



IDEA/RCA/RV/2015-16/March/281

March 14, 2016

The Secretary,
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg (Old Minto Road),
New Delhi-110002

Kind Attention: Advisor (F&EA-I)**Sub: Draft "The Reporting System on Accounting Separation Regulation, 2016".****Re: TRAI press release No. "16/2016"**

Dear Mam,

This is with reference to your above-mentioned Press Release seeking comments / views from stakeholders on any aspect related to the Draft "The Reporting System on Accounting Separation Regulation, 2016") that might need a relook / revision.

In respect of the same, we are pleased to highlight the below-mentioned suggestions for the Authority's consideration:

- ❖ **Applicability** - TRAI proposed to apply revised ASR from beginning of the accounting year ending on 31st March 2016, i.e. effective FY 2015-16. However considering the changes proposed by TRAI such revised regulation should only be made applicable effective FY 2016-17.
- ❖ **Replacement Cost accounting** - TRAI should discontinue the existing provision of submission of Accounting Separation Records on Replacement Cost Accounting (RCA) every alternate year as it has lost relevance in today's Telecommunication scenario. Currently running of telecom business is shifting from Capex-led Model to Opex-led Model and hence the preparation of ASR on Replacement Basis is not serving the purpose. Also due to continuous technological changes in the telecommunication equipment, it is not possible to get the exact / identical replacement cost for the existing equipment. Given the shift of weight of spectrum from 10% of Gross Block to over 60% - 70% of Gross Block, it appears that the RCA will only be relevant if replacement cost of spectrum is taken and not so much replacement cost of telecom equipment. In light of this, the TRAI may align RCA to the period in which they believe revaluation of spectrum is necessary.
- ❖ **Board Adoption** - Financial Statements of the Company are prepared on the basis of Accounting Standards prescribed by The Institute of Chartered Accountants of India and provisions notified by The Companies Act 2013. Further Financial Statements are duly audited by Statutory Auditor and adopted by Board of Director before filing to Ministry of Corporate Affairs. ASR reports are prepared on the basis of such Financial Statements and considering this, the adoption of ASR



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report should be limited to certification by relevant authorised person, as appointed by the Board of Directors to sign.

❖ Format related issues

- a) Proforma B (P&L Statement Product) – At present consolidated voice revenue is recognised towards subscriber usage of local, STD and ISD facilities. There is no separate bifurcation / reports available for segregating Local, STD & ISD voice revenue and the Company also does not need this for internal purpose. If TRAI needs this then such reports need to be developed going forward and it will put extra strain on the system. Based on above we request TRAI to reconsider their requirement of segregation on voice revenue.
- b) Proforma B (P&L Statement Product) - There should be separate product to disclose revenue from Intra-circle Roaming charges (ICR)
- c) Proforma F (Capital Employed Statement)
 - i. Intangible assets like “Right to use Spectrum / Auction Money for Spectrum” and License Fees / One time entry fees are incorrectly shown under Capital Work in Progress.
 - ii. Calculation of Capital Employed is based on the old Schedule VI format of Balance Sheet. Ministry of Corporate Affairs (MCA) has introduced Schedule III (under Companies Act, 2013) where by disclosure of Balance Sheet items have been changed. Accordingly the calculation element of Capital Employed should also be changed to align it to the schedule III formats. Further, the Schedule III is again undergoing a change with mandatory implementation of IND AS effective 1st April 2016. **The existing format prescribed by TRAI will provide incorrect financial positions of TSPs.**

❖ Issues arising out of IND AS

The detailed analysis of IND AS is in progress and so is the identification of in-depth impact of IND AS. However, basis our initial analysis, the following broad points should be considered in Draft ASR 2016,

- a) Ministry of Corporate Affairs has made it mandatory for certain companies to converge to IND AS effective 1st April 2016. In line with the requirements, the companies are required to restate the previous year financials (FY 15 – 16) in line with IND AS for comparative figures. This will result in change in the profits reported by entities for FY 15-16. Any change / revision in ASR reporting should not be mandated in view of the same.
- b) IND AS also requires recognition of certain items in the profit and loss which will result in notional income / expenses. Such notional income / expenses should be excluded for ASR reporting.
- c) IND AS requires certain items to be booked as Other Comprehensive Income (OCI) and not as part of the Profit & Loss statement. OCI should be excluded for reporting under ASR.

We are confident that our afore-mentioned submissions will be taken into consideration before the Authority finalizes the Draft “The Reporting System on Accounting Separation Regulation, 2016”.

Should the Authority require any clarifications or further information on the positions set out in this response, please do not hesitate to contact us.

Thanking You,

Yours Faithfully,

For Idea Cellular Limited

A handwritten signature in black ink, appearing to read "Rahul Vatts", written over a light blue horizontal line.

Rahul Vatts

Vice President – Regulatory & Corporate Affairs.

Telecom Regulatory Authority of India

(IS / ISO 9001:2008 Certified Organisation)

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ACKNOWLEDGMENT

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Date : 14/3/16

Received letter No.

TRAI/DCA/TT-2016/259 Jo 268

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from

Idea Cellular Ltd, New Delhi

addressed to

ACU (RCA) (11)



For TRAI