

IDEA/RCA/RV/2015-16/April/010

April 22, 2015

**Shri M.P.Tangirala,**  
**Advisor (F&EA)**  
**Telecom Regulatory Authority of India**  
Mahanagar Doorsanchar Bhawan,  
Jawahar Lal Nehru Marg,  
(Old Minto Road), New Delhi – 110 002

**Subject: Your Letter Number. F. No. 16-02/2015-F&EA on review of “the Reporting System on Accounting Separation Regulations, 2012 (7 of 2012)” dated 10<sup>th</sup> April 2012 (as amended)**

Dear Sir,

This is with reference to your above-mentioned letter seeking comments / views from Service Providers on any aspect related to Accounting Separation Regulations 2012 (as amended) that might need a review.

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

- ❖ Applicability – Reporting System on Accounting Separation Regulation 2012 (ASR) is applicable to all service providers having aggregate turnover of not less than Rs 100 Crores, during the accounting year for which report is required to be submitted under these regulations, from operations under the license issued under section 4 of the Indian Telegraph Act, 1885. The turnover limits were set in 2012 and considering the growth of Telecommunication Industry the existing limit needs to be enhanced substantially. Further such turnover limits should apply on each category service and not on the entire turnover of the Service Provider.
- ❖ Replacement Cost Accounting - TRAI should discontinue the existing provision of submission of Accounting Separation Records on Replacement Cost accounting every alternate year as it has lost relevance in today's Telecommunication scenario. Currently, the running of telecom business is shifting from a Capex-led Model to Opex-led Model and hence the preparation of ASR on Replacement Basis is not serving its purpose. Also due to continuous technological changes in the telecommunication equipment, it is not possible to get exact / identical replacement cost for the existing equipment. Further all Service Providers are in possession of major Intangible assets due to spectrum auctions for which no replacement criteria is available.

- ❖ Related Party Transactions - The Related Party transactions are disclosed in Annual Report of the Company as required under Accounting Standard (AS) 18, 'Related Party Disclosures'. Further the “Companies (Cost Audit Report) Rules, 2011” also prescribed “Annexure 10 - Related Party Transaction” under Cost Audit compliance. The Service Providers, whose shares are listed on Stock Exchanges in India, publish this data as part of their Annual Reports. Requirement of disclosing related party transactions under ASR is thus a duplication and should be avoided. TRAI can refer to Annual Reports published by listed Service Providers and separate guidelines can be issued for non-listed Service Providers.
- ❖ Non-financial Reports—TRAI has prescribed separate extensive reports for submission of subscriber and traffic related data by Service Providers on monthly basis through “HLR Subscriber Report” and “Monthly Traffic Report” respectively. Requirement of such data again in ASR is a duplication of work and should be dispensed with.
- ❖ Uniformity in Allocation Mechanism – TRAI has prescribed Revenue and Cost centres to be considered in ASR reporting. There are no standard guidelines available for identifying Revenue and Cost elements and its allocation and apportionment to appropriate Cost Centre. Due to this, ASR reports prepared by Service Providers are not uniform in nature. The Service Providers are allocating Revenue and Cost element to Revenue and Cost Centre based on their own understanding and assumptions which are not identical and the reflected ASR data is not exactly comparable with that of any other TSP. It is recommended that TRAI notify broad guidelines outlining allocation and apportionment methodology for a group of related revenue / cost elements.
- ❖ Board Adoption – ASR reports are prepared on the basis of Financial Statements of the Company which are prepared on the basis of Accounting Standards prescribed by The Institute of Chartered Accountants of India and provisions notified by The Companies Act 2013. Further such Financial Statements are duly audited by the Statutory Auditor and adopted by Board of Director before being filed to the Ministry of Corporate Affairs. Considering this, the adoption of ASR reports by Board of Directors is again a duplication of the work and should be dispensed with.
- ❖ Format related changes
  - Proforma B - Wholesale revenue is arising out of Inter-Operator transactions (Termination Voice / Termination SMS / Roaming). Wholesale revenue is arising out of usage of one Operator’s network by other Operator. It is not appropriate to disclose such revenue under Post-paid and Pre-paid product. Wholesale revenue should be considered as a separate product itself and should not be clubbed as part of Post-paid and Pre-paid revenue.

- Proforma B - “In-roaming Revenue” (Tap out Roaming Files) is distinct from Post-paid and Pre-paid revenue. Under the current format there is no appropriate category under which such revenue can be disclosed.. Therefore a separate category should be created to disclose this revenue under wholesale.
- Proforma B - There is no clarity on disclosure of revenue from Telecom Towers. Many operators have demerged telecom towers as a separate entity but they still continue to hold a few towers under the existing entities. There is no appropriate product to disclose revenue for such tower in Proforma B
- Proforma B - There should be separate product to disclose revenue from Intra-circle Roaming charges (ICR)
- Proforma F – Calculation of Capital Employed is based on the old Schedule VI format of Balance Sheet. MCA has introduced revised schedule VI where by disclosure of Balance Sheet items has been changed. Accordingly the calculation element of Capital Employed should also be changed to align it to the revised schedule VI formats.

We are confident that our afore-mentioned submissions will be taken into consideration before the Authority finalizes any amendments to the existing Accounting Separation Regulations 2012 (as amended)

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

Thanking You,

Yours Faithfully,  
For **Idea Cellular Limited**

**Rahul Vatts**

**Vice President – Regulatory & Corporate Affairs.**