# IDEA TELESYSTEMS LIMITED

# ANNUAL ACCOUNTS 2016-17

# Independent Auditors' Report

**To the Members of**
**Idea Telesystems Limited**

**Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of **IDEA TELESYSTEMS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, we report, based on our audit to the extent applicable that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

    c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

    d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

    e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act.

    f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements– Note 26 to the Ind AS financial statements;

   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

   iv. The Company has provided requisite disclosures in the Ind AS financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management.

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

**For Deloitte Haskins & Sells LLP**
Chartered Accountants
Firm's Registration No. 117366W/W-100018

**Hemant M. Joshi**
Partner
Membership No: 38019

Place: Mumbai
Date: May 9, 2017

# Annexure 'A' to the Independent Auditors' Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 ofSection 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **IDEA TELESYSTEMS LIMITED** ("the Company") as of March 31, 2017 in conjunction with our audit of theInd AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteriaestablished by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued bythe Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence tocompany's policies, the safeguarding of its assets, the prevention and detection of frauds anderrors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the"Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to providea basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

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

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

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

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Deloitte Haskins & Sells LLP**
Chartered Accountants
Firm's Registration No. 117366W/W-100018

**Hemant M. Joshi**
Partner
Membership No: 38019

Place: Mumbai
Date: May 9, 2017

# "Annexure B" to the Independent Auditor's Report

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) In respect of its fixed assets:

a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

c) With respect to immovable properties of land and buildings that are freehold, according to the information and explanations given to us and the records examined by us and based on the examination of the registered conveyance deed provided to us, we report that, the title deeds of such immovable properties are held in the name of the Company as at the balance sheet date.

(ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) The Company has not granted any loans, made investments or provide guarantees and hence reporting under clause (iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 of the Companies Act, 2013 and the rules framed there under are applicable.

(vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.

(vii) According to the information and explanations given to us, in respect of statutory dues:

a) The Company has generally been regular in depositing undisputed statutory dues, including Income-tax, Sales Tax/ Value Added Tax, Service Tax, Customs Duty and other material statutory dues applicable to it to the appropriate authorities. As explained to us, the Company did not have any dues on account of Excise duty, Provident Fund, Employees' State Insurance and Cess.

b) There were no undisputed amounts payable in respect of Income-tax, Sales Tax/Value Added Tax, Service Tax, Customs Duty and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.

c) There are no dues of Income Tax, Service Tax and Customs Duty which have not been deposited on account of any dispute. Details of dues of Sales Tax/ Value Added Tax which have not been deposited as on March 31, 2017 on account of disputes are given below:

| Name of Statute | Nature of Dues | Forum where Dispute is Pending | Period to which the Amount Relates | Amount Involved (₹ in Thousands) | Amount Unpaid (₹ in Thousands) |
|---|---|---|---|---|---|
| The Kerala Value Added Tax Act, 2003 | Sales Tax | Intelligence Inspector, Squad II, Ernakulam | 2011-12 | 606 | 303 |
| Uttar Pradesh Value Added Tax Act, 2008 | Sales Tax | Additional Commissioner-Appeal 3 | 2010-11, 2012-13 to 2013-14 | 1,798 | 1,798 |
| Odisha Entry Tax Act, 1999 | Entry Tax | Joint Commissioner of Sales tax | 2012-13 | 93 | 93 |

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of the Order is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has neither paid nor provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors, directors of its Parent or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For Deloitte Haskins & Sells LLP**
Chartered Accountants
Firm's Registration No. 117366W/W-100018

**Hemant M. Joshi**
Partner
Membership No: 38019

Place: Mumbai
Date: May 9, 2017

# Balance Sheet as at March 31, 2017

₹ '000

| Particulars | Notes | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| (a) Property, plant and equipment | 7 | **1,296** | 1,344 | 1,393 |
| (b) Investment property | 8 | **5,524** | 5,732 | 5,939 |
| (c) Financial assets | | | | |
| (i) Deposits and balances with government authorities | | **469** | 469 | 469 |
| (d) Other non-current assets | 9 | **1,228** | 860 | - |
| **Total non-current assets (A)** | | **8,517** | 8,405 | 7,801 |
| **Current assets** | | | | |
| (a) Inventories | 10 | **45,621** | 213,406 | 126,991 |
| (b) Financial assets | | | | |
| (i) Current investments | 11 | **175,276** | 113,209 | 195,128 |
| (ii) Trade receivables (unsecured, considered good) | | **42** | 2,404 | 2,811 |
| (iii) Cash and cash equivalents | 12 | **393** | 342 | 5,094 |
| (iv) Bank balance other than cash and cash equivalents | 13 | **80** | 50 | 50 |
| (v) Other receivables | | **1,452** | 1,249 | 1,258 |
| (c) Current Tax Assets | | **233** | 233 | 233 |
| (d) Other current assets | 14 | **5,508** | 5,220 | 9,342 |
| **Total current assets (B)** | | **228,605** | 336,113 | 340,907 |
| **Total Assets (A+B)** | | **237,122** | 344,518 | 348,708 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| (a) Equity share capital | 15 | **500** | 500 | 500 |
| (b) Other equity | 16 | **191,014** | 238,279 | 229,166 |
| **Total equity (A)** | | **191,514** | 238,779 | 229,666 |
| **Non-current liabilities** | | | | |
| (a) Financial liabilities | | | | |
| (i) Deposit from holding company (Refer note 38) | | **-** | 2,393 | 2,393 |
| (b) Deffered tax liabilities (Net) (Refer note 36) | 17 | **-** | 143 | 167 |
| **Total non-current liabilities (B)** | | **-** | 2,536 | 2,560 |
| **Current liabilities** | | | | |
| (a) Financial liabilities | | | | |
| (i) Trade payables | | **21,893** | 77,575 | 82,837 |
| (ii) Other current financial liabilities | 18 | **2,827** | 1,296 | 360 |
| (b) Other current liabilities | 19 | **20,888** | 22,799 | 32,994 |
| (c) Short term provisions | 20 | **-** | 1,533 | 291 |
| **Total current liabilities (C)** | | **45,608** | 103,203 | 116,482 |
| **Total Equity and Liabilities (A+B+C)** | | **237,122** | 344,518 | 348,708 |

