Bharti Airtel Ltd.
India & South Asia
Airtel Center, Plot No. 16,
Udyog Vihar, Phase-IV,
Gurgaon - 122 015

www.airtel.in
Call: +91 124 4222222
Fax: +91 124 4248063

airtel

Ref No: RP/FY 15-16/040/031

Dated: 22nd April 2015

To,
Advisor (F&EA),
Telecom Regulatory Authority of India,
Mahanagar Door Sanchar Bhawan,
Jawaharlal Nehru Marg (Old Minto Road),
New Delhi - 110002

Subject: In Re: Review of "The Reporting System on Accounting Separation Regulations, 2012 (7 of 2012)" dated 10th April 2012 (as amended)

Reference: TRAI letter no. 16-02/2015-F&EA dated 1st April 2015

Kind Attention: Sh. M.P. Tangirala

Dear Sir

This is with reference to your above cited letter wherein the Authority has mentioned that it is in the process of reviewing 'The Reporting System on Accounting Separation Regulations, 2012 (7 of 2012) dated 10th April 2012 (as amended) and has thus sought the comments of TSPs in this matter. Our comments / views in the matter are mentioned in the Annexure enclosed with the letter.

Kindly consider the same for your records.

Thanking you,
Yours Sincerely,

For Bharti Airtel Limited

Ravi P. Gandhi
Chief Regulatory Officer (Policy)
& Authorized signatory for Bharti Hexacom Limited

Enclosed: As mentioned above.

Annexure

Review of "The Reporting System on Accounting Separation Regulations, 2012 (7 of 2012)" dated 10th April 2012 (as amended)

Point wise submissions on each of the issues raised by TRAI are as follows:

Applicability Criteria / Limits

Applicable to services covered under the License

Accounting Separation Reports (ASR) should be applicable to the services covered in the licenses granted under section 4 of the Indian Telegraph Act 1885. Thus, ASR should not be extended to non-licensed activities e.g. infrastructure services/segments (IP1s / tower business, dark fiber etc.) as these activities are not covered u/s 4 of the Indian Telegraph Act 1885.

Discontinuation of ASR based on Replacement Cost Accounting

The Authority has mandated that in every second / alternate year the ASR should be prepared and submitted following the replacement cost method of accounting, i.e. at the current costs, along with the submission on historical cost basis. A large number of additional activities are involved in the preparation of ASR as per the Replacement Costs Accounting. It involves analysis of existing assets, their valuation, aging, and profiling. Additionally, there are practical difficulties in getting quotes from vendors to ascertain the current cost which is a basic requirement for preparing replacement cost accounts. It is not only time consuming to get quotes from the Vendors but at times, the quotes obtained may not give the current prevailing market price of the Assets as no vendor gives the correct quotes unless there is a firm order.

Moreover, due to the rapid evolution of technology, it is possible that either some of the Assets deployed are no longer available in the market or the Vendors providing such assets may have exited the business which makes it difficult to get a reasonable quote to measure the value of the asset. Thus, it is requested to discontinue with the submission of ASR on the basis of Replacement Cost Accounting.

Products / Network Elements under various telecom licensed services specified in Regulation

The products as contained in Schedule – I of the ASR should be decided on the basis of the **main revenue driver only** so as to identify and allocate the cost on a logical basis. The same is further explained as below:

Access Service – Wireless & Wireline

At present, the sub products in ASR have been categorized as rental, video calls, MMS etc. As mentioned herein above, the products should be decided basis the main revenue driver and accordingly it is proposed that it should be limited to **Prepaid, Postpaid, IUC and In-roaming.**

A further sub classification of these into rental, voice calls (on net & off net), video calls, MMS, National roaming, International Roaming may be removed from **Schedule I**. To explain it further, in case of Rental as a product/ sub-product, Rental is a part of the overall tariff plan of a product and it is not separate from the main product. If it is treated as a sub product in the ASR, then as the allocation of the cost is on revenue basis (which is again not logical), then the major portion of cost/expense will shift to Rental, which is not correct. Hence, it should not be treated as a product/ sub-product.

Cable Landing Service (CLS)
CLS is a part of the ILD license / service and accordingly it should be included in the ILD ASR only. It is proposed that the separate filing of CLS ASR may kindly be discontinued forthwith.

