
| - Bank deposits with original maturity of 3 months or less | 37,862 | 2,532 |
| Cheques on hand | 986 | 16 |
| Cash on hand | 820 | 398 |
| | **47,886** | **12,817** |

### Other bank balances

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Restricted cash* | 15,289 | 11,408 |
| Earmarked bank balances - unpaid dividend | 70 | 22,250 |
| Term deposits with bank | 2,119 | 3,360 |
| Margin money deposits | 1,342 | 1,148 |
| | **18,820** | **38,166** |

*It represents cash received from subscriber of mobile commerce services.

Margin money deposits represents amount given as collateral for legal cases and / or bank guarantees for disputed matters.

The details of interest accrued on above items (which is included within 'interest accrued on deposits' under current other financial assets) is as below:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Cash and cash equivalents** | | |
| - Bank deposits with original maturity 3 months or less | 1 | 2 |
| | 1 | 2 |
| **Other bank balance** | | |
| - Margin money depostis | 33 | 31 |
| - Term deposits with bank | 124 | 69 |
| | 157 | 100 |
| | **158** | **102** |

For the purpose of the consolidated cash flow statement, C&CE are as following:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| C&CE as per balance sheet | 47,886 | 12,817 |
| Bank overdraft | (19,418) | (22,697) |
| | **28,468** | **(9,880)** |

## 18 Share capital

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Issued, subscribed and fully paid-up shares** | | |
| 3,997,400,102 equity shares of ₹5 each | 19,987 | 19,987 |
| | **19,987** | **19,987** |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

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

The Company has only one class of equity shares having par value of ₹5 per share. Each holder of equity shares is entitled to cast one vote per share.

**b. Treasury shares**

| | For the year ended | | | |
|---|---|---|---|---|
| | March 31, 2018 | | March 31, 2017 | |
| | No. of shares ('000') | Amount | No. of shares ('000') | Amount |
| **Opening balance** | 1,345 | 367 | 1,882 | 524 |
| Purchased during the year | 906 | 424 | - | - |
| Excercised during the year | (532) | (149) | (537) | (157) |
| **Closing balance** | **1,719** | 642 | **1,345** | 367 |

**c. Dividend**

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **A. Declared and paid during the year:** | | |
| Interim dividend for 2017-18 : ₹2.84 per share* | 13,658 | - |
| Dividend on treasury shares* | 6 | - |
| *(including dividend distribution tax @ 20.36% of ₹2,311 ) | | |
| Final dividend for 2016-17 : Re. 1 per share# | 4,810 | - |
| Dividend on treasury shares# | 1 | - |
| #(including dividend distribution tax of ₹814 @ 20.36%) | | |
| Final dividend for 2015-16 : ₹1.36 per share^ | - | 6,541 |
| Dividend on treasury shares^ | - | 2 |
| ^(including dividend distribution tax ₹1,107 @ 20.36%) | | |
| | **18,475** | **6,543** |
| **B. Proposed dividend** | | |
| Final dividend for 2017-18: ₹2.50 per share (2016-17 : ₹1 per share) | 9,993 | 3,997 |
| Dividend distribution tax for 2017-18 @ 20.56% (for 2016-17 @ 20.36%) | 2,054 | 814 |
| | **12,047** | **4,811** |

The proposed dividend being subject to approval at respective annual general meetings, no related corresponding liability has been recognised in the respective financial years.

## 19 Other equity

**a. Retained earnings:** Retained earnings represent the amount of accumulated earnings of the Group, re-measurement differences on defined benefit plans, any transfer from general reserve and the reserves arising due to court scheme accounting and adjustments thereto (as explained below for significant Scheme of Arrangements).

The Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956 for transfer of all assets and liabilities at their respective fair values from Bharti Infratel Ventures Limited (erstwhile subsidiary company), Vodafone Infrastructure Limited, Idea Cellular Tower Infrastructure Limited to its joint venture Indus Towers Limited, was approved by the Hon'ble High Court of Delhi vide order dated April 18, 2013 and filed with the Registrar of Companies on June 11, 2013 with appointed date April 1, 2009 and hence was accounted retrospectively with effect from April 01, 2009. Similarly, pursuant to the Scheme of Arrangement of the Company under sections 391 to 394 of the Companies Act, 1956, the telecom infrastructure undertaking of the Company was transferred to one of its subsidiary Bharti Infratel Limited during the year ended March 31, 2008.

Further, pursuant to the said schemes, mainly the excess of the fair values over the original book values of the assets transferred to them and the periodic depreciation thereto is adjusted in retained earnings.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

In absence of any specific provision under Ind AS with respect to court schemes, and the fact that the court schemes are part of the law, accounting prescribed therein (as explained above) will continue to prevail even in the Ind AS financial statements of the Group after being adjusted for intra-group eliminations / equity accounting, as required.

b. **General reserve:** The Company has transferred a portion of its profit before declaring dividend in respective prior years to general reserve, as stipulated under the erstwhile Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013 ('Act').

Further, on exercise of the stock options, the difference between the consideration (i.e. the exercise price and the related amount of share-based payment reserve) and the cost of the related treasury shares, is transferred to general reserve.

c. **Debenture redemption reserve:** Pursuant to the provisions of the Act, the Company is required to create debenture redemption reserve out of the profits and is to be utilised for the purpose of redemption of debentures. On redemption of the debentures, the related amount of this reserve gets transferred to retained earnings.

**Other components of equity**

| | FCTR* | CFHR | FVTOCI reserve | Treasury shares | Total |
|---|---|---|---|---|---|
| **As of April 1, 2016** | **(11,149)** | **(724)** | **4** | **(524)** | **(12,393)** |
| Net losses due to foreign currency translation differences | (42,134) | - | - | - | (42,134) |
| Net losses on net investment hedge | (7,402) | - | - | - | (7,402) |
| Net gains on cash flow hedge | - | 857 | - | - | 857 |
| Net gains on fair value through OCI investments | - | - | 86 | - | 86 |
| Exercise of share options | - | - | - | 157 | 157 |
| **As of March 31, 2017** | **(60,685)** | **133** | **90** | **(367)** | **(60,829)** |
| Net losses due to foreign currency translation differences | (7,056) | - | - | - | (7,056) |
| Net losses on net investment hedge | (7,508) | - | - | - | (7,508) |
| Net gains on cash flow hedge | - | 810 | - | - | 810 |
| Net gains on fair value through OCI investments | - | - | 115 | - | 115 |
| Purchase of treasury shares | - | - | - | (424) | (424) |
| Exercise of share options | - | - | - | 149 | 149 |
| **As of March 31, 2018** | **(75,249)** | **943** | **205** | **(642)** | **(74,743)** |

*During the year ended March 31, 2018 and 2017, the Group has reclassified gain of ₹60 and loss ₹2,073 respectively, from FCTR to statement of profit and loss on sale of foreign subsidiaries (refer note 5).

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 20 Borrowings

### Non-current

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Secured** | | |
| Term loans | 16,836 | 11,474 |
| Vehicle loans* | 29 | 31 |
| | **16,865** | **11,505** |
| Less: Current portion (A) | (14,498) | (4,322) |
| Less: Interest accrued but not due (refer note 21) | (111) | (130) |
| | **2,256** | **7,053** |
| **Unsecured** | | |
| Term loans# | 71,011 | 69,067 |
| Non-convertible bonds@ | 389,558 | 373,765 |
| Non-convertible debentures^ | 30,068 | - |
| Deferred payment liabilities** | 455,602 | 439,204 |
| Finance lease obligations | 48,831 | 57,089 |
| | **995,070** | **939,125** |
| Less: Current portion (B) | (119,848) | (42,740) |
| Less: Interest accrued but not due (refer note 21) | (28,058) | (7,065) |
| | **847,164** | **889,320** |
| | **849,420** | **896,373** |
| **Current maturities of long-term borrowings (A + B)** | 134,346 | 47,062 |

### Current

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| **Secured** | | |
| Bank overdraft | 5,060 | 663 |
| | **5,060** | **663** |
| **Unsecured** | | |
| Term loans | 76,816 | 92,084 |
| Comercial papers | 33,507 | 14,820 |
| Bank overdraft | 14,358 | 22,034 |
| | **124,681** | **128,948** |
| Less: Interest accrued but not due(refer note 21) | (172) | (169) |
| | **129,569** | **129,442** |

*These loans are secured by hypothecation of the vehicles.

#It includes re-borrowable term loans of ₹3,331 and ₹9,810 as of March 31, 2018 and March 31, 2017 respectively which have daily prepayment flexibility.

@It includes impact of fair value hedge refers note 36 (ii).

^During the year ended March 31, 2018, the Group has issued 30,000 listed, unsecured, rated, redeemable, Non - Convertible Debentures ('NCDs'), Series I and series II of face value of ₹10 Lakhs each, at par aggregating to ₹30,000 on private placement basis, carrying interest rates 8.25% p.a. and 8.35% p.a. (payable annually) and principal repayable in year 2020 and 2021 respectively.

**During the year ended March 31, 2018, the Government of India has provided one time option to elect higher number of annual instalments prospectively (upto a maximum of 16 instalments) towards the repayment of spectrum liability viz-a-viz currently allowed 10 instalments. Accordingly, the Company has exercised the option, increasing the remaining number of instalments by 6 annual instalments for all its existing deferred payment liabilities.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 20.1 Analysis of borrowings

The details given below are gross of debt origination cost and fair valuation adjustments with respect to the hedged risk.

## 20.1.2 Repayment terms of borrowings

The table below summarises the maturity profile of the Group's borrowings:

### As of March 31, 2018:

| | Interest rate (range) | Frequency of installments | Number of installments outstanding per facility (range)* | Within one year | Between one and two years | Between two and five years | Over five years |
|---|---|---|---|---|---|---|---|
| Vehicle loans | 7.95% - 9.50% | Monthly | 6 - 33 | 15 | 11 | 3 | - |
| Term loans | 3.38% | Monthly | 10 | 2,716 | - | - | - |
| | 4.95% - 5.00% | Quaterly | 10 - 11 | 472 | 472 | 264 | - |
| | 2.56% - 5.02% | Half yearly | 1 - 14 | 8,181 | 6,465 | 13,078 | 4,424 |
| | 2.72% - 4.32% | Annual | 1 | 19,625 | - | - | - |
| | 6.00% - 8.98% | Quaterly | 3 - 15 | 5,263 | 7,363 | 15,763 | - |
| | 7.85% - 8.40% | Half yearly | 3 - 9 | 863 | 2,725 | 11,743 | - |
| | 7.90% | Annual | 2 | 880 | 880 | - | - |
| | 7.70% - 8.35% | One time | 1 | 63,800 | - | - | - |
| Commercial papers | 7.05% - 8.05% | One time | 1 | 33,507 | - | - | - |
| Non-convertible bonds | 3.00% - 5.35% | One time | 1 | 80,144 | 23,842 | 157,688 | 129,978 |
| Non-convertible debentures | 8.25% - 8.35% | One time | 1 | - | - | 30,000 | - |
| Deferred payment liabilities | 9.30% - 10.00% | Annual | 13 - 16 | 24,511 | 12,217 | 51,543 | 345,023 |
| Finance lease obligations | 8.05% - 10.30% | Monthly / Annual | 8 - 119 / 2 | 4,858 | 5,194 | 18,573 | 20,151 |
| Bank overdraft | 3.88% - 10.65% | Payable on demand | N/A | 16,684 | - | - | - |
| | 14.00% - 19.00% | Payable on demand | N/A | 2,734 | - | - | - |
| | | | | **264,253** | **59,169** | **298,655** | **499,576** |

*The installments amount due are equal / equated per se.