The accompanying notes are an integral part of the Financial Statements

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
Chartered Accountants

**Hemant M. Joshi**
Partner
Membership No.: 38019

Place : Mumbai
Date : May 9, 2017

**For and on behalf of the Board**

**Akshaya Moondra**
Director

**Himanshu Kapania**
Director

## Statement of Profit and Loss for the year ended March 31, 2017

₹ '000

| Particulars | Note | For the year ended March 31, 2017 | For the year ended March 31, 2016 |
|---|---|---|---|
| **INCOME** | | | |
| Sales of trading goods | | **334,510** | 422,838 |
| Other operating income | **21** | **3,478** | 238 |
| **Revenue from operations** | | **337,988** | 423,076 |
| Other income | **22** | **20,221** | 28,064 |
| **Total income** | | **358,209** | 451,140 |
| **OPERATING EXPENDITURE** | | | |
| Cost of trading goods | | **385,977** | 382,505 |
| Personnel expenditure | **23** | **5,283** | 4,878 |
| Selling & distribution expenses | | **8,599** | 19,610 |
| Advertisement and business promotion expenditure | | **301** | 19,365 |
| Administration and other expenses | **24** | **5,811** | 9,951 |
| **Total** | | **405,971** | 436,309 |
| **PROFIT/(LOSS) BEFORE FINANCE CHARGES, DEPRECIATION AND TAXES** | | **(47,762)** | 14,831 |
| Finance costs | **25** | **(610)** | 1,668 |
| Depreciation - Property, plant and equipment | **7** | **48** | 49 |
| - Investment property | **8** | **208** | 207 |
| **PROFIT/(LOSS) BEFORE TAX** | | **(47,408)** | 12,907 |
| Tax expense: | | | |
| - Current tax | | **-** | 3,818 |
| - Deferred tax | | **(143)** | (24) |
| **PROFIT/(LOSS) AFTER TAX** | | **(47,265)** | 9,113 |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX** | | - | - |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | | **(47,265)** | 9,113 |
| **Earnings per equity share (in ₹):** | **37** | | |
| Basic | | **(945)** | 182 |
| Diluted | | **(945)** | 182 |
| The accompanying notes are an integral part of the Financial Statements | | | |

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
Chartered Accountants

**For and on behalf of the Board**

**Hemant M. Joshi**
Partner
Membership No.: 38019

**Akshaya Moondra**
Director

**Himanshu Kapania**
Director

Place : Mumbai
Date : May 9, 2017

# Statement of Changes in Equity for the year ended March 31, 2017

**A. EQUITY SHARE CAPITAL:**

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

| | Numbers | ₹ '000 |
|---|---|---|
| **As at April 1, 2015** | **50,000** | **500** |
| Issue of shares | - | - |
| **As at March 31, 2016** | **50,000** | **500** |
| Issue of shares | - | - |
| **As at March 31, 2017** | **50,000** | **500** |

**B. OTHER EQUITY**

₹ '000

| Particulars | Retained Earnings |
|---|---|
| **As at April 1, 2015** | **229,166** |
| Profit/(Loss) for the period | 9,113 |
| Other comprehensive income | - |
| **Total comprehensive income** | **238,279** |
| **As at March 31, 2016** | **238,279** |
| Profit / (Loss) for the period | (47,265) |
| Other comprehensive income | - |
| **Total comprehensive income** | **191,014** |
| **As at March 31, 2017** | **191,014** |

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
Chartered Accountants

**Hemant M. Joshi**
Partner
Membership No.: 38019

Place : Mumbai
Date : May 9, 2017

**For and on behalf of the Board**

**Akshaya Moondra**
Director

**Himanshu Kapania**
Director

# Notes forming part of the Financial Statements

**1. Corporate Information**

Idea Telesystems Limited ('the Company'), a 100% subsidiary of Idea Cellular Limited was incorporated on September 12, 1983 and is in the trading business of Data Cards, Mobile Handsets, Wireless Modems, Tablets, Electronic Devices, Terminals (Fixed or Mobile) and other end user telecommunications equipments.

The financial statements for the year ended March 31, 2017 were approved by the Board of Directors and authorised for issue on May 9, 2017.

**2. Basis of preparation and Statement of Compliance**

The financial statements of the Company comprising of Balance Sheet, Statement of Profit and Loss, Statement of changes in Equity and Statement of Cash Flows, together with the notes have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

For all periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013 (Previous GAAP).

The financial statements for the financial year ended March 31, 2017 are the company's first Ind AS compliant annual financial statements with comparative figures for the year ended March 31, 2016 also under Ind AS. The date of transition is April 1, 2015. Please refer to **note 5** for detailed disclosure on the first time adoption of Ind AS.

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

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

All assets and liabilities have been classified as current or non-current in accordance with the operating cycle criteria set out in Ind AS 1 and Schedule III to the Companies Act, 2013.

Deferred tax assets (including MAT credit entitlement) and liabilities are classified as non-current assets and liabilities.

**3. Significant Accounting Policies**

**a) Revenue recognition**

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

**i. Sale of trading goods**

Revenue from sale of handsets, data cards and related accessories is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on the delivery of goods.

**ii. Interest Income**

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

**iii. Dividends**

Dividend Income is recognised when the Company's right to receive the payment is established.

**b) Leases**

The Company evaluates whether an arrangement is (or contains) a lease based on the substance of the arrangement at the inception of the lease. An arrangement which is dependent on the use of a specific asset or assets and conveys a right to use the asset or assets, even if it is not explicitly specified in an arrangement is (or contains) a lease.

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**i. Company as a lessor**

**Operating lease:**

Rental income from operating lease is recognised on a straight line basis over the lease term unless payments to the Company are structured to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increase; such increases are recognised in the year in which such benefits accrue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

**c) Foreign currency transactions**

The Company's financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. Transactions in foreign currencies are initially recorded at the INR spot rate on the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange on the reporting date.

## Notes forming part of the Financial Statements

Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are recognised using the exchange rates at the dates of the initial transactions.

**d) Exceptional items**

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

**e) Taxes**

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

**i. Current income tax**

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

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in Other Comprehensive Income (OCI) or directly in equity.

**ii. Deferred tax**

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

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

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

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

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

**f) Current / Non – Current Classification**

An asset is classified as current when

a) It is expected to be realised or consumed in the Company's normal operating cycle;

b) It is held primarily for the purpose of trading;

c) It is expected to be realised within twelve months after the reporting period; or

d) If it is cash or cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

A liability is classified as current when

a) It is expected to be settled in the normal operating cycle of the Company;

b) It is held primarily for the purposes of trading;

c) It is expected to be settled within twelve months after the reporting period; or

d) The Company has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

**g) Property, Plant and Equipment**

Property, Plant and Equipment (PPE) and Capital work in progress held for use in the rendering of services and supply of goods, or for administrative purposes, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes all direct costs relating to acquisition and installation of Property, Plant and Equipment and borrowing cost relating to qualifying assets. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

## Notes forming part of the Financial Statements

Freehold Land is not depreciated. Depreciation on building is provided using straight-line method on pro rata basis over their estimated useful economic lives i.e 30 years. The useful life is taken as prescribed in Schedule II to the Companies Act, 2013 and is in line with the useful economic life assessed by the Company.

An item of property, plant and equipment and any significant part which meets the criteria for Asset held for sale will be reclassified from property, plant and equipment to Asset held for sale. When any significant part of property, plant and equipment is discarded or replaced, the carrying value of discarded/ replaced part is derecognized. Any gain or losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss on the date of retirement or disposal.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**h) Investment Properties:**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. When significant parts of the investment property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

Freehold Land is not depreciated. Depreciation on the building component of investment property is provided using straight-line method on pro rata basis over 30 years which is its estimated useful economic life. The useful life is the same as prescribed in Schedule II to the Companies Act, 2013.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of derecognition.

**i) Impairment of Non – Financial Assets**

Tangible and Intangible assets which are subject to depreciation or amortization are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised by reducing the carrying amount of the asset (or cash-generating unit) to its recoverable amount.