Financial and Non-Financial Proformae:

Proforma C – Cost Sheet – Network Elements
The total network cost under "Proforma C" finally gets allocated to the products disclosed under Proforma B for consolidation purposes and also to determine the profitability at product level. The cost of Proforma C can also be directly allocated to the Products under Proforma B.

Thus in order to reduce redundancy, it is proposed to remove Proforma C by allocating the network cost (of Proforma C) directly to Proforma B. This modification can simplify the ASR Regulation to a great extent.

Proforma D – Cost Sheet – Support Functions
The total cost of the support functions currently captured under Proforma D is ultimately allocated to the products disclosed under Proforma B for Consolidation purpose & to determine the profitability at product level. Thus, the cost of Proforma D can be directly allocated to the Products under Proforma B and the requirement w.r.t. the provision of Proforma D can be dispensed with.

Proforma F – Capital Employed Statement – Service
In this Proforma, the computation of Capital Employed is based on the format of the old Schedule VI under the Companies Act. This is required to be updated on the basis of revised Schedule VI under the new Companies Act 2013 in order to synchronize the same with the financials.

Proforma H – Statement of Related Party Transactions
With respect to the requirement of provision of per unit rate in Proforma H, we wish to state that as the unit of measurement for different products cannot be the same, thus providing one single per unit rate would result into a **non-comparable** submission within the Companies as well as other operators/ Companies. For example: There are different tariff plans in case of Voice, SMS and data, etc. and thus it is not possible to arrive at one single per unit rate for each of them. We would like to submit that this Proforma may be modified to remove to requirement w.r.t. the provision of per unit rate.

Periodicity and time period of submission of ASR; & requirements relating to adoption of ASR by Board of Directors of the company & audit thereof

As per the Companies Act, every listed company is required to file its audited financials with SEBI. These Financials are required to be audited by the statutory auditors as defined in the Companies Act.

The Accounting Separation Report (ASR) is prepared after the filing of the above mentioned audited financials with SEBI. Thus it is essentially the representation of the **same Audited Financials** in a different format as per the ASR Regulation prescribed by the Authority from time to time. Thus, ASR is the product wise, service wise, geographical area wise representation of revenue & expenses as derived from the Audited Financials. In this context, the audit of ASR loses its relevance as it only adds to cost with no tangible value additions. Moreover, the Schedule III of the current Regulation necessitates the provision of a reconciliation statement

(Proforma I) between the figures as mentioned in the ASR covering all services and geographical areas of operation with those as mentioned in the financial statement. This statement confirms the parity of the figures as mentioned in the ASR with those in the Audited Financials.

As per the ASR Regulation of 2012, the ASR is to be submitted after it's adoption by the Board and is also required to be signed by the representative of the Company (duly authorized by the Board). There is no need for adoption of ASR by the Board when it is prepared from the audited & adopted financials of the company. This requirement of adoption of ASR by the Board leads to duplication of efforts.

Further, the current timelines of submission of ASR by 30th September are not feasible as it is not aligned with the quarterly Board meeting of the company convened for the adoption of the quarterly results and it is not feasible to especially convene a Board meeting to adopt the ASR within 30thSeptember of each year. Thus, it is requested to extend the timelines for submission of the ASR till **31stOctober.**

Therefore, the requirement w.r.t. the adoption of ASR by the Board may kindly be reconsidered and the ASR should be allowed to be filed on self-certification basis only along with the extension of timelines.

Other submission

Removal of Financial Disincentive Clause from ASR Regulation

As mentioned above, the ASR is prepared after the filing of the audited financials with SEBI and is derived from these Audited Accounts. Due to only the change in the form of already audited financials, there is no need for implication / inclusion of Financial Disincentive/ penalty clause in the ASR Regulation.

Further, the financials of the Company are directly related to the investor, market and have public interest but ASR is not directly related to the public and is also not available as a public document. The penal clause for non-submission of the financials to SEBI is indicative & for the protection of public interest. ASR is only a different representation of the already filed Audited financials. Hence, it is thereby proposed that the Financial Disincentive/ penalty clause should be removed from the ASR Regulation.