### As of March 31, 2017:

| | Interst rate (range) | Frequency of installments | Number of installments outstanding per facility (range)* | Within one year | Between one and two years | Between two and five years | Over five years |
|---|---|---|---|---|---|---|---|
| Vehicle loans | 9.25% - 9.48% | Monthly | 2 - 35 | 15 | 12 | 5 | - |
| Term loans | 0.63% | One time | 1 | 3,891 | - | - | - |
| | 1.68% - 1.97% | On demand | N/A | 28,372 | - | - | - |
| | 4.26% - 4.28% | Quarterly | 14 - 15 | 1,029 | 1,029 | 1,573 | |
| | 1.45% - 4.52% | Half yearly | 1 - 16 | 10,810 | 9,069 | 15,327 | 8,746 |
| | 2.30% | Annual | 1 | 3,243 | - | - | - |
| | 7.00% - 8.00% | Quarterly | 3 - 12 | 2,525 | 2,554 | 2,450 | - |
| | 6.25% - 8.35% | Half yearly | 1 - 9 | 983 | 3,513 | 15,988 | 1,750 |
| | 8.00% | Annual | 3 | 1,630 | 880 | 880 | - |
| | 7.85% - 8.75% | One time | 1 | 55,250 | - | - | - |
| | 11.25% - 12.20% | One time | 1 | 1,209 | - | - | - |
| | 16.90% | Quarterly | 14 | 182 | 182 | 272 | - |
| | 23.11% | Half yearly | 1 | 97 | - | - | - |
| Commercial papers | 6.35% | One time | 1 | 14,820 | - | - | - |
| Non-convertible bonds | 3.00% - 5.35% | One time | 1 | - | 69,328 | 74,414 | 226,691 |
| Deferred payment liabilities | 9.30 - 10.00% | Annual | 7 - 10 | 26,814 | 35,991 | 78,331 | 298,031 |
| Finance lease obligations | 9.77% - 10.25% | Monthly / Annual | 7 - 119 / 3 | 5,360 | 5,835 | 17,828 | 27,524 |
| Bank overdraft | 1.54% - 8.80% | Payable on demand | N/A | 17,851 | - | - | - |
| | 9.90% - 16.50% | Payable on demand | N/A | 4,582 | - | - | - |
| | 26.70% | Payable on demand | N/A | 265 | - | - | - |
| | | | | **178,928** | **128,393** | **207,068** | **562,742** |

*The installments amount due are equal / equated per se.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

### 20.1.3 Interest rate and currency of borrowings

| Currency | Average rate of Interest | Total borrowings | Floating rate borrowings | Fixed rate borrowings |
|---|---|---|---|---|
| INR | 9.27% | 603,522 | 106,298 | 497,223 |
| USD | 3.93% | 337,319 | 58,572 | 278,747 |
| Euro | 3.73% | 139,954 | - | 139,954 |
| CHF | 3.00% | 23,843 | - | 23,843 |
| XAF | 6.61% | 4,691 | - | 4,691 |
| XOF | 6.80% | 7,047 | 1,421 | 5,626 |
| Others | 8.48% to 19.00% | 5,278 | 2,799 | 2,479 |
| **March 31, 2018** | | **1,121,654** | **169,090** | **952,564** |
| INR | 9.48% | 542,731 | 86,577 | 456,154 |
| USD | 5.05% | 372,361 | 88,598 | 283,763 |
| Euro | 3.73% | 121,037 | - | 121,037 |
| CHF | 3.00% | 22,705 | - | 22,705 |
| XAF | 6.56% | 5,893 | - | 5,893 |
| XOF | 7.10% | 5,180 | - | 5,180 |
| Others | 11.06% to 25.74% | 7,224 | 4,886 | 2,338 |
| **March 31, 2017** | | **1,077,131** | **180,061** | **897,070** |

## 20.2 Security details

The Group has taken borrowings in various countries mainly for working capital, capital expenditure and refinancing of existing borrowings. The details of security provided by the Group in various countries are as follows:

| Entity | Outstanding loan amount As of March 31, 2018 | Outstanding loan amount As of March 31, 2017 | Security detail |
|---|---|---|---|
| Bharti Airtel Ltd. | 29 | 31 | Hypothecation of vehicles |
| Bharti Airtel Africa BV and its subsidiaries | 21,838 | 12,128 | Pledge of all fixed and floating assets - Kenya, Nigeria, Tanzania, Uganda and DRC. |
| | **21,867** | **12,159** | |

**Africa operations acquisition related borrowing:**

Borrowings include certain loans which have been taken to refinance the Africa acquisition related borrowing. These loan agreements prevents the Group (excluding Bharti Airtel Africa B.V, Bharti Infratel Limited, and their respective subsidiaries) to pledge any of its assets without prior written consent of the majority lenders except in certain agreed circumstances.

The Euro bonds due in 2018 and USD bonds due in 2023 issued by BAIN contain certain covenants relating to limitation on indebtedness. All notes carry a restriction on incurrence of any lien on its assets other than as permitted under the agreement, unless the bonds and guarantee are ranked pari-pasu with such indebtedness. The limitation on indebtedness covenant on Euro bonds due in 2018 and USD bonds due in 2023 gets suspended on notes meeting certain agreed criteria. The debt covenants remained suspended as of the date of the authorisation of the financial statements.

## 20.3 Unused lines of credit*

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

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Secured | 1,542 | 57 |
| Unsecured | 171,531 | 194,592 |
| | **173,073** | **194,649** |

*Excludes non-fund based facilities

# Notes to Consolidated Financial Statements
(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 21 Financial liabilities - others

### Non-current

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Lease rent equalisation | 14,496 | 13,377 |
| Payable towards acquisition @ | 1,440 | - |
| Security deposits | 1,294 | 1,237 |
| Others* | 27,317 | 1,067 |
| | **44,547** | **15,681** |

*It includes advance amounting to ₹26,077 as on March 31, 2018, received against an agreement to sell certain investment, at a future date and is subject to certain customary closing conditions.

@Refer note 5 (b)

### Current

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Payables against capital expenditure | 80,940 | 65,860 |
| Interest accrued but not due | 28,341 | 7,364 |
| Payable against business / asset acquisition @ | 13,523 | 4,104 |
| Employees payables | 5,879 | 5,364 |
| Security deposit^ | 4,372 | 4,148 |
| Others# | 7,550 | 3,373 |
| | **140,605** | **90,212** |

@It includes payable to Qualcomm Asia Pacific Pte. Limited for ₹4,104 (towards purchase of balance equity shares upon satisfaction of certain conditions as per the share purchase agreement for acquisition of erstwhile Airtel Broadband Services Private Limited) and other acquisitions during the year.

^It pertains to deposits received from subscriber / channel partners which are repayable on demand after adjusting the outstanding amount, if any.

#It includes account balances of customers and distributors of payments bank, non-interest bearing advance received from customers / international operators and liability towards cash settled employee share based payment plans.

## 22 Provisions

### Non-current

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Asset retirement obligations | 4,523 | 5,359 |
| Gratuity | 2,006 | 1,956 |
| Other employee benefit plans | 683 | 156 |
| | **7,212** | **7,471** |

### Current

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Gratuity | 662 | 616 |
| Other employee benefit plans | 1,722 | 1,599 |
| | **2,384** | **2,215** |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

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

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Opening balance | 5,359 | 5,064 |
| Net (reversal) / additions | (868) | 823 |
| Interest cost | 37 | 248 |
| Disposal of subsidiries / tower operations (refer note 5) | (5) | (776) |
| **Closing balance** | **4,523** | **5,359** |

Refer note 27 for movement of provision towards various employee benefits.

The movement of provision towards subjudice matters is as below:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Opening balance | 131,061 | 113,436 |
| Net Additions | 20,738 | 17,625 |
| **Closing Balance** | **151,799** | **131,061** |

The said provision has been disclosed under:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Other non-financial assets (refer note 15) | 53,910 | 48,915 |
| Other non-financial liabilities (refer note 23) | 4,685 | 4,619 |
| Trade payables | 93,204 | 77,527 |
| | **151,799** | **131,061** |

The said provisions pertain to payable / paid under protest spectrum usage charges / licenses fees (trade payable / other non-financial assets) and payable for certain levies (other non-financial liabilities).

## 23 Other non - financial liabilities

**Non-current**

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Deferred rent | 623 | 727 |
| | **623** | **727** |

**Current**

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Taxes payable | 37,376 | 25,961 |
| Others# | 437 | 8,809 |
| | **37,813** | **34,770** |

#As of March 31, 2017 it includes dividend payable by one of the subsidiary to its NCI amounting to ₹8,512.

Taxes payable mainly pertains to GST, service tax, sales tax, other taxes payable and provision towards subjudice matters (refer note 22).

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 24 Contingent liabilities and commitments

### (i) Contingent liabilities

Claims against the Company not acknowledged as debt

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| (i) Taxes, duties and other demands | | |
| (under adjudication / appeal / dispute) | | |
| -Sales Tax and Service Tax | 31,560 | 39,085 |
| -Income Tax | 15,712 | 20,150 |
| -Customs Duty | 7,646 | 5,899 |
| -Entry Tax | 9,878 | 9,252 |
| -Stamp Duty | 596 | 596 |
| -Municipal Taxes | 1,488 | 1,276 |
| -Department of Telecom ('DoT') demands | 40,778 | 37,560 |
| -Other miscellaneous demands | 5,164 | 8,000 |
| (ii) Claims under legal cases including arbitration matters | | |
| -Access charges / Port charges | 10,733 | 9,371 |
| -Others | 2,708 | 3,631 |
| | **126,263** | **134,820** |

Further, refer note f (iv), (v), (vi) and g below for other DoT matter.

In addition to the above, the Group's share of joint ventures and associates contingent liabilities is ₹21,816 and ₹17,507 as of March 31, 2018 and March 31, 2017 respectively.

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

a) Sales and Service Tax

The claims for sales tax comprised of cases relating to the appropriateness of declarations made by the Group under relevant sales tax legislations which were primarily procedural in nature and the applicable sales tax on disposals of certain property and equipment items. Pending final decisions, the Group has deposited amounts under protest with statutory authorities for certain cases.