Impairment losses recognized in the earlier periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had such impairment loss not been recognised for the asset (or cash-generating unit) in prior years. Any reversal of an impairment loss is recognised immediately in statement of profit and loss.

**j) Inventories**

Inventories are valued at cost or net realisable value, whichever is lower. Cost is determined on weighted average basis and includes cost of purchase and other costs incurred in bringing inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**k) Cash and cash equivalents**

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

**l) Financial Instruments**

**Initial recognition and measurement**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than those designated as fair value through profit or loss (FVTPL), are added to

## Notes forming part of the Financial Statements

or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in statement of profit and loss.

**i. Financial assets**

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

**Subsequent measurement**

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

a) Financial assets measured at amortised cost

b) Financial assets measured at fair value through profit or loss (FVTPL)

c) Financial assets measured at fair value through other comprehensive income (FVTOCI) – The Company does not have any assets classified as FVTOCI.

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

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

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

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

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

**iii. Financial assets measured at FVTPL**

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

**Derecognition**

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

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either

  - the Company has transferred substantially all the risks and rewards of the asset, or
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Impairment of financial assets**

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

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

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

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original EIR. Lifetime ECL are

# Notes forming part of the Financial Statements

the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

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

**iv. Financial liabilities**

**Subsequent measurement**

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

**Financial liabilities at amortised cost**

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

**Financial liabilities at FVTPL**

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

**De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

**m) Derivative financial instruments**

The Company uses derivative financial instruments, such as forward currency contracts to manage its foreign currency risks. These derivative instruments are not designated as cash flow, fair value or net investment hedges and are entered into for period consistent with currency exposures. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss.

**n) Fair value measurement**

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

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

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

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

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

**o) Earnings per share**

The earnings considered in ascertaining the Company's Earnings per share (EPS) is the net profit after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the period. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless the effect of the potential dilutive equity shares is anti-dilutive.

**p) Provisions and Contingent Liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a

## Notes forming part of the Financial Statements

past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss.

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

**Contingent Liabilities**

A Contingent Liability is disclosed where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent Assets are not recognised. Information on contingent liabilities is disclosed in the notes to Financial Statements unless the possibility of an outflow of resources embodying economic benefits is remote.

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

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

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

**a. Taxes**

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

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

**b. Allowance for Trade receivable**

The Company follows a 'simplified approach' (i.e. based on lifetime ECL) for recognition of impairment loss allowance on Trade receivables (including lease receivables). For the purpose of measuring lifetime ECL allowance for trade receivables, the Company estimates irrecoverable amounts based on the ageing of the receivable balances and historical experience. Further, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. Individual trade receivables are written off when management deems them not to be collectible.

**5. First Time Adoption of Ind AS**

The Company had prepared its financial statements in accordance with the Accounting Standards (AS) notified under section 133 of the Companies Act 2013 (Previous GAAP), for and including the year ended March 31, 2016. The Company has prepared its first Ind AS (Indian Accounting Standards) compliant Financial Statements for the year ended March 31, 2017 with restated comparative figures for the year ended March 31, 2016 in compliance with Ind AS. Accordingly, the Opening Balance Sheet, in line with Ind AS transitional provisions, has been prepared as at April 1, 2015, the date of Company's transition to Ind AS. The principal adjustments made by the Company in restating its Previous GAAP financial statements as at and for the Financial year ended March 31, 2016 and the balance sheet as at April 1, 2015 are as mentioned below:

**A. Exemptions applied**

Ind AS 101 on First Time Adoption of Ind AS allows first-time adopters certain voluntary exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

I. There is no change in the functional currency of the Company and accordingly, it has elected to continue with the carrying values for all of its property, plant and equipment as recognised in its Previous GAAP financial statements as the deemed cost at the transition date.

II. Appendix C to Ind AS 17 requires the Company to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all relevant arrangements for classification of leases based on facts and circumstances existing at the date of transition to Ind AS.

# Notes forming part of the Financial Statements

**B. Effect of Ind AS adoption on the Balance Sheet**

₹ '000

| Particulars | Exp. Note No. | As at March 31, 2016 | | | As at April 1, 2015 | | |
|---|---|---|---|---|---|---|---|
| | | Ind AS | Previous GAAP | Effect of transition to Ind AS | Ind AS | Previous GAAP | Effect of transition to Ind AS |
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| (a) Property, plant and equipment | iv | 1,344 | 7,076 | (5,732) | 1,393 | 7,332 | (5,939) |
| (b) Investment property | iv | 5,732 | - | 5,732 | 5,939 | - | 5,939 |
| (c) Financial assets | | | | | | | |
| (i) Deposits and balances with government authorities | | 469 | 469 | - | 469 | 469 | - |
| (d) Other non-current assets | | 860 | 860 | - | - | - | - |
| **Total non-current assets (A)** | | **8,405** | **8,405** | **-** | **7,801** | **7,801** | **-** |
| **Current assets** | | | | | | | |
| (a) Inventories | | 213,406 | 213,406 | - | 126,991 | 126,991 | - |
| (b) Financial assets | | | | | | | |
| (i) Current investments | ii | 113,209 | 113,100 | 109 | 195,128 | 195,000 | 128 |
| (ii) Trade receivables (unsecured, considered good) | | 2,404 | 2,404 | - | 2,811 | 2,811 | - |
| (iii) Cash and cash equivalents | | 342 | 342 | - | 5,094 | 5,094 | - |
| (iv) Bank balance other than cash and cash equivalents | | 50 | 50 | - | 50 | 50 | - |
| (v) Other receivables | | 1,249 | 1,249 | - | 1,258 | 1,249 | 9 |
| (c) Current Tax Assets | | 233 | 233 | - | 233 | 233 | - |
| (d) Other current assets | i | 5,220 | 5,369 | (149) | 9,342 | 9,342 | - |
| **Total current assets (B)** | | **336,113** | **336,153** | **(40)** | **340,907** | **340,770** | **137** |
| **Total assets (A+B)** | | **344,518** | **344,558** | **(40)** | **348,708** | **348,571** | **137** |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity** | | | | | | | |
| (a) Equity share capital | | 500 | 500 | - | 500 | 500 | - |
| (b) Other equity | | 238,279 | 238,281 | (2) | 229,166 | 229,089 | 77 |
| **Total equity (A)** | | **238,779** | **238,781** | **(2)** | **229,666** | **229,589** | **77** |
| **Non-current liabilities:** | | | | | | | |
| (a) Financial liabilities | | | | | | | |
| (i) Deposit from Holding company | | 2,393 | 2,393 | - | 2,393 | 2,393 | - |
| (b) Deferred tax liabilities (net) | iii | 143 | 139 | 4 | 167 | 127 | 40 |
| **Total non-current liabilities (B)** | | **2,536** | **2,532** | **4** | **2,560** | **2,520** | **40** |
| **Current liabilities:** | | | | | | | |
| (a) Financial liabilities | | | | | | | |
| (i) Trade payables | i | 77,575 | 78,578 | (1,003) | 82,837 | 82,817 | 20 |
| (ii) Other current financial liabilities | i | 1,296 | 335 | 961 | 360 | 360 | - |
| (b Other current liabilities | | 22,799 | 22,799 | - | 32,994 | 32,994 | - |
| (c) Short term provisions | | 1,533 | 1,533 | - | 291 | 291 | - |
| **Total current liabilities (C)** | | **103,203** | **103,245** | **(42)** | **116,482** | **116,462** | **20** |
| **Total Equity and liabilities (A+B+C)** | | **344,518** | **344,558** | **(40)** | **348,708** | **348,571** | **137** |

