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RCL-RTL/TRAI/LT/15-16/5063
28th March, 2016

Smt. Vinod Kotwal
Advisor (F&EA)

Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan,
Jawaharlal Nehru Marg,
New Delhi-110 002

Subject: Comments on draft regulations "The Reporting System on Accounting Separation Regulations, 2016"

Reference: TRAI Draft Regulations "The Reporting System on Accounting Separation Regulations, 2016 dated 22nd February, 2016.

Respected Ma'm,

At the outset, we are thankful to the Authority for initiating the consultation process to review the existing Regulations on the System of Accounting Separation and we welcome this opportunity to submit our suggestions on the draft regulations on TRAI on "The Reporting System on Accounting Separation Regulations, 2016".

2. While we welcome the changes in the said Regulations, we would like to highlight some of the issues on the said draft regulations for your kind consideration. The same are outlined below:

- We agree with the removal of reporting Pre-paid/Post-paid segment separately and discontinuation of on-net/off-net separately in proforma B.
- The Access Service-WLL and Access Service- Full Mobility are offered from same network and have exactly same costs. The termination charges for these two services has always maintained same by TRAI. Therefore there should not be any requirement of separating accounts between Full Mobility and WLL.
- It is unlikely that the Authority would require segregation of cost at support function level for costing and pricing. The reporting of costs at a support function level increases complexity and cost for the service provider without significantly serving useful purpose.
- The Accounting Separation reports are not required for payment of any taxes and levies and also rarely used for costing. Moreover, the accounting separation reports are based on audited financial accounts. Therefore we suggest that the requirement of auditing and adoption of these reports by the Board of Directors should be discontinued.

- The non-financial information is not relevant to the reporting of Accounting Separation, hence, we request that reporting of non-financial information be done away with.
- The Authority is proposing to continue with the Accounting Separation Reports based on Replacement Cost Accounting every second year. The replacement Cost Accounts is required only for the purpose of tariff setting. Since most tariffs are under forbearance and few whole sale tariffs like port charges, leased line charges, IUC etc are decided using bottom up cost model, the replacement cost accounts many not be very relevant. TRAI may consider withdrawing Replacement Cost Accounting.
- Presently, the authority mandates separation of P&L accounts as well balance sheet items. Reporting of accounting separation should be limited to P&L. Separation of assets and capital employed (vide Proformas E, F & G) is a cumbersome process and does not add much value to the analysis. We therefore request that reports relating to assets and capital employed be discontinued.

3. We hope that Authority would find merit in our suggestions and take these into account before taking final decision on this issue.

Thanking you,

With Regards,
For **Reliance Communications Ltd.**
Reliance Telecom ltd.

(Authorized Signatory)

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