The service tax demands relate to cenvat claimed on tower and related material, levy of service tax on SIM cards and employee talk time, cenvat credit disallowed for procedural lapses and usage in excess of 20% limit.

b) Income Tax demand

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

c) Access charges / Port charges

(i) Despite the interconnect usage charges ('IUC') rates being governed by the Regulations issued by Telecom Regulatory Authority of India ('TRAI'); BSNL had raised a demand for IUC at the rates contrary to the regulations issued by TRAI in 2009. Accordingly, the Company and one of its subsidiaries filed a petition against the demand with the TDSAT which allowed payments to be on the existing regulations. The matter was then challenged by BSNL and is currently pending with the Hon'ble Supreme Court.

(ii) The Hon'ble TDSAT allowed BSNL to recover distance based carriage charges. The private telecom operators have jointly filed an appeal against the said order and the matter is currently pending before the Hon'ble Supreme Court.

(iii) BSNL challenged before TDSAT the port charges reduction contemplated by the regulations issued by TRAI in 2007 which passed its judgment in favour of BSNL. The said judgment has been challenged by the private operators in Hon'ble Supreme Court. Pending disposal of the said appeal, in the interim, private operators were allowed to continue paying BSNL as per the revised rates i.e. TRAI regulation issued in 2007, subject to the bank guarantee being provided for the disputed amount. The rates were further reduced by TRAI in 2012 which was challenged by BSNL before the Hon'ble Delhi High Court. The Hon'ble

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

Delhi High Court, in the interim, without staying the rate revision, directed the private operators to secure the difference between TRAI regulation of 2007 and 2012 rates by way of bank guarantee pending final disposal of appeal.

## d) Customs Duty

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

## e) Entry Tax

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

During the year ended March 31, 2017, the Hon'ble Supreme Court of India upheld the constitutional validity of entry tax levied by few States. However, Supreme Court did not conclude certain aspects such as present levies in each State is discriminatory in nature or not, leaving them open to be decided by regular benches of the Courts. Pending disposition by the regular benches, the Group has decided to maintain status-quo on its position and hence continues to disclose it as contingent liability.

## f) DoT demands

(i) Demand for license fees pertaining to computation of Adjusted Gross Revenue ('AGR') and the interest thereon, due to difference in its interpretation. The definition of AGR is sub-judice and under dispute since 2005 before the TDSAT. TDSAT had pronounced its judgment in 2015, quashed all demands raised by DoT and directed DoT to rework the demands basis the principles enunciated in its judgment. Subsequently, the Union of India ('UOI') and the Company and one of its subsidiaries along with various other operators have filed appeals / cross appeals before the Hon'ble Supreme Court of India against the TDSAT judgment. In 2016, all the appeals were tagged together and Hon'ble Supreme Court has permitted DOT to raise demands with a direction not to enforce any demand till the final adjudication of the matter by Hon'ble Supreme Court. Accordingly, DoT has raised the demand basis special audit done by DoT and Comptroller and Auditor General of India. The contingent liability includes such demand and interest thereto (excluding certain contentious matters, penalty and interest thereto) for the financial years for which demand have been received.

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

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

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

In addition to the amounts disclosed in the table above, the contingent liability on DOT matters includes the following:

(iv) Post the Hon'ble Supreme Court judgment in 2011, on components of AGR for computation of license fee, based on the legal advice, the Company believes that the foreign exchange gain should not be included in AGR for computation of license fee thereon. Further as per TDSAT judgement in 2015, foreign exchange fluctuation does not have any bearing on the license fees. Accordingly, the license fee on foreign exchange gain has not been provided in the financial statements. Also, due to ambiguity of interpretation of 'foreign exchange differences', the license fee impact on such exchange differences is not quantifiable. The matter is currently pending adjudication by Hon'ble Supreme Court.

(v) On January 8, 2013, DoT issued a demand on the Company and one of its subsidiaries for ₹52,013 towards levy of one time spectrum charge. The demand includes a retrospective charge of ₹9,090 for holding GSM spectrum beyond 6.2 MHz for the period from July 1, 2008 to December 31, 2012 and also a prospective charge of ₹42,923 for GSM spectrum held beyond 4.4 MHz for the period from January 1, 2013, till the expiry of the initial terms of the respective licenses.

In the opinion of the Company and one of its subsidiaries, inter-alia, the above demand amounts to alteration of financial terms of the licenses issued in the past. Based on a petition filed by the Company and one of its subsidiaries, the Hon'ble High Court

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

of Bombay, vide its order dated January 28, 2013, has directed the DoT to respond and not to take any coercive action until the next date of hearing. The DoT has filed its reply and matter is currently pending with Hon'ble High Court of Bombay,. The Company, based on independent legal opinions, till date has not given any effect to the above demand.

(vi) DoT had issued notices to the Company (as well as other telecom service providers) to stop provision of services (under 3G Intra Circle Roaming ('ICR') arrangements) in the service areas where such service providers had not been allocated 3G spectrum and levied a financial penalty of ₹3,500 on the Company. The Company contested the notices, in response to which TDSAT in 2014 held 3G ICR arrangements to be competent and compliant with the licensing conditions and quashed the notice imposing penalty. The DoT has challenged the order of TDSAT before the Hon'ble Supreme Court which is yet to be listed for hearing.

g) Airtel Networks Limited – Ownership

Airtel Networks Limited ('Airtel Networks') (formerly known as Celtel Nigeria Limited) was incorporated on December 21, 2000 as Econet Wireless Nigeria Limited and since 2010 been a subsidiary of Bharti Airtel Nigeria B.V. ('BANBV'), which is an indirect subsidiary of Bharti Airtel Limited. Airtel Networks and / or BANBV have since 2010 been defending cases filed by Econet Wireless Limited ('EWL') where EWL was claiming, amongst others, a breach of its alleged pre-emption rights against erstwhile and current shareholders.

EWL inter alia commenced arbitral proceedings in Nigeria contesting the acquisition by Celtel Nigeria B.V. (now, Bharti Airtel Nigeria B.V. – 'BANBV') of the controlling stake in Airtel Networks Limited in 2006, wherein BANBV was one of the defendants. The Final Award ('FA') by the Arbitral Tribunal as to the same was pronounced in 2014. Subsequently, various applications were filed to challenge / enforce the FA in the High Court and the Supreme Court of Nigeria by BANBV and Econet respectively. Further, EWL had filed conservatory attachment proceedings in the Netherlands against BANBV for enforcement of the Final Award, and also pursuing a claim for compensation against BANBV's parent (Bharti Airtel Nigeria Holdings II B.V.) and Grandparent (Bharti Airtel Africa B.V.) alleging that these entities acted unlawfully and induced breach of contract by the selling shareholders. Separately, Airtel Networks Limited was a defendant in an action where EWL was claiming entitlement to 5% of the issued share capital of Airtel Networks Limited.

Under the 2010 share purchase agreement, the Group had certain indemnities from Zain BV in relation to these proceedings. In 2016, the Group had initiated arbitration against Zain B.V. and its guarantor, Mobile Telecommunications Company in relation to the said indemnities under the share purchase agreement.

During the year ended March 31, 2017, Zain and Company has entered into an agreement to settle these matters along with other tax cases covered under indemnities. Separately, the Company and EWL have entered into an agreement to settle all these disputes and consequent withdrawal of all the proceedings in all courts across all jurisdictions. The net settlement amount as adjusted for the related indemnification assets and provisions resulted in a loss of ₹732 which has been recognised and disclosed as an exceptional item.

Guarantees:

Guarantees outstanding as of March 31, 2018 and March 31, 2017 amounting to ₹129,565 and ₹129,131 respectively, have been issued by banks and financial institutions on behalf of the Group. These guarantees include certain financial bank guarantees which have been given for subjudice matters / compliance with licensing requirementies, the amount with respect to these have been disclosed under capital commitments, contingencies and liabilities, as applicable, in compliance with the applicable accounting standards.

In addition to the above the Group's share of guarantees of joint ventures and associates is ₹891 and ₹396 as of March 31, 2018 and March 31, 2017 respectively.

(ii) Commitments

Capital commitments

The Group has contractual commitments towards capital expenditure (net of related advance) of ₹137,280 and ₹102,008 as of March 31, 2018 and March 31, 2017 respectively.

In addition to the above, the Group's share of capital commitments of joint ventures and associates is ₹4,126 and ₹4,684 as of March 31, 2018 and March 31, 2017 respectively.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Lease commitments**

a) Operating lease

The future minimum lease payments ('FMLP') are as follows:-

As lessee

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Not later than one year | 70,692 | 65,945 |
| Later than one year but not later than five years | 244,153 | 244,475 |
| Later than five years | 70,652 | 92,978 |
| | **385,497** | **403,398** |
| Lease rentals (including lease equalisation adjustments) | 70,875 | 70,833 |

The above lease arrangements are mainly pertaining to passive infrastructure and premises / land. Certain of these lease agreements have escalation clause upto 25% and include option of renewal from 1 to 15 years.

The FMLP obligation disclosed above include the below FMLP obligations payable to joint ventures, which mainly pertain to amounts payable under the agreement entered by the parent and its subsidiaries, with a joint venture of the Group.

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Not later than one year | 45,156 | 41,639 |
| Later than one year but not later than five years | 149,465 | 159,691 |
| Later than five years | 15,253 | 31,677 |
| | **209,874** | **233,007** |

As lessor

(i) The Group has entered into non-cancellable lease arrangements to provide dark fiber on indefeasible right to use ('IRU') basis. Due to the nature of the transaction, it is not possible to compute gross carrying amount, depreciation for the year and accumulated depreciation of the asset given on operating lease as of March 31, 2018 and accordingly, the related disclosures are not provided.

(ii) The FMLP receivables against assets (other than above IRU assets) are as follows:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Not later than one year | 21,933 | 21,574 |
| Later than one year but not later than five years | 68,228 | 86,447 |
| Later than five years | 37,574 | 38,430 |
| | **127,735** | **146,451** |

The above lease arrangements are mainly pertaining to passive infrastructure. Certain of these lease agreements have escalation clause upto 2.5%.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

b) Finance lease

**As lessee**

Finance lease obligation of the Group as of March 31, 2018 is as follows:

| | Future minimum lease payments | Interest | Present value |
|---|---|---|---|
| Not later than one year | 9,930 | 5,053 | 4,877 |
| Later than one year but not later than five years | 38,989 | 14,702 | 24,287 |
| Later than five years | 23,335 | 3,723 | 19,612 |
| | **72,254** | **23,478** | **48,776** |

Finance lease obligation of the Group as of March 31, 2017 is as follows:

| | Future minimum lease payments | Interest | Present value |
|---|---|---|---|
| Not later than one year | 10,792 | 5,446 | 5,346 |
| Later than one year but not later than five years | 40,117 | 16,449 | 23,668 |
| Later than five years | 33,221 | 5,689 | 27,533 |
| | **84,130** | **27,584** | **56,547** |

The above lease arrangements are mainly pertaining to passive infrastructure.