# Notes forming part of the Financial Statements

**C. Reconciliation of total equity as at April 1, 2015 and March 31, 2016**

₹ '000

| Particulars | Exp. Note No. | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| **Total Equity (shareholders' funds) under Previous GAAP** | | **238,781** | **229,589** |
| Effects of measuring financial instruments at fair value through Profit and Loss | i | (107) | (11) |
| Effects of measuring mutual fund investments at fair value through Profit and Loss | ii | 109 | 128 |
| Deferred Tax impact on transitional adjustments due to Ind AS | iii | (4) | (40) |
| **Total Equity under Ind AS** | | **238,779** | **229,666** |

**D. Effect of Ind AS adoption on the statement of profit and loss for the year ended March 31, 2016**

₹ '000

| Particulars | Exp. Note No. | Ind AS | Previous GAAP | Difference |
|---|---|---|---|---|
| **INCOME** | | | | |
| Sales of Trading Goods | | 422,838 | 422,838 | - |
| Other Operating Income | | 238 | 238 | - |
| **Revenue from operations** | | **423,076** | **423,076** | - |
| Other income | ii | 28,064 | 28,083 | (19) |
| **Total income** | | **451,140** | **451,159** | **(19)** |
| **OPERATING EXPENDITURE** | | | | |
| Cost of trading goods | | 382,505 | 382,505 | - |
| Personnel Expenditure | | 4,878 | 4,878 | - |
| Selling & Distribution Expenses | | 19,610 | 19,610 | - |
| Advertisement and Business Promotion Expenditure | | 19,365 | 19,365 | - |
| Administration and other expenses | i | 9,951 | 10,825 | (874) |
| **Total** | | **436,309** | **437,183** | **(874)** |
| **PROFIT BEFORE FINANCE CHARGES, DEPRECIATION AND TAXES** | | **14,831** | **13,976** | **855** |
| Finance costs | i | 1,668 | 698 | 970 |
| Depreciation - Property, plant and equipment | | 49 | 256 | (207) |
| - Investment property | | 207 | - | 207 |
| **PROFIT BEFORE TAX** | | **12,907** | **13,022** | **(115)** |
| Tax expense: | | | | |
| - Current tax | | 3,818 | 3,818 | - |
| - Deferred tax | iii | (24) | 12 | (36) |
| **PROFIT AFTER TAX** | | **9,113** | **9,192** | **(79)** |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | **-** | **-** | **-** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **9,113** | **9,192** | **(79)** |

# Notes forming part of the Financial Statements

**E. Reconciliation of total comprehensive income for the year ended March 31, 2016**

₹ '000

| Particulars | Exp. Note No. | For the year ended March 31, 2016 |
|---|---|---|
| **Total Comprehensive Income under Previous GAAP** | | **9,192** |
| Effects of measuring financial instruments at fair value through Profit and Loss | i | (96) |
| Effects of measuring Mutual fund investments at fair value through Profit and Loss | ii | (19) |
| Deferred Tax impact on transitional adjustments due to Ind AS | iii | 35 |
| **Total Comprehensive Income under Ind AS** | | **9,113** |

**F. Effect of Ind AS adoption on the Statement of Cash Flows for the year ended March 31, 2016** ₹ '000

| Particulars | Ind AS | Previous GAAP | Difference |
|---|---|---|---|
| Net cash flows from Operating activities | (104,458) | (104,467) | 9 |
| Net cash flows from Investing activities | 100,413 | 18,513 | 81,900 |
| Net cash flows from Financing activities | (707) | (698) | (9) |
| **Net increase / (decrease) in cash and cash equivalents** | **(4,752)** | **(86,652)** | **81,900** |
| Cash and cash equivalents at the beginning | 5,094 | 200,094 | (195,000) |
| **Cash and cash equivalents at the end** | **342** | **113,442** | **(113,100)** |

**G. Reconciliation of cash and cash equivalents for the purpose of statement of cash flows**

₹ '000

| Particulars | As at March 31, 2017 | As at March 31, 2016 |
|---|---|---|
| **Cash and cash equivalents under Previous GAAP** | **113,442** | **200,094** |
| Investments in units of liquid mutual funds | (113,100) | (195,000) |
| **Cash and cash equivalents under Ind AS** | **342** | **5,094** |

**Explanatory notes to the reconciliations:**

**i) Financial instruments**

The fair value of foreign exchange forward contracts is recognised under Ind AS, which was not recognised under Previous GAAP. Consequently, the unamortised forward premium recognised under Previous GAAP has been derecognised. The corresponding adjustment has been debited to Equity as on the transition date. This has resulted to a decrease in equity on the transition date by ₹ 11 thousand and on March 31, 2016 by ₹ 107 thousand. The profit before tax for the year ended March 31, 2016 has decreased by ₹ 96 thousand.

**ii) Investments in Mutual Funds**

Under Previous GAAP, the Company accounted for investments in mutual funds as financial instruments measured at lower of cost or fair value. Under Ind AS, the Company has designated such investments at fair value through profit and loss which are to be measured at fair value at each reporting date. The difference between the fair value of these instruments and Previous GAAP carrying amount has been adjusted in equity as on the transition date. This has resulted to an increase in equity on the transition date by ₹ 128 thousand and on March 31, 2016 by ₹ 109 thousand. The profit before tax for the year ended March 31, 2016 has decreased by ₹ 19 thousand.

**iii) Deferred tax**

The various transitional adjustments led to temporary differences as on the transition date. The net impact on deferred tax liabilities on the transitional adjustments is debited to Equity. This has resulted to a decrease in equity on the transition date by ₹ 40 thousand and on March 31, 2016 by ₹ 4 thousand. The profit before tax for the year ended March 31, 2016 has increased by ₹ 35 thousand.

# Notes forming part of the Financial Statements

**iv) Investment Property**

Under Ind AS, any land or building or a part thereof held to earn rentals or for capital appreciation or both is classified as Investment Property. Accordingly, a portion of the land and building amounting to ₹ 5,939 thousand on the transition date and ₹ 5,732 thousand on March 31, 2016 has been reclassified from property, plant and equipment to Investment Property.

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

The amendments to standards that are issued, but not yet effective up to the date of issuance of Company's financial statements are discussed below. The Company intends to adopt these standards, if applicable, when they become effective.

**a) Amendments to Ind AS 7 Statement of Cash Flows**

(Effective from accounting period starting on or after April 1, 2017)

i. An entity shall provide certain additional disclosures for changes in liabilities arising from financing activities on account of non-cash transactions to enable users of financial statements evaluate changes in liabilities arising from financing activities.

ii. To the extent necessary to satisfy the requirement, an entity shall disclose the following changes in liabilities arising from financing activities:

- Changes from financing cash flows;
- Changes arising from obtaining or losing control of subsidiaries or other businesses;
- The effect of changes in foreign exchange rates;
- Changes in fair values; and
- Other changes.

**7 Property, plant and equipment**

₹ '000

| Particulars | Freehold Land | Building | Total |
|---|---|---|---|
| **Gross Block (Deemed Cost )** | | | |
| **As at April 1, 2015 *** | **566** | **827** | **1,393** |
| Additions | - | - | - |
| Disposals | - | - | - |
| **As at March 31, 2016** | **566** | **827** | **1,393** |
| Additions | - | - | - |
| Disposals | - | - | - |
| **As at March 31, 2017** | **566** | **827** | **1,393** |
| **Accumulated Depreciation** | | | |
| **As at April 1, 2015 *** | - | - | - |
| Depreciation charge for the year | - | 49 | **49** |
| Disposals | - | - | - |
| **As at March 31, 2016** | **-** | **49** | **49** |
| Depreciation charge for the year | - | 48 | **48** |
| Disposals | - | - | - |
| **As at March 31, 2017** | - | **97** | **97** |
| **Net Book Value** | | | |
| **As at March 31, 2017** | **566** | **730** | **1,296** |
| **As at March 31, 2016** | **566** | **778** | **1,344** |
| **As at April 1, 2015** | **566** | **827** | **1,393** |

# Notes forming part of the Financial Statements

* Information regarding gross block and accumulated depreciation under Previous GAAP as on March 31, 2015 are as under:

**Property, Plant and Equipment**

₹ '000

| Particulars | Gross Block as on April 1, 2015 | Accumulated Depreciation as on April 1, 2015 | Net Block as on April 1, 2015 (deemed cost) |
|---|---|---|---|
| Land | 566 | - | 566 |
| Building | 1,294 | 467 | 827 |
| **Total** | **1,860** | **467** | **1,393** |

8 **Investment Property**

₹ '000

| Particulars | Investment Property |
|---|---|
| **Gross Block (Deemed Cost )** | |
| **As at April 1, 2015 *** | **5,939** |
| Additions | - |
| Disposals | - |
| **As at March 31, 2016** | **5,939** |
| Additions | - |
| Disposals | - |
| **As at March 31, 2017** | **5,939** |
| **Accumulated Depreciation** | |
| **As at April 1, 2015 *** | - |
| Depreciation charge for the year | 207 |
| Disposals | - |
| **As at March 31, 2016** | **207** |
| Depreciation charge for the year | 208 |
| Disposals | - |
| **As at March 31, 2017** | **415** |
| **Net Book Value** | |
| **As at March 31, 2017** | **5,524** |
| **As at March 31, 2016** | **5,732** |
| **As at April 1, 2015** | **5,939** |

* Information regarding gross block and accumulated depreciation under previous GAAP as on March 31, 2015 are as under:

**Investment Property** ₹ '000

| Particulars | Gross Block as on April 1, 2015 | Accumulated Depreciation as on April 1, 2015 | Net Block as on April 1, 2015 (deemed cost) |
|---|---|---|---|
| Land | 2,415 | - | 2,415 |
| Building | 5,514 | 1,990 | 3,524 |
| **Total** | **7,929** | **1,990** | **5,939** |

Fair value and direct expenses pertaining to the investment property are as below: ₹ '000

| Particulars | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Fair Value of Investment Property | **225,556** | 225,556 |
| Repairs & Maintenance and other direct expenses | **300** | 300 |

# Notes forming part of the Financial Statements

## 9 OTHER NON CURRENT ASSETS

₹ '000

| Particulars | | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| a) | Advance income tax | **1,000** | 398 | - |
| b) | Sales tax paid under protest | **228** | 462 | - |
| | **Total** | **1,228** | 860 | - |

## 10 INVENTORIES

*(Valued at lower of cost or net realisable value)*

₹ '000

| Particulars | | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| a) | Handsets | **2,099** | 3,867 | 44,453 |
| b) | Data Cards | **42,528** | 208,200 | 81,695 |
| c) | Others | **994** | 1,339 | 843 |
| **Total** | | **45,621** | 213,406 | 126,991 |

## 11 CURRENT INVESTMENTS

₹ '000

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| **Investments at fair value through profit or loss** | | | |
| **Investment in units of liquid mutual funds (quoted)** | | | |
| 670,763 (March 31, 2016: 465,281 and April 1, 2015: 868,795) units of Birla Sun Life Cash Plus – Growth – Direct Plan | **175,276** | 113,209 | 195,128 |
| **Total** | **175,276** | 113,209 | 195,128 |

## 12 CASH AND CASH EQUIVALENTS

₹ '000

| Particulars | | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| a) | Cash in hand | **-** | - | 18 |
| b) | Cheques on hand | **31** | - | 81 |
| c) | Balances with banks in current accounts | **362** | 342 | 4,995 |
| **Total** | | **393** | 342 | 5,094 |

## 13 BANK BALANCE OTHER THAN CASH AND CASH EQUIVALENTS

₹ '000

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Margin money with banks | **80** | 50 | 50 |
| **Total** | **80** | 50 | 50 |

# Notes forming part of the Financial Statements

## 14 OTHER CURRENT ASSETS

₹ '000

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| a) Prepaid expenses | **306** | 363 | 669 |
| b) Others | **5,202** | 4,857 | 8,673 |
| **Total** | **5,508** | 5,220 | 9,342 |

## 15 EQUITY SHARE CAPITAL

| Particulars | As at March 31, 2017 | | As at March 31, 2016 | | As at April 1, 2015 | |
|---|---|---|---|---|---|---|
| | Numbers | ₹ '000 | Numbers | ₹ '000 | Numbers | ₹ '000 |
| **Authorised share capital** | | | | | | |
| Equity Shares of ₹10 each | **50,000** | **500** | 50,000 | 500 | 50,000 | 500 |
| | **50,000** | **500** | 50,000 | 500 | 50,000 | 500 |
| **Issued, Subscribed and Paid up share capital** | | | | | | |
| Equity Shares of ₹10 each fully paid up | **50,000** | **500** | 50,000 | 500 | 50,000 | 500 |
| | **50,000** | **500** | 50,000 | 500 | 50,000 | 500 |

### a) Reconciliation of number of shares outstanding

| Particulars | As at March 31, 2017 | | As at March 31, 2016 | |
|---|---|---|---|---|
| | Numbers | ₹ '000 | Numbers | ₹ '000 |
| Equity shares outstanding at beginning and end of the year | **50,000** | **500** | 50,000 | 500 |
| | **50,000** | **500** | 50,000 | 500 |

(i) All the shares are held by the holding company - Idea Cellular Limited along with nominee share holders

(ii) There was no movement in the share capital during the financial year 2015-16 and 2016-17.