**As lessor**

The FMLP receivable of the Group as of March 31, 2018 is as follows:

| | Future minimum lease payments | Interest | Present value |
|---|---|---|---|
| Not later than one year | 176 | 16 | 160 |
| Later than one year but not later than five years | 89 | 6 | 83 |
| Later than five years | - | - | - |
| | **265** | **22** | **243** |

The FMLP receivable of the Group as of March 31, 2017 is as follows:

| | Future minimum lease payments | Interest | Present value |
|---|---|---|---|
| Not later than one year | 133 | 25 | 107 |
| Later than one year but not later than five years | 189 | 17 | 172 |
| Later than five years | - | - | - |
| | **322** | **42** | **279** |

The above lease arrangements are mainly pertaining to various network equipments.

## 25 Revenue

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Service revenue | 833,019 | 951,213 |
| Sale of products | 3,860 | 3,470 |
| | **836,879** | **954,683** |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 26 Network operating expenses

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Passive infrastructure charges | 79,636 | 78,490 |
| Power and fuel | 69,082 | 72,946 |
| Repair and maintenance | 34,667 | 45,612 |
| Internet, bandwidth and leasedline charges | 9,932 | 7,785 |
| Others* | 4,203 | 4,321 |
| | **197,520** | **209,154** |

*It includes charges towards managed service, installation, insurance and security.

## 27 Employee benefits expense

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Salaries | 34,185 | 37,300 |
| Contribution to provident and other funds | 2,104 | 1,746 |
| Staff welfare expenses | 1,313 | 1,617 |
| Defined benefit plan / other long term benefits | 693 | 887 |
| Employee share-based payment expense | | |
| - Equity-settled plans | 630 | 337 |
| - Cash-settled plans | (36) | 61 |
| Others* | 882 | 1,084 |
| | **39,771** | **43,032** |

*It includes recruitment and training expenses.

## 27.1 Share based payment plans

**The following table provides an overview of all existing share option plans of the Group:**

| Scheme | Plan | Vesting period (years) | Contractual term (years) |
|---|---|---|---|
| **Equity settled Plans** | | | |
| Scheme I | 2006 Plan | 1 - 5 | 7 |
| Scheme 2005 | 2008 Plan & Annual Grant Plan (AGP) | 1 - 3 | 7 |
| Scheme 2005 | Performance Share Plan (PSP) 2009 Plan | 3 - 4 | 7 |
| Scheme 2005 | Special ESOP & Restricted Share Units (RSU) Plan | 1 - 5 | 7 |
| Infratel plan | Infratel 2008 Plan | 1 - 5 | 7 |
| Scheme 2005 | Long Term Incentive (LTI) Plan | 1 - 3 | 7 |
| Infratel plan | Infratel LTI plans | 1 - 3 | 7 |
| Airtel Payments Bank Limited ('APBL') Plan | APBL Plan | 1 - 4 | 8 |
| **Cash settled Plans** | | | |
| Performance Unit Plan (PUP) | PUP 2013 - PUP 2017 | 1 - 5 | 3-5 |
| Infratel plan | PUP | 1 - 3 | 7 |

The stock options vesting is subject to service and certain performance conditions mainly pertaining to certain financial parameters.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**The movement in the number of stock options and the related weighted average exercise prices are given in the table below:**

| | For the year ended | | | |
|---|---|---|---|---|
| | March 31, 2018 | | March 31, 2017 | |
| | Number of share options ('000) | Weighted average exercise price (₹) | Number of share options ('000) | Weighted average exercise price (₹) |
| **2006 Plan** | | | | |
| Outstanding at beginning of year | 205 | 5.00 | 305 | 5.00 |
| Granted | - | - | - | - |
| Exercised | (90) | 5.00 | (100) | 5.00 |
| Forfeited / expired | - | - | - | - |
| Outstanding at end of year | 115 | 5.00 | 205 | 5.00 |
| Exercisable at end of year | 2 | 5.00 | 36 | 5.00 |
| **2008 Plan & AGP** | | | | |
| Outstanding at beginning of year | - | - | 639 | 402.50 |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Forfeited / expired | - | - | (639) | 402.50 |
| Outstanding at end of year | - | - | - | - |
| Exercisable at end of year | - | - | - | - |
| **PSP 2009 Plan** | | | | |
| Outstanding at beginning of year | 6 | 5.00 | 53 | 5.00 |
| Granted | - | - | - | - |
| Exercised | (3) | 5.00 | (37) | 5.00 |
| Forfeited / expired | (3) | 5.00 | (10) | 5.00 |
| Outstanding at end of year | - | - | 6 | 5.00 |
| Exercisable at end of year | - | 5.00 | 6 | 5.00 |
| **Special ESOP & RSU Plan** | | | | |
| Outstanding at beginning of year | 34 | 5.00 | 126 | 5.00 |
| Granted | - | - | - | - |
| Exercised | (33) | 5.00 | (91) | 5.00 |
| Forfeited / expired | (1) | 5.00 | (1) | 5.00 |
| Outstanding at end of year | - | - | 34 | 5.00 |
| Exercisable at end of year | - | - | 34 | 5.00 |
| **Infratel 2008 Plan** | | | | |
| Outstanding at beginning of year | 158 | 109.67 | 732 | 109.67 |
| Granted | - | - | - | - |
| Exercised | (49) | 109.67 | (564) | 109.67 |
| Forfeited / expired | (1) | 109.67 | (10) | 109.67 |
| Outstanding at end of year | 108 | 109.67 | 158 | 109.67 |
| Exercisable at end of year | 108 | 109.67 | 158 | 109.67 |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

| | For the year ended | | | |
|---|---|---|---|---|
| | March 31, 2018 | | March 31, 2017 | |
| | Number of share options ('000) | Weighted average exercise price (₹) | Number of share options ('000) | Weighted average exercise price (₹) |
| **LTI Plans** | | | | |
| Outstanding at beginning of year | 2,002 | 5.00 | 1,709 | 5.00 |
| Granted | 1,571 | - | 820 | - |
| Exercised | (406) | 5.00 | (308) | 5.00 |
| Forfeited / expired | (189) | 5.00 | (219) | 5.00 |
| Outstanding at end of year | 2,977 | 5.00 | 2,002 | 5.00 |
| Exercisable at end of year | 567 | 5.00 | 358 | 5.00 |
| **Infratel LTI plans** | | | | |
| Outstanding at beginning of year | 175 | 10.00 | 94 | 10.00 |
| Granted | 115 | 10.00 | 105 | 10.00 |
| Exercised | (36) | 10.00 | (19) | 10.00 |
| Expired | - | - | - | - |
| Forfeited / expired | (15) | 10.00 | (5) | 10.00 |
| Outstanding at end of year | 238 | 10.00 | 175 | 10.00 |
| Exercisable at end of year | 31 | 10.00 | 11 | 10.00 |
| **Airtel Payment Bank Limited Plan*** | | | | |
| Outstanding at beginning of year | - | - | - | - |
| Granted | 14,063 | - | - | - |
| Exercised | - | - | - | - |
| Forfeited / expired | (3,359) | - | - | - |
| Outstanding at end of year | 10,704 | - | - | - |
| Exercisable at end of year | - | - | - | - |
| **Performance Unit Plans** | | | | |
| Outstanding at beginning of year | 2,369 | - | 5,231 | - |
| Granted | 690 | - | 366 | - |
| Exercised | (1,336) | - | (1,442) | - |
| Expired | | - | - | - |
| Forfeited / expired | (322) | - | (1,786) | - |
| Outstanding at end of year | 1,401 | - | 2,369 | - |
| Exercisable at end of year | 23 | - | 25 | - |

*The exercise period is 3 years from vesting date or 1 year from IPO listing (whichever is later). Eligible employees will be able to exercise the option at a price of 50% of fair market value (determined at the end of previous financial year) or ₹10 whichever, is higher. Employee can exercise the unexercised options within 3 months / 1 month from the date of retirement / resignation from the Group.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**The fair value of options is measured using Black-Scholes / Binomial valuation model. The key inputs used in the measurement of the grant date fair valuation of equity settled plans and fair value of cash settled plans are given in the table below:**

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Risk free interest rates | 6.17% to 7.18% | 5.79% to 7.1% |
| Expected life | 10 to 96 months | 4 to 76 months |
| Volatility | 25.91% to 40% | 27.08% to 38.94% |
| Dividend yield | 0.24% to 3.99% | 0.39% to 1.83% |

The expected life of the stock options is based on the Group's expectations and is not necessarily indicative of exercise patterns that may actually occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may not necessarily be the actual outcome. Further, the expected volatility is based on the weighted average volatility of the comparable benchmark companies.

For details as to exercise price, refer table above.

**The details of weighted average remaining contractual life, weighted average fair value and weighted average share price for the options are as follows:-**

| Weighted average | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Remaining contractual life for the options outstanding as of (years) | 0.35 to 8.44 | 0.10 to 5.90 |
| Fair value for the options granted during the year ended (₹) | 4.36 to 409.76 | 304.34 to 338.50 |
| Share price for the options exercised during the year ended (₹) | 367.14 to 457.41 | 316.50 to 486.77 |

The carrying value of cash settled plans liability is ₹235 and ₹752 as of March 31, 2018 and March 31, 2017 respectively.

## 27.2 Employee benefits

**The details of significant employee benefits are as follows:**

| | For the year ended | | | |
|---|---|---|---|---|
| | March 31, 2018 | | March 31, 2017 | |
| | Gratuity | Compensated absences | Gratuity | Compensated absences |
| **Obligation:** | | | | |
| Balance as at beginning of the year | 2,618 | 1,158 | 2,656 | 1,127 |
| Current service cost | 377 | 218 | 412 | 234 |
| Interest cost | 194 | 86 | 207 | 84 |
| Benefits paid | (424) | (169) | (541) | (163) |
| Transfers | 5 | 2 | (189) | (79) |
| Remeasurements | (86) | (180) | 73 | (45) |
| **Present value of funded obligation** | **2,684** | **1,115** | **2,618** | **1,158** |
| **Assets:** | | | | |
| Balance as at beginning of year | 46 | - | 66 | - |
| Interest income | 3 | - | 5 | - |
| Benefits paid | (32) | - | (25) | - |
| Remeasurements | (1) | - | (0) | - |
| **Fair value of plan assets** | **16** | **-** | **46** | **-** |
| **Liability recognised in the balance sheet** | **2,668** | **1,115** | **2,572** | **1,158** |
| Current portion | 662 | 1,115 | 616 | 1,158 |
| Non-current portion | 2,006 | - | 1,956 | - |

The expected contribution for the year ended March 31, 2018 and 2017 for Gratuity plan is ₹588 and ₹583 respectively

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Amount recognised in other comprehensive income for the above plans**

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Experience losses | 18 | 41 |
| Gains from change in demographic assumptions | 26 | (31) |
| Losses from change in financial assumptions | (130) | 63 |
| **Remeasurements on liability** | **(86)** | **73** |
| Return on plan assets, excluding interest income | (1) | (0) |
| **Remeasurements on plan assets** | **(1)** | **(0)** |
| **Net remeasurements recognised in OCI** | **(85)** | **73** |

The above mentioned plan assets are entirely represented by funds invested with LIC.