### b) Terms/ rights attached to equity shares

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

## 16 OTHER EQUITY

₹ '000

| Particulars | As at March 31, 2017 | As at March 31, 2016 |
|---|---|---|
| **Retained Earnings** | | |
| **Surplus / (Deficit) in Statement of Profit and Loss** | | |
| Balance at the beginning of the year | **238,279** | 229,166 |
| Add : Profit / (Loss) during the year | **(47,265)** | 9,113 |
| **Balance at the end of the year** | **191,014** | 238,279 |

# Notes forming part of the Financial Statements

## 17 DEFERRED TAX LIABILITIES (NET)

₹ '000

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Depreciation on property, plant and equipment | **-** | 143 | 167 |
| **Total** | - | 143 | 167 |

## 18 OTHER CURRENT FINANCIAL LIABILITIES

₹ '000

| Particulars | | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| a) | Derivative Liabilities at fair value through profit or loss | **174** | 961 | - |
| b) | Deposits from dealers | **260** | 335 | 360 |
| c) | Deposit from holding company | **2,393** | - | - |
| | **Total** | **2,827** | 1,296 | 360 |

## 19 OTHER CURRENT LIABILITIES

₹ '000

| Particulars | | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|---|
| a) | Advance from customers | **20,038** | 18,097 | 24,077 |
| b) | Taxes and other liabilities | **850** | 4,702 | 8,917 |
| | **Total** | **20,888** | 22,799 | 32,994 |

## 20 SHORT TERM PROVISIONS

₹ '000

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Provision for current tax (Net of advance tax ₹ Nil (March 31, 2016 ₹ 2,285 thousand and April 1, 2015 ₹ 37,873 thousand)) | **-** | 1,533 | 291 |
| **Total** | **-** | 1,533 | 291 |

## 21 OTHER OPERATING INCOME

₹ '000

| Particulars | For the year ended March 31, 2017 | For the year ended March 31, 2016 |
|---|---|---|
| Liabilities / provisions no longer required written back | **3,119** | 238 |
| Miscellaneous receipts | **359** | - |
| **Total** | **3,478** | 238 |

## 22 OTHER INCOME

₹ '000

| Particulars | For the year ended March 31, 2017 | For the year ended March 31, 2016 |
|---|---|---|
| Interest income | **34** | 29 |
| Gain / (loss) on Mutual Funds (including fair value gain / (loss)) | **10,617** | 18,465 |
| Rental Income from Investment Property (Refer note 38) | **9,570** | 9,570 |
| **Total** | **20,221** | 28,064 |

# Notes forming part of the Financial Statements

## 23 PERSONNEL EXPENDITURE (Refer note 32)

₹ '000

| Particulars | For the year ended March 31, 2017 | For the year ended March 31, 2016 |
|---|---|---|
| Salaries, wages and bonus | **4,984** | 4,597 |
| Contribution to provident and other funds | **299** | 281 |
| **Total** | **5,283** | 4,878 |

## 24 ADMINISTRATION AND OTHER EXPENSES

₹ '000

| Particulars | For the year ended March 31, 2017 | For the year ended March 31, 2016 |
|---|---|---|
| Insurance | **460** | 950 |
| Rates and taxes | **805** | 527 |
| Printing and stationery | **6** | 24 |
| Bad debts / advances written off | **30** | - |
| Exchange difference (net) | **2,201** | 4,803 |
| Bank charges | **144** | 340 |
| Directors sitting fees (Refer note 38) | **144** | 142 |
| Legal and professional charges | **1,178** | 1,037 |
| Audit fees (Refer note 33) | **300** | 300 |
| CSR expenditure (Refer note 34) | **364** | 1,200 |
| Loading, Freight & Forwarding charges | **179** | 628 |
| **Total** | **5,811** | 9,951 |

## 25 FINANCE COST

₹ '000

| Particulars | For the year ended March 31, 2017 | For the year ended March 31, 2016 |
|---|---|---|
| Interest expense | **132** | 70 |
| Other finance charges | **219** | 628 |
| **Total Interest expense** | **351** | 698 |
| Loss / (gain) on derivatives (including fair value changes on derivatives) | **(961)** | 970 |
| **Total** | **(610)** | 1,668 |

## 26. CONTINGENT LIABILITIES

₹ '000

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Demand raised by VAT / Sales Tax authorities for non-submission of Form "F", discrepancies in transit documents and differences in closing and opening balances of closing stocks in VAT returns. | **2,497** | 3,081 | 2,514 |
| Income Tax Matters not acknowledged as debts: {Demand raised by Income Tax department for the financial year 2012-13 (AY 2013-14). Appeal filed by the Company against the demand and is pending before the Commissioner of Income Tax (Appeals).} | **-** | 237 | - |
| Other claims not acknowledged as debts | **128** | 188 | 66 |

# Notes forming part of the Financial Statements

**27. Detail of Guarantees Given**

₹ '000

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Bank guarantees given to VAT / Sales Tax authorities | 2,133 | 2,019 | 1,919 |

**28. Operating Lease: As a Lessor**

The Company has leased a portion of its Land and building classified as investment property under operating lease arrangement. Rental income of ₹ 9,570 Thousands (Previous year ₹ 9,570 Thousands) in respect of such lease has been recognised in the Statement of Profit and Loss during the current year.

**29. Details of Foreign Currency Exposures:**

**a. Hedged by a Derivative Instrument:**

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Trade Payables in USD in "000" | **75** | 676 | 127 |
| Equivalent INR of Trade Payables in "000" | **5,038** | 45,860 | 7,928 |

*(Amount in INR represents conversion at hedge rate)*

**b. Not hedged by a Derivative Instrument or otherwise:**

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Trade Payables in USD in "000" | **-** | 15 | 232 |
| Equivalent INR of Trade Payables in "000" | **-** | 989 | 14,516 |

**30.** As of March 31, 2017 no amounts are payable to Micro, Small, and Medium Enterprises (SMEs) within the meaning of the Micro, Small and Medium Enterprises Development Act, 2006.

**31. Segment information**

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

**32.** During the financial year under review there were no employees on the rolls of the company. The selling and distribution activities have been performed using manpower services mainly taken from Idea Cellular Services Limited (ICSL), a company providing manpower services. The cost has accordingly been booked as Selling and Distribution Expenses. Further, some personnel from Idea Cellular Limited (ICL) have also been deployed for the administrative and compliance work of the company for which expenses are being reimbursed to ICL and are being booked under the respective heads of Personnel Expenditure.

**33. Auditor's Remuneration:**

₹ '000

| Particulars | For the year ended March 31, 2017 | For the year ended March 31, 2016 |
|---|---|---|
| Statutory Audit Fees | **300** | 300 |
| Certification and other services (included in Legal and Professional Charges) | **40** | 40 |

**34. Expenditure for Corporate Social Responsibility:**

a) Gross amount required to be spent by the company during the year is ' 1,201 thousand (Previous year' 2,002 thousand).

b) Amount spent during the year ending on March 31, 2017:

₹ '000

| Sr. No | Particulars | Amount Paid | Amount Payable | Total |
|---|---|---|---|---|
| 1 | Healthcare support services | 364 | - | **364** |

# Notes forming part of the Financial Statements

c) Amount spent during the year ending on March 31, 2016:

₹ '000

| Sr. No | Particulars | Amount Paid | Amount Payable | Total |
|---|---|---|---|---|
| 1 | Healthcare support services | - | 1,200 | **1,200** |

**35. Tax Reconciliation:**

**(a) Income Tax Expense**

₹ '000

| Particulars | March 31, 2017 | March 31, 2016 |
|---|---|---|
| **(a) Income Tax Expense** | | |
| Current Tax | | |
| Current Tax on profits for the year | **-** | 3,818 |
| **Total Current Tax Expense (A)** | - | 3,818 |
| **(b) Deferred Tax** | | |
| Relating to addition & reversal of temporary differences | **(126)** | (24) |
| Relating to change in tax rate | **(17)** | - |
| **Total Deferred Tax Expense (B)** | **(143)** | (24) |
| **Income Tax Expense (A+B)** | **(143)** | 3,794 |

**(b) Reconciliation of tax expense and the accounting profit multiplied by India's Tax Rate:**

₹ '000

| Particulars | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Profit / (Loss) from continuing operation before Income tax expense | **(47,408)** | 12,906 |
| **Total** | **(47,408)** | 12,906 |
| **Tax at the Indian tax rate of 30% (2015-16 - 30%)** | **28.84%** | 33.06% |
| Effect of tax losses not recognized as deferred tax asset | **(29.92%)** | - |
| Effect of Standard Deduction on House property rental income | **1.71%** | (7.21%) |
| Effect of expenses that are not deductible for taxation purposes | **(0.30%)** | 3.24% |
| Other Items | **(0.03%)** | 0.31% |
| Income Tax Expense | **0.30%** | 29.40% |

**(c) Tax Losses:**

₹ '000

| Particulars | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | **49,178** | - |
| **Potential tax benefit @ 28.84%** | **14,183** | - |

**36. Movement in deferred Tax:**

**I. Liabilities:**

₹ '000

| Particulars | Depreciation | MTM Loss | Total |
|---|---|---|---|
| **As at April 1, 2015** | **127** | **40** | **167** |
| (Charged)/Credited: | | | |
| to Profit or Loss | 12 | (36) | (24) |
| **As at March 31, 2016** | **139** | **4** | **143** |
| (Charged)/Credited: | | | |
| to Profit or Loss | (8) | 1,563 | 1,555 |
| **As at March 31, 2017** | **131** | **1,567** | **1,698** |

# Notes forming part of the Financial Statements

**II. Asset:** ₹ '000

| Particulars | Other – Tax Loss | Total |
|---|---|---|
| **As at April 1, 2015** | - | - |
| (Charged)/Credited: | | |
| to Profit or Loss | - | - |
| **As at March 31, 2016** | **-** | **-** |
| (Charged)/Credited: | | |
| to Profit or Loss | 1,698 | 1,698 |
| **As at March 31, 2017** | **1,698** | **1,698** |

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

| Particulars | For the year ended March 31, 2017 | For the year ended March 31, 2016 |
|---|---|---|
| Nominal value of equity shares (₹) | **10** | 10 |
| Profit / (Loss) after Tax (in ₹ 000) | **(47,265)** | 9,113 |
| Profit / (Loss) attributable to equity shareholders (in ₹000) | **(47,265)** | 9,113 |
| Weighted average number of equity shares outstanding during the year | **50,000** | 50,000 |
| Basic & Diluted Earnings Per Share (₹) | **(945)** | 182 |

**38. Related party transactions**

Related parties of the Company are disclosed below:

**A List of related parties:**

**Holding Company**

Idea Cellular Limited (ICL)

**Fellow Subsidiaries**

Aditya Birla Telecom Limited (ABTL)

Idea Cellular Services Limited (ICSL)

**Key Management Personnel**

Mr. Baldev Raj Gupta, Director

Ms. Tarjani Vakil, Director

**B. Transactions with related parties**

₹ '000

| Particulars | Holding Company | Fellow Subsidiaries | | Key Management Personnel |
|---|---|---|---|---|
| | ICL | ABTL | ICSL | |
| Sale of Trading goods | 103,899<br>(90,100) | 2,496<br>(3,047) | -<br>(-) | -<br>(-) |
| Rent Received | 9,570<br>(9,570) | -<br>(-) | -<br>(-) | -<br>(-) |
| Purchase of Services | -<br>(-) | -<br>(-) | 8,066<br>(7,269) | -<br>(-) |
| Expenditure incurred on Company's behalf by | 5,283<br>(4,878) | -<br>(-) | -<br>(-) | -<br>(-) |
| Sitting fee | -<br>(-) | -<br>(-) | -<br>(-) | 144<br>(142) |

*(Figures in bracket are for the year ended March 31, 2016)*

# Notes forming part of the Financial Statements

**C. Outstanding Balances**

₹ '000

| Particulars | Holding Company ICL | | |
|---|---|---|---|
| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
| Trade Receivable | **-** | - | 1,819 |
| Security Deposit Received | **2,393** | 2,393 | 2,393 |

**39. Financial Instruments**

**(i) Financial Instruments by Category:**

₹ '000

| Particulars | As at March 31, 2017 | | As at March 31, 2016 | | As at April 1, 2015 | |
|---|---|---|---|---|---|---|
| | FVTPL | Amortised Cost | FVTPL | Amortised Cost | FVTPL | Amortised Cost |
| **Financial Assets** | | | | | | |
| Current investments | **175,276** | **-** | 113,209 | - | 195,128 | - |
| Trade receivables | **-** | **42** | - | 2,404 | - | 2,811 |
| Security and other Deposits | **-** | **469** | - | 469 | - | 469 |
| Cash and cash equivalents | **-** | **393** | - | 342 | - | 5,094 |
| Bank balance and other cash and cash equivalents | **-** | **80** | - | 50 | - | 50 |
| Others | **1,452** | **-** | 1,249 | - | 1,258 | - |
| **Total Financial Assets** | **176,728** | **984** | 114,458 | 3,265 | 196,386 | 8,424 |
| **Financial Liabilities** | | | | | | |
| Security Deposits | **-** | **2,653** | - | 2,728 | - | 2,753 |
| Trade Payables | **-** | **21,893** | - | 77,575 | - | 82,838 |
| Derivative Liabilities | **174** | **-** | 961 | - | - | - |
| **Total Financial Liabilities** | **174** | **24,546** | 961 | 80,303 | - | 85,591 |

**(ii) Fair value hierarchy**

The company has classified its financial instruments into three levels in order to provide an indication about the reliability of the inputs used in determining fair values.

i. Fair value hierarchy of financial assets and liabilities measured at fair value as at March 31, 2017:

₹ '000

| Particulars | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Current Investments | 175,276 | - | - | 175,276 |
| Others | - | 1,452 | - | 1,452 |
| **Total Financial Assets** | **175,276** | **1,452** | - | **176,728** |
| **Financial Liabilities** | | | | |
| Derivative Liabilities | - | 174 | - | 174 |
| **Total Financial Liabilities** | **-** | **174** | - | **174** |

# Notes forming part of the Financial Statements

ii. Fair value hierarchy of financial assets and liabilities measured at fair value as at March 31, 2016:

₹ '000

| Particulars | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Current Investments | 113,209 | - | - | 113,209 |
| Others | - | 1,249 | - | 1,249 |
| **Total Financial Assets** | **113,209** | **1,249** | - | **114,458** |
| **Financial Liabilities** | | | | |
| Derivative Liabilities | - | 961 | - | 961 |
| **Total Financial Liabilities** | **-** | **961** | - | **961** |

iii. Fair value hierarchy of financial assets and liabilities measured at fair value as at April 1, 2015:

₹ '000

| Particulars | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Current Investments | 195,128 | - | - | 195,128 |
| Others | - | 1,258 | - | 1,258 |
| **Total Financial Assets** | **195,128** | **1,258** | - | **196,386** |
| **Total Financial Liabilities** | **-** | **-** | - | **-** |

iv. The carrying amounts of the financial assets and financial liabilities categorised as "Amortised Cost" are a reasonable approximation of their fair values and hence the fair values of such financial assets and financial liabilities have not been disclosed separately.