**Due to its defined benefit plans, the Group 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, 2018 | As of March 31, 2017 |
|---|---|---|
| Discount rate | 7.85% | 7.40% |
| Rate of return on plan assets | 7.85% | 7.40% |
| Rate of salary increase | 10.00% | 10.00% |
| Rate of attrition | 20% to 24% | 21% to 29% |
| Retirement age | 58 | 58 |

The Group 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:**

| | | As of March 31, 2018 | | As of March 31, 2017 | |
|---|---|---|---|---|---|
| | Change in assumption | Gratuity | Compensated absence | Gratuity | Compensated absence |
| Discount rate | +1% | (96) | (51) | (89) | (49) |
| | -1% | 105 | 55 | 96 | 54 |
| Salary growth rate | +1% | 103 | 54 | 93 | 52 |
| | -1% | (96) | (50) | (88) | (48) |

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.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**The table below summarises the maturity profile and duration of the gratuity liability:**

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Within one year | 678 | 662 |
| Within one-three years | 736 | 709 |
| Within three-five years | 456 | 413 |
| above five years | 814 | 834 |
| | **2,684** | **2,618** |
| Weighted average duration (in years) | **3.61** | **3.42** |

## 28 Sales and marketing expenses

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Sales commission and distribution | 40,434 | 43,920 |
| Advertisement and marketing | 10,682 | 14,440 |
| Business promotion | 2,587 | 4,812 |
| Other ancilliary expenses | 2,063 | 3,560 |
| | **55,766** | **66,732** |

## 29 Other expenses

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Content cost | 21,067 | 21,507 |
| Cost of good sold | 9,994 | 9,073 |
| IT expenses | 7,771 | 10,012 |
| Customer care expenses | 6,797 | 7,357 |
| Legal and professional fees | 5,072 | 6,535 |
| Provision for doubtful debts | 9,007 | 7,635 |
| Collection and recovery expenses | 3,607 | 3,987 |
| Travelling and conveyance | 2,113 | 2,989 |
| Bad debts written off | 1,156 | 873 |
| Charity and donation* | 1,204 | 1,702 |
| (Reversal of earlier provision) / provision for diminution in value of inventory | (282) | 170 |
| Others# | 9,521 | 15,081 |
| | **77,027** | **86,921** |

*It includes ₹330 and ₹220 paid to Prudent Electoral Trust (formerly known as Satya Electoral Trust) for political purpose for the year ended March 31, 2018 and 2017 respectively.

#It includes printing and stationary, security, rent and communication expenses etc.

## 30 Depreciation and amortisation

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Depreciation | 132,963 | 142,585 |
| Amortisation | 59,468 | 55,145 |
| | **192,431** | **197,730** |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

## 31 Finance costs and income

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Finance costs** | | |
| Interest expense | 64,692 | 67,131 |
| Net loss on derivative financial instruments | 8,506 | 13,231 |
| Net loss on FVTPL investments* | 1,416 | - |
| Net exchange loss | 1,882 | 3,624 |
| Other finance charges# | 16,759 | 11,480 |
| | **93,255** | **95,466** |
| **Finance income** | | |
| Dividend from mutual funds | 367 | 279 |
| Interest income@ | 6,150 | 3,207 |
| Net gains on FVTPL investments* | - | 5,154 |
| Net fair value gain on financial instruments (fair value hedges) | 6,023 | 9,852 |
| | **12,540** | **18,492** |

*Net loss / gain on fair value changes on FVTPL investments includes loss / gains of ₹1,709 and ₹5,962 pertaining to investments sold during the year ended March 31, 2018 and 2017 respectively.

#It includes bank charges, trade finance charges, charges relating to derivative instruments and interest charges towards subjudice matters. Further it includes ₹143 and ₹110 for the years ended March 31, 2018 and 2017 respectively, towards unwinding of discount on other financial liabilities (carried at amortised cost).

@It includes ₹43 and ₹46 towards unwinding of discount on security deposits (carried at amortised cost) and ₹415 and ₹309 from investment measured at FVTOCI for the years ended March 31, 2018 and 2017 respectively.

## 32 Exceptional items

**Exceptional items comprise of the following:**

(i) For the year ended March 31, 2018:

a. Charge of ₹4,372 mainly towards operating costs on network re-farming and up-gradation program

b. Net charge of ₹3,457 relating to the translation impact in Nigeria due to transition from the administered to market based exchange rate given the underlying economic changes and other developments

c. Provision of ₹1,094 taken against one major delinquent receivable

d. Charge of ₹3,535 due to levies and taxes pertaining to internal restructuring and litigation related assessment

e. Gain of ₹4,527 mainly pertaining to one of the earlier divestments

(ii) For the year ended March 31, 2017:

a. Net gain of ₹10,157 pertaining to the divestment of Group's operations in Burkina Faso and Sierra Leone, telecom towers in DRC and Niger and an African associate (viz. Tanzania Telecommunications Company Limited) (refer note 5 (l) and (n))

b. Net charge of ₹6,881 due to settlement of past litigations, regulatory levies, vendor claims, reconciliation of balances, restructuring activities and tax related contingent liability

c. Charge of ₹3,356 towards operating costs (including accelerated depreciation) on network re-farming and up-gradation program

d. Charge of ₹3,258 resulting from reassessment of the useful life of certain categories of network assets of the Group due to technological advancements (refer note 3.1.c.)

e. Net charge of ₹9,460 relating to the translation impact in Nigeria due to the new flexible exchange rate regime

f. Net gain of ₹1,641 (net of related expenses) pertaining to the divestment of stake in Bangladesh and charge of ₹540 due to share in the post-merger restructuring activities (refer note 5 (l) (i))

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

Tax expenses include:

(a) Tax benefit of ₹2,305 and ₹5,163 during the year ended March 31, 2018 and 2017 respectively on above exceptional items

(b) Tax benefit of ₹1,779 on account of re-assessment of tax provisions for previous periods during the year ended March 31, 2018

(c) Tax benefit of ₹4,248 during the year ended March 31, 2017 on account of recognition of deferred tax on earlier business combination and re-assessment of tax provisions for previous periods

Profit / (loss) attributable to non-controlling interests include benefit of ₹878 and ₹2,147 during the year ended March 31, 2018 and 2017 respectively, relating to the above exceptional items.

## 33 Earnings per share ('EPS')

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

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Weighted average shares outstanding for basic EPS | 3,996,067 | 3,995,817 |
| Effect of dilution due to employee share options | 1,721 | 1,359 |
| **Weighted average shares outstanding for diluted EPS** | **3,997,788** | **3,997,176** |

Profit attributable to equity holders for basic and diluted EPS is ₹10,990 and ₹37,998 for the year ended March 31, 2018 and 2017 respectively.

## 34 Segment reporting

The Group's operating segments are organised and managed separately through the respective business managers, according to the nature of products and services provided and geographies in which services are provided, with each segment representing a strategic business unit. These business units are reviewed by the Chairman of the Group (Chief Operating Decision Maker - 'CODM').

The amounts reported to CODM are based on the accounting principles used in the preparation of financial statements as per Ind AS. Segment's performance is evaluated based on segment revenue and segment result viz. profit or loss from operating activities before exceptional items and tax but including share of result of joint ventures and associates. Accordingly, finance costs / income, non-operating (income) / expenses and exceptional items are not allocated to individual segment.

Inter-segment pricing and terms are reviewed and changed by the management to reflect changes in market conditions and changes to such terms are reflected in the period in which the changes occur. Inter-segment revenues eliminated upon consolidation of segments / accounting policy alignments are reflected in the 'Eliminations / Adjustment' column.

Segment assets / liabilities comprise assets / liabilities directly managed by each segment. Segment assets primarily include receivables, PPE, CWIP, intangibles assets, intangible assets under development, inventories, cash and cash equivalents. Segment liabilities primarily include operating liabilities. Segment capital expenditure comprises additions to PPE, CWIP intangible assets, intangible assets under development and capital advances.

The reporting segments of the Group are as below:

**Mobile Services India:** These services cover voice and data telecom services provided through wireless technology (2G / 3G / 4G) in India. This includes the captive national long distance networks which primarily provide connectivity to the mobile services business in India. This also includes intra-city fibre networks.

**Mobile Services South Asia:** These services cover voice and data telecom services provided through wireless technology (2G/ 3G) in Sri Lanka and Bangladesh.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Mobile Services Africa:** These services cover provision of voice and data telecom services provided through wireless technology (2G / 3G / 4G) offered to customers in Africa. This also includes corporate headquarter costs of the Group's Africa operations.

**Airtel Business:** These services cover end-to-end telecom solutions being provided to large Indian and global corporations by serving as a single point of contact for all telecommunication needs across data and voice (domestic as well as international long distance), network integration and managed services.

**Tower Infrastructure Services:** These services include setting up, operating and maintaining wireless communication towers in India.

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

**Digital TV Services:** This includes digital broadcasting services provided under the direct-to-home platform.

**Others:** It includes administrative and support services provided to other segments and also include Airtel payment bank Operations.

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

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Summary of the segmental information for the year ended and as of March 31, 2018 is as follows:**

| | Mobile Services India | Mobile Services Africa | Mobile Services South Asia | Airtel Business | Tower Infrastructure Services | Homes Services | Digital TV Services | Others | Unallocated | Eliminations/ Adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 441,295 | 196,565 | 3,783 | 98,244 | 33,221 | 25,056 | 37,505 | 1,199 | - | 11 | 836,879 |
| Inter-segment revenue | 21,344 | 4,999 | 262 | 14,974 | 33,063 | 209 | 65 | 2,810 | - | (77,726) | - |
| **Total revenue** | **462,639** | **201,564** | **4,045** | **113,218** | **66,284** | **25,265** | **37,570** | **4,009** | **-** | **(77,715)** | **836,879** |
| Share of results of joint ventures and associates | 6 | (905) | (282) | - | 13,025 | 3 | - | (29) | - | (1,209) | 10,609 |
| Segment results | 20,835 | 34,758 | (1,550) | 31,044 | 33,477 | 4,720 | 5,306 | (2,706) | (1,678) | (2,749) | 121,457 |
| **Less:** | | | | | | | | | | | |
| Finance costs | | | | | | | | | | | 93,255 |
| Finance income | | | | | | | | | | | (12,540) |
| Non-operating income, (net) | | | | | | | | | | | 141 |
| Exceptional items (refer Note 32) | | | | | | | | | | | 7,931 |
| **Profit before tax** | | | | | | | | | | | **32,670** |
| **Other segment items** | | | | | | | | | | | |
| Capital expenditure | 198,280 | 29,954 | 2,066 | 12,675 | 11,307 | 11,129 | 10,277 | 267 | 6,257 | (7,498) | 274,714 |
| Depreciation and amortisation | 129,545 | 30,672 | 1,276 | 11,179 | 11,801 | 7,057 | 8,915 | 55 | 1 | (8,070) | 192,431 |
| **As of March 31, 2018** | | | | | | | | | | | |
| Segment assets* | 1,515,169 | 516,476 | 28,459 | 153,051 | 199,273 | 44,251 | 26,120 | 11,082 | 88,578 | (76,643) | 2,505,816 |
| Segment liabilities* | 317,043 | 115,149 | 2,622 | 76,284 | 22,400 | 19,866 | 33,964 | 8,312 | 1,210,172 | (83,479) | 1,722,333 |
| Investment in joint ventures and associates (included in segment assets above) | 57 | 6,769 | 21,620 | - | 58,110 | 3 | - | 280 | - | - | 86,839 |

*Effective April 1, 2017, individual segments exclude inter-segment balances and allocated borrowings. This has no impact on total assets and liabilities.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Summary of the segmental information for the year ended and as of March 31, 2017 is as follows:**

| | Mobile Services India | Mobile Services Africa | Mobile Services South Asia | Airtel Business | Tower Infrastructure Services | Homes Services | Digital TV Services | Others | Unallocated | Eliminations/ Adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 543,901 | 214,093 | 11,198 | 94,855 | 28,384 | 27,223 | 34,240 | 718 | - | 71 | 954,683 |
| Inter-segment revenue | 21,610 | 5,475 | 545 | 14,574 | 32,445 | 295 | 66 | 3,018 | - | (78,028) | - |
| **Total revenue** | **565,511** | **219,568** | **11,743** | **109,429** | **60,829** | **27,518** | **34,306** | **3,736** | **-** | **(77,957)** | **954,683** |
| Share of results of joint ventures and associates | 9 | - | (642) | - | 11,949 | - | - | - | - | (867) | 10,449 |
| Segment results | 105,494 | 10,189 | (4,660) | 22,737 | 29,195 | 6,868 | 3,577 | (2,481) | (1,433) | (2,263) | 167,223 |
| **Less:** | | | | | | | | | | | |
| Finance costs | | | | | | | | | | | 95,466 |
| Finance income | | | | | | | | | | | (18,492) |
| Non-operating income, (net) | | | | | | | | | | | 1,319 |
| Exceptional items (refer Note 32) | | | | | | | | | | | 11,697 |
| **Profit before tax** | | | | | | | | | | | **77,233** |
| **Other segment items** | | | | | | | | | | | |
| Capital expenditure | 380,011 | 25,235 | 1,801 | 17,142 | 9,829 | 19,649 | 8,608 | 19 | 1,597 | (21,204) | 442,687 |
| Depreciation and amortisation | 121,189 | 41,894 | 4,256 | 11,024 | 11,658 | 6,080 | 8,642 | 49 | 0 | (7,062) | 197,730 |
| **As of March 31, 2017** | | | | | | | | | | | |
| Segment assets | 1,642,949 | 556,281 | 29,048 | 331,833 | 210,023 | 311,890 | 22,935 | 9,327 | 120,032 | (901,666) | 2,332,652 |
| Segment liabilities | 722,363 | 226,314 | 7,968 | 180,624 | 47,535 | 246,864 | 28,341 | 5,083 | 1,044,215 | (919,968) | 1,589,339 |
| Investment in joint ventures and associates (included in segment assets above) | 52 | - | 22,567 | - | 59,409 | - | - | 249 | - | - | 82,277 |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Geographical information*:**

(a) Revenue from external customers:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| India | 619,000 | 708,462 |
| Africa | 196,565 | 214,093 |
| Others | 21,314 | 32,128 |
| | **836,879** | **954,683** |

(b) Non-current assets:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| India | 1,503,452 | 1,411,798 |
| Africa | 448,314 | 466,775 |
| Others | 18,897 | 15,123 |
| | **1,970,663** | **1,893,696** |

*Basis location of entity.

Non-current operating assets for this purpose consist of PPE, CWIP, intangible assets, intangible assets under development and capital advances.

## 35 Related party disclosures

### (a) List of related parties

i. Ultimate controlling entity (w.e.f. November 3, 2017)

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.

ii. Entities having control over the Company (w.e.f. November 3, 2017)*

Bharti Telecom Limited
*significant influence untill November 2, 2017

iii. For list of subsidiaries, joint venture and associates refer note no. 39.

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

- Entities having significant influence over the Company

  Singapore Telecommunications Limited
  Pastel Limited

- Fellow companies (subsidiaries / joint ventures / associates other than that of the Company)

  a) Subsidiaries

  Bharti Enterprises Limited
  Cedar support Services Limited
  Bharti Insurance Holdings Private Limited
  Bharti Axa General Insurance Company Limited
  Bharti Axa Life Insurance Company Limited

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

b) Associates

Bharti Life Ventures Private Limited
Bharti General Private Limited

- Other related parties*

(a) Entities where Key Management Personnel and their relatives exercise significant influence

Bharti Foundation
Bharti Airtel Employees Welfare Trust
Hike Private Limited (formerly known as Hike Limited)

(b) Others

Brightstar Telecommunication India Limited
Bharti Realty Holdings Limited
Bharti Realty Limited
Deber Technologies Private Limited
Hike Messenger Limited
Centum Learning Limited
Fieldfresh Foods Private Limited
Indian Continent Investment Limited
Jersey Airtel Limited
Nile Tech Limited
Bharti Support Services Private Limited (formerly known as Atrium Restaurants India Private Limited)
Bharti Land Limited
Centum Work Skills India Limited
Oak Infrastructure Developers Limited
Gourmet Investments Private Limited

- Key Management Personnel ('KMP')

Sunil Bharti Mittal
Gopal Vittal
Christian D. Faria (until December 31, 2016)
Raghunath Mandava (w.e.f. January 1, 2017)

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

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

In the ordinary course of business, there are some transactions among the group entities. However, the intra-group transactions and balances, and the income and expenses arising from such transactions, are eliminated on consolidation. The significant transactions with balance related parties for the years ended March 31, 2018 and 2017 respectively, are described below:

**(b) The summary of significant transactions with the above mentioned parties is as follows:**

| Relationship | For the year ended March 31, 2018 | | | | For the year ended March 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Significant influence entities | Associates | Joint ventures | ORP/ FC* | Significant influence entities | Associates | Joint ventures | ORP/ FC* |
| Purchase of assets | - | - | - | (2,761) | - | - | - | (3,329) |
| Sale / rendering of services | 1,022 | - | 44 | 343 | 1,433 | 6 | 77 | 294 |
| Purchase of goods / receiving of services | (217) | (50) | (39,977) | (3,504) | (496) | (9) | (42,385) | (3,220) |
| Reimbursement of energy expenses | - | - | (26,869) | - | - | - | (26,090) | (3) |
| Dividend paid | (9,777) | - | | (496) | (3,255) | - | - | (362) |
| Dividend received | - | - | 10,010 | - | - | - | 9,510 | - |

*Other related parties / fellow companies

**(c) The outstanding balances of the above mentioned related parties are as follows:**

| | Significant influence entities | Associates | Joint ventures | ORP/FC* |
|---|---|---|---|---|
| **As of March 31, 2018** | | | | |
| Trade payables | (117) | (31) | (11,193) | (139) |
| Trade receivables | - | - | - | 102 |
| Security deposit | - | - | 3,934 | 1,070 |
| **As of March 31, 2017** | | | | |
| Trade payables | (490) | (4) | (11,310) | (532) |
| Trade receivables | 129 | - | 1 | 216 |
| Security deposit | - | - | 3,903 | 1,050 |

*Other related parties / fellow companies

(1) Outstanding balances at period end are un-secured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

(2) In addition to the above, ₹410 and ₹1,227 donation has been given to Bharti Foundation during the year ended March 31, 2018 and 2017 respectively.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, whether executive or otherwise. Remuneration to key management personnel were as follows:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Short-term employee benefits | 317 | 305 |
| Performance linked incentive ('PLI')# | 160 | 168 |
| Post-employment benefits | 28 | 26 |
| Share-based payment | 62 | 62 |
| | **567** | **561** |

#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. Additional provision of ₹21 and ₹28 has been recorded in the books towards PLI for the year ended March 31, 2018 and 2017 respectively. During the year ended March 31, 2018, PLI of ₹164 (March 31, 2017: ₹150) pertaining to previous year has been paid.

In addition to above ₹1,122 thousand and ₹313 thousand for the year ended March 31, 2018 and 2017 respectively have been paid as dividend to key management personnel.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

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

## 36 Financial and Capital risk

### 1. Financial risk

The business activities of the Group expose it to a variety of financial risks, namely market risks (that is, foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management strategies focus on the un-predictability of these elements and seek to minimise the potential adverse effects on its financial performance. Further, the Group uses certain derivative financial instruments to mitigate some of these risk exposures (as discussed below in this note).

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

The Group policy requires for material items to be established under effective hedge relationships by ensuring that the critical terms of the hedging instruments match with the terms of the hedged item so as maintain the hedge ratio to be 1:1. The Group uses prospective effectiveness assessment (dollar offset / hypothetical derivative method) to ensure that an economic relationship exists between the hedged item and hedging instrument.

### (i) Foreign currency risk

Foreign exchange risk arises on all recognised monetary assets and liabilities, and any highly probable forecasted transactions, which are denominated in a currency other than the functional currency of the transacting group entity. The Group, through its parent entity, several intermediary entities and subsidiaries; operates across multiple geographies in the Africa and Asia continent. Accordingly, the Group is exposed to translation risk on the net investment in foreign subsidiaries. The Group has foreign currency trade payables, receivables and borrowings (internal as well as external). However, foreign exchange exposure mainly arises from borrowings and trade payables denominated in foreign currencies and certain net investment in foreign currency. Consequently, the Group is mainly exposed to foreign exchange risks related to USD / Euro vis-à-vis the functional currencies and the translation risk related to USD to ₹ and USD to XAF-XOF (pegged to Euro).

The foreign exchange risk management policy of the Group requires it to manage the foreign exchange risk by transacting as far as possible in the functional currency. Moreover, the Group monitors the movements in currencies in which the borrowings / capex vendors are payable and manage any related foreign exchange risk, which inter-alia include entering into foreign exchange derivative contracts - as considered appropriate and whenever necessary. For further details as to foreign currency borrowings, refer note 20. Further, for the details as to the fair value of various outstanding derivative financial instruments designated in a hedge relationship or otherwise refer note 11.