**(iii) Valuation Technique used to determine fair value**

Fair value of quoted current investments in Mutual Funds is based on price quotations at the reporting date.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The valuation techniques used to determine the fair values of financial assets and financial liabilities classified as level 2 include use of quoted market prices or dealer quotes for similar instruments and generally accepted pricing models based on a discounted cash flow analysis using rates currently available for debt on similar terms, credit risk and remaining maturities.

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

The Company's principal financial liabilities comprise trade payables. The Company's principal financial assets comprise investments, cash and bank balance, trade and other receivables. The Company also enters into derivative transactions such as foreign forward exchange contracts as a part of company's financial risk management policies. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

The Company is exposed to various market risk such as currency risk, price risk and credit risk. The holding company comprising a team of qualified finance professionals with appropriate skills and experience provides assurance to the management that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include, investments and derivative financial instruments.

The sensitivity analysis as shown below relate to the position as at March 31, 2017 and March 31, 2016.

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2017 and March 31, 2016.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when expense is denominated in a foreign currency).

## Notes forming part of the Financial Statements

The Company's foreign currency risks are identified, measured and managed at periodic intervals in accordance with the Company's policies.

When a derivative is entered into for the purpose of hedging any foreign currency exposure, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure.

This foreign currency risk is hedged by using foreign currency forward contracts.

**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in foreign currency rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

₹ '000

| Currency exposure | Change in currency exchange rate | Effect on profit before tax |
|---|---|---|
| **March 31, 2017** | | |
| USD | +5% | - |
| | - 5% | - |
| **March 31, 2016** | | |
| USD | +5% | (49) |
| | - 5% | 49 |

Foreign currency forward contract & respective accounts payable for which such contracts have been taken have not been considered in the above table.

The movement in the pre-tax effect is a result of a change in the fair value of monetary assets and liabilities denominated in US dollars, as the functional currency of the entity is INR.

**Price risk**

The Company invests its surplus funds in debt mutual funds. These comprise of only liquid schemes of mutual funds.

Mutual fund 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 the underlying portfolio in the liquid schemes, these do not pose any significant price risk. Hence no impact has been considered for Sensitivity purpose.

**Credit risk**

Credit risk is the risk that counter party will not meet its obligations under a financial instrument leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The amount is generally collected in advance for the Trading business and hence there is no customer credit risk.Investments of surplus funds are made only with approved counter parties. The Company's maximum exposure to credit risk is the carrying amount of all the financial assets in the balance sheet as at March 31, 2017, March 31, 2016 and April 1, 2015.

**Liquidity risk**

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

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

**41. Capital management**

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

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

# Notes forming part of the Financial Statements

**42.** Details of 'Specified Bank Notes' (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016as provided in the Table below:

₹ '000

| Particulars | SBN | Other Denomination Notes | Total |
|---|---|---|---|
| Closing Cash in Hand as on November 8, 2016 | - | - | - |
| (+) Permitted receipts | - | 1 | **1** |
| (-) Permitted payments | - | - | - |
| (-) Amount deposited in Banks | - | 1 | **1** |
| **Closing Cash in Hand as on December 30, 2016** | **-** | **-** | **-** |

**43.** The Company has not given any loans, made investments or given guarantees covered under section 186(4) of the Companies Act, 2013.

**For and on behalf of the Board**

**Akshaya Moondra**
Director

**Himanshu Kapania**
Director

Place: Mumbai
Date: May 9, 2017

# Statement of Cash Flows for the year ended March 31, 2017

₹ '000

| Particulars | For the year ended March 31, 2017 | For the year ended March 31, 2016 |
|---|---|---|
| **A) Cash Flow from Operating Activities** | | |
| **Profit /(Loss) before tax** | **(47,408)** | 12,907 |
| **Adjustments for** | | |
| Depreciation of property, plant and equipment | **48** | 49 |
| Depreciation of investment property | **208** | 207 |
| Bad and doubtful debts written off | **30** | - |
| Interest Income | **(34)** | (29) |
| (Gain) / loss on Mutual Fund (including fair value (gain) / loss) | **(10,617)** | (18,465) |
| Finance costs (including fair value change in financial instruments) | **(610)** | 1,668 |
| Liabilities / provisions no longer required written back | **(3,119)** | (238) |
| **Operating Profit / (Loss) before Working Capital Changes** | **(61,502)** | (3,901) |
| **Adjustments for changes in Working Capital** | | |
| (Increase)/Decrease in Trade receivables | **2,332** | 407 |
| (Increase)/Decrease in Inventories | **167,785** | (86,415) |
| (Increase)/Decrease in Other financial and non-financial assets | **(287)** | 3,669 |
| Increase/(Decrease) in Trade payables | **(52,563)** | (5,024) |
| Increase/(Decrease) in Other financial and non-financial liabilities | **(1,986)** | (10,220) |
| **Cash flows from operating activities** | **53,779** | (101,484) |
| Income tax paid (including TDS) (net) | **(2,135)** | (2,974) |
| **Net Cash from (used in) Operating Activities** | **51,644** | (104,458) |
| **B) Cash Flow from Investing Activities** | | |
| Net proceeds from sale / (purchase) of Current Investments | **(51,450)** | 100,384 |
| Interest received | **34** | 29 |
| **Net Cash from / (used in) Investing Activities** | **(51,416)** | 100,413 |
| **C) Cash Flow from Financing Activities** | | |
| Finance charges paid | **(177)** | (707) |
| **Net Cash from / (used in) Financing Activities** | **(177)** | (707) |
| **Net Increase / (Decrease) in Cash and Cash Equivalents** | **51** | (4,752) |
| Cash and Cash Equivalents at the beginning | **342** | 5,094 |
| **Cash and Cash Equivalents at the end** | **393** | 342 |

**Notes to Statement of Cash Flows for the year ended March 31, 2017**

1. Cash and cash equivalents include the following Balance Sheet amounts

| | | |
|---|---|---|
| Balances with banks in current accounts | **362** | 342 |
| Cheques on hand | **31** | - |
| **Total** | **393** | 342 |

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

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
Chartered Accountants

**For and on behalf of the Board**

**Hemant M. Joshi**
Partner
Membership No.: 38019

**Akshaya Moondra**
Director

**Himanshu Kapania**
Director

Place : Mumbai
Date : May 9, 2017