As per the Group's hedging policy certain foreign currency liability, highly probable forecast transactions and material net investment of the Group in foreign subsidiaries have been designated under cash flow hedge and net investment hedge respectively. The following table analyses the movement in the cash flow hedge reserve / net investment hedging in FCTR due to said hedges and details thereto.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**a) Cash flow hedge**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| Currency exchange risk hedged | Euro to USD | CHF to USD | Euro to USD | CHF to USD |
| Nominal amount of hedging instruments | Euro 870 Mn | CHF 350 Mn | Euro 870 Mn | CHF 350 Mn |
| Maturity date | December 2018 | March 2020 | December 2018 | March 2020 |
| Weighted average forward price | 1 Euro: 1.12 USD | 1 CHF: 1.12 USD | 1 Euro: 1.12 USD | 1 CHF: 1.12 USD |
| Carrying value of derivative instruments (assets) | 7,377 | 399 | 131 | - |
| Carrying value of derivative instruments (liabilities) | - | 60 | 908 | 620 |
| Change in fair value during the year | | | | |
| Hedged item | (6,928) | (677) | 3,534 | 1,141 |
| Hedging instrument | 6,928 | 677 | (3,534) | (1,141) |
| CFHR for continuing Hedge | 410 | 533 | 214 | (82) |
| Hedging gain / (loss) recognised during the year | 6,928 | 677 | (3,534) | (1,141) |
| (Loss) / Gain reclassification during the year to P&L | (6,732) | (62) | 4,079 | 1,453 |

**b) Net investment hedge**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| Currency exchange risk hedged | Euro to USD | USD to INR | Euro to USD | USD to INR |
| Nominal amount of hedging instruments | Euro 460 Mn | USD 1453 Mn | Euro 400 Mn | USD 1578 Mn |
| Carrying value of hedging instruments (borrowings) | 36,870 | 94,721 | 27,738 | 102,308 |
| Maturity date | May 2021 | June 2025 - February 2028 | May 2021 | June 2025 - September 2026 |
| Change in fair value during the year | | | | |
| Hedged item | 4,231 | 3,793 | (2,232) | 12,562 |
| Hedging instrument | (4,231) | (3,793) | 2,232 | (12,562) |
| FCTR (loss) / gain for continuing Hedge (net of tax and NCI) | (5,109) | (15,869) | (878) | (12,596) |
| Hedging gain/ (loss) recognised during the year | (4,231) | (3,793) | 2,232 | (12,562) |
| Loss reclassification during the year to P&L under exceptional items | - | - | 581 | - |

### Foreign currency sensitivity

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

| | Change in currency exchange rate | Effect on profit before tax | Effect on equity (OCI) |
|---|---|---|---|
| **For the year ended March 31, 2018** | | | |
| US Dollar | +5% | (8,823) | (8,796) |
| | -5% | 8,823 | 8,796 |
| Euro | +5% | (1,712) | (1,844) |
| | -5% | 1,712 | 1,844 |
| Others | +5% | 1 | - |
| | -5% | (1) | - |
| **For the year ended March 31, 2017** | | | |
| US Dollar | +5% | (8,955) | (8,375) |
| | -5% | 8,955 | 8,375 |
| Euro | +5% | (1,716) | (1,387) |
| | -5% | 1,716 | 1,387 |
| Others | +5% | (26) | - |
| | -5% | 26 | - |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

The sensitivity disclosed in the above table is mainly attributable to, in case of foreign exchange gains / (losses) on translation of USD / Euro / CHF denominated borrowings, derivative financial instruments, trade and other payables, and trade receivables.

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

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

(ii) Interest rate risk

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

**Borrowings**

Borrowings with floating and fixed interest rates expose the Group to cash flow and fair value interest rate risk respectively. However, the short-term borrowings of the Group do not have a significant fair value or cash flow interest rate risk due to their short tenure. Accordingly, the components of the debt portfolio are determined by the GSM in a manner which enables the Group to achieve an optimum debt-mix basis its overall objectives and future market expectations.

The Group monitors the interest rate movement and manages the interest rate risk based on its risk management policies, which inter-alia include entering into interest swaps contracts - as considered appropriate and whenever necessary.

The Group has designated the interest rate components (which is separately identifiable from other components) of certain fixed interest rate bonds under the hedge relationship since historically it accounts for substantial portions of the total fair value change of the bonds.

The following table analyses the financial impact of fair value hedge and details thereto.

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| Interest rate risk covered for currency | USD | Euro | USD | Euro |
| Nominal amount of Hedging instruments | USD 2900 Mn | | USD 2900 Mn | |
| Carrying value of hedging instruments (derivative assets) | 19 | | 1,568 | |
| Carrying value of hedging instruments (derivative liabilities) | 4,258 | | 851 | |
| Maturity date | March 2023 - June 2025 | | March 2023 - June 2025 | |
| Carrying value of hedged item (borrowings) | 189,008 | | 188,065 | |
| Change in fair value during the year | | | | |
| Hedged item | 5,802 | | 9,768 | |
| Hedging instrument | (5,025) | | (11,118) | |
| Hedge ineffectiveness recognised in finance Income/cost during the year | 777 | | (1,349) | |
| Cumulative change in fair value of hedged Item | 6,366 | | 476 | |
| Unamortised potion of fair value hedge adjustment | | (175) | | (396) |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

### Interest rate sensitivity of borrowings

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

| Interest rate sensitivity | Increase / decrease in basis points | Effect on profit before tax |
|---|---|---|
| **For the year ended March 31, 2018** | | |
| INR - borrowings | +100 | (1,063) |
| | -100 | 1,063 |
| USD -borrowings | +25 | (654) |
| | -25 | 654 |
| Other Currency -borrowings | +100 | (42) |
| | -100 | 42 |
| **For the year ended March 31, 2017** | | |
| INR - borrowings | +100 | (866) |
| | -100 | 866 |
| USD -borrowings | +25 | (657) |
| | -25 | 657 |
| Other Currency -borrowings | +100 | (49) |
| | -100 | 49 |

The sensitivity disclosed in the above table is attributable to floating-interest rate borrowings and the interest swaps.

The above sensitivity analysis is based on a reasonably possible change in the under-lying interest rate of the Group's borrowings in INR, USD, Euro and NGN (being the significant currencies in which it has borrowed funds), while assuming all other variables (in particular foreign currency rates) to be constant.

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

### (iii) Price risk

The Group invests its surplus funds in various fixed income products, including but not limited to debt mutual funds, short term debt funds, corporate debt, government securities and fixed deposits. In order to manage its price risk arising from investments, the Group diversifies its portfolio in accordance with the limits set by the risk management policies. The Group has exposure across debt securities, mutual fund and money market instruments.

Debt investments are susceptible to market price risk, mainly arising from changes in the interest rates or market yields which may impact the return and value of such investments. However due to the very short tenor of money market instruments and the underlying portfolio in liquid schemes, these do not pose any significant price risk. On the duration investment balance, an increase / decrease of 25 basis points in market yields (parallel shift of the yield curves), will result in decrease / increase in the marked to market value of the investments by ₹176 and ₹808 as on March 31, 2018 and March 31, 2017 respectively.

### (iv) Credit risk

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

The Group is exposed to credit risk mainly with respect to trade receivables, investment in bank deposits, debt securities, mutual funds and derivative financial instruments.

Trade receivables

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

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

As there is no independent credit rating of the customers available with the Group, the management reviews the credit-worthiness of its customers based on their financial position, past experience and other factors. The credit risk related to the trade receivables is managed / mitigated by each business unit, basis the Group's established policy and procedures, by setting appropriate payment terms and credit period, and by setting and monitoring internal limits on exposure to individual customers. The credit period provided by the Group to its customers generally ranges from 14-30 days except Airtel business segment wherein it ranges from 7-90 days.

The Group uses a provision matrix to measure the expected credit loss of trade receivables, which comprise a very large numbers of small balances. Refer note 16 for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due.

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

| | Neither past due nor impaired | Past due but not impaired | | | | Total |
|---|---|---|---|---|---|---|
| | | Less than 30 days | 30 to 60 days | 60 to 90 days | Above 90 days | |
| March 31, 2018 | 21,182 | 17,294 | 7,835 | 6,201 | 6,318 | 58,830 |
| March 31, 2017 | 17,115 | 11,653 | 6,612 | 5,966 | 6,056 | 47,402 |

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

Financial instruments and cash deposits

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

### (v) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. Accordingly, as a prudent liquidity risk management measure, the Group closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including bilateral loans, debt, and overdraft from both domestic and international banks at an optimised cost. It also enjoys strong access to domestic and international capital markets across debt and equity.

Moreover, the GSM regularly monitors the rolling forecasts of the entities' liquidity reserve (comprising of the amount of available un-drawn credit facilities and cash and cash equivalents) and the related requirements, to ensure they have sufficient cash on an on-going basis to meet operational needs while maintaining sufficient headroom at all times on its available un-drawn committed credit facilities, so that there is no breach of borrowing limits or relevant covenants on any of its borrowings. For details as to the borrowings, refer note 20.

Based on past performance and current expectations, the Group 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.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

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

| | As of March 31 , 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | On Demand | Less than 6 months | 6 to 12 months | 1 to 2 years | > 2 years | Total |
| Interest bearing borrowings*# | 1,141,676 | 19,419 | 152,197 | 176,076 | 126,576 | 1,231,162 | **1,705,430** |
| Other financial liabilities# | 156,811 | 4,874 | 108,656 | - | 161 | 43,120 | **156,811** |
| Trade payables | 277,675 | - | 277,675 | - | - | - | **277,675** |
| **Financial liabilities (excluding derivatives)** | **1,576,162** | **24,293** | **538,528** | **176,076** | **129,737** | **1,274,282** | **2,139,916** |
| Derivative assets | 10,972 | - | 1,333 | 7,608 | 968 | 1,063 | **10,972** |
| Derivative liabilities | (5,692) | - | (117) | (168) | (203) | (5,204) | **(5,692)** |
| **Net derivatives** | **5,280** | **-** | **1,216** | **7,440** | **765** | **(4,141)** | **5,280** |

| | As of March 31 , 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | On Demand | Less than 6 months | 6 to 12 months | 1 to 2 years | > 2 years | Total |
| Interest bearing borrowings*# | 1,078,384 | 22,697 | 135,951 | 50,646 | 176,532 | 1,100,524 | **1,486,350** |
| Other financial liabilities# | 100,386 | 4,148 | 80,557 | - | 540 | 15,141 | **100,386** |
| Trade payables | 268,537 | - | 268,537 | - | - | - | **268,537** |
| **Financial liabilities (excluding derivatives)** | **1,447,307** | **26,845** | **485,045** | **50,646** | **177,072** | **1,115,665** | **1,855,273** |
| Derivative assets | 6,792 | - | 1,010 | 1,050 | 1,743 | 2,989 | **6,792** |
| Derivative liabilities | (5,061) | - | (1,992) | (343) | (1,092) | (1,634) | **(5,061)** |
| **Net derivatives** | **1,731** | **-** | **(982)** | **707** | **651** | **1,355** | **1,731** |

*It includes contractual interest payment based on interest rate prevailing at the end of the reporting period after adjustment for the impact of interest swaps, over the tenor of the borrowings.

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

### vi) Reconciliation of liabilities whose cash flow movements are disclosed as part of financing activities in the statement of cash flows:

| | | | | Non-cash movements | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Statement of cash flow line item | April 1, 2017 | Cash flows | Interest expense | Foreign exchange | Fair value changes | FCTR | Others | March 31, 2018 |
| Borrowings* | Proceeds / repayment of borrowing (including short term) | 610,282 | 36,141 | - | 11,480 | - | 883 | 1,420 | 660,206 |
| Interest accrued but not due and derivative instruments | Interest and other finance charges paid | 5,633 | (44,041) | 29,470 | - | 8,506 | 2,588 | 20,905 | 23,061 |

*It does not include deferred payment liabilities, finance lease obligations and bank overdraft but include obligations towards Africa tower sale and lease back transaction.

## 2. Capital risk

The Group's objective while managing capital is to safeguard its ability to continue as a going concern (so that it is enabled to provide returns and create value for its shareholders, and benefits for other stakeholders), support business stability and growth, ensure adherence to the covenants and restrictions imposed by lenders and / or relevant laws and regulations, and maintain an optimal and efficient capital structure so as to reduce the cost of capital. However, the key objective of the Group's capital management is to, ensure that it maintains a stable capital structure with the focus on total equity, uphold investor; creditor and customer confidence, and ensure future development of its business activities. In order to maintain or adjust the capital structure, the Group may issue new shares, declare dividends, return capital to shareholders, etc.

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

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

The Group monitors capital using a gearing ratio calculated as below:

| | As of March 31, 2018 | As of March 31, 2017 |
|---|---|---|
| Borrowings | 1,113,335 | 1,072,877 |
| Less: cash and cash equivalents | 47,886 | 12,817 |
| Less: term deposits with bank | 2,119 | 3,360 |
| **Net debt** | **1,063,330** | **1,056,700** |
| Equity | 695,344 | 674,563 |
| **Total capital** | **695,344** | **674,563** |
| **Capital and net debt** | **1,758,674** | **1,731,263** |
| **Gearing ratio** | **60.5%** | **61.0%** |

## 37 Fair value of financial assets and liabilities

The category wise details as to the carrying value, fair value and the level of fair value measurement hierarchy of the Group's financial instruments are as follows:

| | | Carrying value as of | | Fair value as of | |
|---|---|---|---|---|---|
| | Level | March 31, 2018 | March 31, 2017 | March 31, 2018 | March 31, 2017 |
| **Financial assets** | | | | | |
| **FVTPL** | | | | | |
| Derivatives | | | | | |
| - Currency swaps, forward and option contracts | Level 2 | 8,541 | 814 | 8,541 | 814 |
| - Interest swaps | Level 2 | 2,101 | 4,963 | 2,101 | 4,963 |
| - Embedded derivatives | Level 2 | 330 | 1,005 | 330 | 1,005 |
| - Embedded derivatives | Level 3 | - | 10 | - | 10 |
| Investments - quoted | Level 1 | 65,460 | 52,402 | 65,460 | 52,402 |
| Investments - unquoted | Level 2 | 2,992 | 4,389 | 2,992 | 4,389 |
| **FVTOCI** | | | | | |
| Investments - quoted | Level 1 | 2,391 | 2,609 | 2,391 | 2,609 |
| Investments - unquoted | Level 2 | 3,904 | 1,711 | 3,904 | 1,711 |
| **Amortised cost** | | | | | |
| Security deposits | Level 2 | 9,703 | 9,630 | 9,703 | 9,630 |
| Trade receivables | Level 2 | 58,830 | 47,402 | 58,830 | 47,402 |
| Cash and cash equivalents | Level 1 | 47,886 | 12,817 | 47,886 | 12,817 |
| Bank deposits | Level 1 | 18,820 | 38,166 | 18,820 | 38,166 |
| Other financial assets | Level 2 | 33,276 | 36,390 | 33,276 | 36,390 |
| | | **254,234** | **212,308** | **254,234** | **212,308** |
| **Financial liabilities** | | | | | |
| **FVTPL** | | | | | |
| Derivatives | | | | | |
| - Currency swaps, forward and option contracts | Level 2 | 474 | 3,412 | 474 | 3,412 |
| - Interest rate swaps | Level 2 | 5,210 | 880 | 5,210 | 880 |
| - Embedded derivatives | Level 2 | 8 | 571 | 8 | 571 |
| - Embedded derivatives | Level 3 | - | 198 | - | 198 |
| **Amortised cost** | | | | | |
| Borrowings - fixed rate | Level 1 | 414,407 | 368,913 | 427,293 | 386,739 |
| Borrowings - fixed rate | Level 2 | 512,404 | 526,542 | 555,413 | 562,306 |
| Borrowings - floating rate | Level 2 | 186,525 | 178,826 | 186,525 | 178,826 |
| Trade payables | Level 2 | 277,675 | 268,537 | 277,675 | 268,537 |
| Other financial liabilities | Level 2 | 185,152 | 105,893 | 185,152 | 105,893 |
| | | **1,581,855** | **1,453,772** | **1,637,750** | **1,507,362** |

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

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

i. The carrying value of bank deposits, trade receivables, trade payables, short-term borrowings, floating-rate long-term borrowings other current financial assets and liabilities approximate their fair value mainly due to the short-term maturities of these instruments / buying subject to floating-rate.

ii. Fair value of quoted financial instruments is based on quoted market price at the reporting date.

iii. The fair value of non-current financial assets, other long term borrowings and other financial liabilities is estimated by discounting future cash flows using current rates applicable to instruments with similar terms, currency, credit risk and remaining maturities.

iv. The fair values of derivatives are estimated by using pricing models, wherein the inputs to those models are based on readily observable market parameters. The valuation models used by the Group reflect the contractual terms of the derivatives (including the period to maturity), and market-based parameters such as interest rates, foreign exchange rates, volatility etc. These models do not contain a high level of subjectivity as the valuation techniques used do not require significant judgement and inputs thereto are readily observable.

During the year ended March 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurements.

Following table describes the key input in the valuation (basis discounted cash flow technique) of level 2 financial assets / liabilities as of March 31, 2018 and March 31, 2017:

| Financial assets / liabilities | Inputs used |
|---|---|
| - Currency swaps, forward and option contracts | Forward currency exchange rates, Interest rates |
| - Interest swaps | Prevailing / forward interest rates in market, Interest rates |
| - Embedded derivatives | Forward currency exchange rates, Interest rates |
| - Investments | Prevailing interest rates in market, Interest rates |
| - Other financial assets / fixed rate borrowings / other financial liabilities | Prevailing interest rates in market, Future payouts, Interest rates |

**Level 3 financial instruments**

The following table provides the details as to changes in value of financial instruments categorised within level 3 of the fair value hierarchy:

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Opening balance** | (188) | 51 |
| Gain recognised in consolidated statement of profit and loss (including settlements) | | |
| -Recognised in finance costs / finance income* | 276 | (215) |
| Transferred on account of sale of subsidiary | - | (22) |
| Exchange difference recognised in OCI | (88) | (2) |
| **Closing balance** | **-** | **(188)** |

*Out of these gains / (losses), Nil and loss of ₹213 year ended March 31, 2018 and 2017 respectively relates to assets/liabilities held at the end of respective periods.

# Notes to Consolidated Financial Statements

(All amounts are in millions of Indian Rupees - '₹'; unless stated otherwise)

**Valuation process, techniques and inputs used:** The Group has entered into certain contracts under which payouts are linked to revenue of the period to which payout relates. The portion of the payout are payable at predetermined fixed foreign exchange rate and results in an embedded derivative. The significant inputs to the valuation model of these embedded derivatives are future revenue projections and foreign exchange forward rates over the contract period. The revenue projections, being based on the rolling ten year financial plan approved by management, constitute a significant unobservable input to the valuation, thereby resulting in the embedded derivative being classified as Level 3 in the fair value hierarchy.

The Group either engages external, independent and qualified valuers or internally values the embedded derivative categorised within level 3. Discounted cash flow model is used to value the embedded derivative wherein major inputs are expected future payouts to vendors, forward foreign currency exchange rates and relevant interest rates. The value of embedded derivative is the present value of the differential of future payouts on the reporting date, over that determined based on the forward rates prevailing at the inception of the contract.

**Sensitivity to changes in unobservable inputs:** The fair value of embedded derivative is directly proportional to the expected future payouts to vendor (considered for the purpose of valuation of the embedded derivative). If future payouts to vendor were to increase / decrease by 5% with all the other variables held constant, the fair value of embedded derivative would increase / decrease by 5%. Expected future payouts to vendor ranging from Nil and USD 12 to USD 17 per quarter as of March 31, 2018 and March 31, 2017 respectively.

## 38 Other matters

(i) In 1996, the Company had obtained the permission from DoT to operate its Punjab license through one of its wholly owned subsidiary. However DoT cancelled the permission to operate in April, 1996 and subsequently reinstated in March, 1998. Accordingly, for the period from April 1996 to March, 1998 ('blackout period') the license fee was disputed and not paid by the Company.

Subsequently, basis the demand from DoT in 2001, the Company paid the disputed license fee of ₹4,856 for blackout period under protest. Consequently, the license was restored subject to arbitrator's adjudication on the dispute. The arbitrator adjudicated the matter in favour of DoT, which was challenged by the Company before Hon'ble Delhi High Court. In 2012, Hon'ble Delhi High Court passed an order setting aside the arbitrator's award, which was challenged by DoT and is pending before its division bench. Meanwhile, the Company had filed a writ petition for recovery of the disputed license fee and interest thereto. However, the single bench, despite taking the view that the Company is entitled to refund, dismissed the writ petition on the ground that the case is still pending with the larger bench. The Company therefore has filed appeal against the said order with division bench and is currently pending. DoT had also filed an appeal against the single judge order. Both these appeals are tagged together and are listed for final hearing. The Hon'ble court has directed both the parties to file comprehensive written submission.

(ii) TRAI vide Telecom Interconnect Usages Charges Regulation (Eleventh Amendment) 2015 has reduced the IUC charges for mobile termination charges to 14 paisa from 20 paisa and abolished the fixed-line termination charges. The Company has challenged the said Regulation before the Hon'ble Delhi High Court and the matter is currently pending.