

ANNUAL REPORT
2010 - 2011



Leadership through Consolidation



Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.
We live by their values.
Integrity, Commitment, Passion, Seamlessness and Speed.

The Chairman's Letter to Shareholders



Dear Shareholder,

The global economy has withstood the recession though its recovery has been rather sluggish. World growth decelerated to nearly 3.8% during the second half of 2010 from 5.3% during the first half. The IMF forecasts a 4.3% global growth in 2011. The US economy grew at 3% last year. Growth in the Euro zone was muted at around 2%. In sharp contrast emerging economies have grown briskly - in excess of 7%. China and India are the clear standouts, peaking at over 10% and 9% growth respectively.

With the global economic growth slowing, growth levels in India are likely to be impacted. Nevertheless, as we know, the fundamentals of the Indian economy remain strong. Over the past few years India's track record has been impressive. The country recorded almost twice the global growth rate. Whilst the country does face roadblocks in the short term, the medium to long term growth prospects for India are bright.

In the Telecom sector, with the granting of New Licenses in 2008, the number of mobile operators rose from an average of 8 per circle to 14 for every circle. The last two years have witnessed hyper-competition phase and it is apparently continuing. This has led to a steep decline in mobile tariffs, resulting in the slowdown of the Mobile Industry Revenue growth to 11.9% in 2010-11.

In contrast, your Company continued on its upward growth trajectory, clocking an annual revenue growth of 29.0%. I am pleased to share with you that your Company is the fastest growing Indian Mobile Operator. It achieved an annual revenue of ₹ 153.9 billion and EBITDA of ₹ 31.3 billion on a standalone basis. Your Company strengthened its revenue market share to 13.2% in FY'11 vis-à-vis 12.4% in the previous year as per the TRAI release. This reaffirms the increasing consumer preference for brand *Idea*.

Your Company also leads the Industry in terms of the quality of its subscribers. It has the highest ratio of active subscribers to reported subscribers in the sector, at 93.1% with VLR subscribers (surrogate to active subscribers) base of 83.3 million against the reported subscriber base of 89.5 million.

In January 2011, the Department of Telecommunications introduced the global practice of Mobile Number Portability (MNP) - an invite to customers to change their Wireless Operator, while retaining their mobile number. It is heartening to record that your Company is the leader on the MNP space and is the biggest net gainer nationally. The overwhelming response from the consumers on MNP highlights your Company's network quality, superior customer service and brand strength.

The consolidated revenue of your Company for the year stood at ₹ 155.0 billion with an EBITDA of ₹ 37.9 billion.

Early this year, your Company rolled out its 3G services in 9 out of the 11 service areas, where it won 3G Spectrum. Idea's 3G services connect with the world of faster internet with the speed of upto 21 Mbps, video calling and conferencing on the handset, Mobile TV and many more exclusive applications, which will help your company to tap the growing opportunity in the field of wireless broadband and other 'Non voice' revenue services.

Your Company is also among the first major telecom operator to initiate mobile banking service in alliance with likeminded Banks. Idea has developed a facility titled "Idea MyCash". It provides

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basic banking services including money transfer using the mobile platform – to offer banking services to the ‘Unbanked’ that will play an important role in financial inclusion of a large mass of Indian population.

The service area specific strategy of consolidating its leadership position in the thirteen Established service areas and cautious expansion in nine New service areas, has enabled your Company to strengthen its competitiveness in tough market conditions. The improving capacity utilization of our 2G voice services, capturing future opportunities in wireless broadband, increasing preference of customers for brand *Idea* and the generation of healthy cash profits with a strong Balance Sheet, underscores *Idea*’s ability to benefit from long term sector opportunities. I expect this to happen once the hyper-competitive phase draws to its inevitable close and the pricing power returns to the operators.

To our teams

I would like to say a big thank you to all of our teams for their consistent high performance. I take great pride in the performance of our people.

The Aditya Birla Group in perspective

Today, we are a multi ethnic, multi dimensional Group with a bench strength of 133,000 passionate and committed people, belonging to 42 nationalities across 6 continents. For the year 2010-11, our consolidated revenues stand at US \$ 35 billion, compared to US \$ 29 billion in the preceding year, recording a 22% growth. Our leadership, regardless of levels, has a penchant for collaborative and innovative solutions, for new ways of working that keep our Companies and our products on our clients and customers radar all the time. This is what drives our performance.

I believe that purposive actions in the people area can be huge differentiators to our growth plans. For us, it is very important to know what our people think of us. So we recourse to a biannual Organizational Health Survey (OHS) conducted by Gallup as the barometer of the engagement at work index in our Group. Over

The service area specific strategy of consolidating its leadership position in the thirteen Established service areas and cautious expansion in nine New service areas, has enabled your Company to strengthen its competitiveness in tough market conditions.

28,000 executives spanning 31 countries participated in OHS 7 (2010). The participation level at 97%, in Gallup's opinion, sets a new benchmark. Given its objectivity and rigor of its process, there is immense value in its findings.

It is a matter of great satisfaction for me that the key strength of the Group, as identified in the OHS, continues to be the great sense of pride that our employees experience and express in working for the Aditya Birla Group. More importantly, this pride stems from our employees' belief and conviction that we are a good corporate citizen. Given the decline in ethics we see in business today, that is a huge validation of our insistence on value-based leadership. Pride, in turn is a great driver of positive energy and performance.

To capitalize on this positivity and to grow and hone the talent resident in the Group, we have launched several initiatives that further our Employee Value Proposition – a World of Opportunities. We have launched the 'Career Management Services' – a pioneering effort which is an integrated end-to-end career service aimed at all employees. This is already afoot in the cement business. Over the coming years it will be extended across other businesses in the Group.

On the issue of grooming talent, collectively our Business Directors and Business Heads, along with me, have invested over 500 man-hours in discussing, reviewing and working through the development plans of each of our talent pool members at the Group level. Their development plans include engagement with special projects, coaching and mentoring by the top leadership team, besides attending cutting-edge functional and behavioural programmes globally that open the frontiers of their mind and goad them to defy limitations. That 60% of the total leadership positions were filled in from our existing talent in 2010-11 validates the talent honing processes which have laid a robust leadership pipeline within our Group.

Our commitment to employee learning and development at all levels, is unrelenting. In 2010-11, there were 30,000 touch points

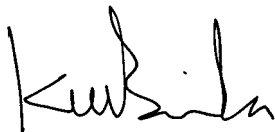
It is a matter of great satisfaction for me that the key strength of the Group, as identified in the OHS, continues to be the great sense of pride that our employees experience and express in working for the Aditya Birla Group.

with our learners through multiple formats of learning. More than 25,000 employees enlisted in e-learning programmes at Gyanodaya, our Institute of Management Learning. This year, at Gyanodaya, 200 colleagues at very senior levels attended specially designed programmes. They had the opportunity to interact with professors from leading Universities and B-Schools. They were a great faculty, drawn from Universities such as Stanford, RICE, Michigan and Duke at the global level along with professors from the IIMs and ISB (Hyderabad). Our senior managers also derived immense value from training and learning sessions conducted by leading consultancies such as The Centre for Creativity Leadership (CCL), The Hay Group and The Works Partnership (TWP), among others.

Finally, I am delighted to share with you that our employees have given a thumping vote of confidence to our Group as the 'Best Employers' in India and in Asia Pacific. Aditya Birla Group, of which your Company is an integral member, has been declared as one of the 'Best Employers' in India in the Aon Hewitt Survey conducted recently. We ranked 2nd from among 200 other Indian organizations, who participated in the survey. In Asia Pacific, we have been ranked among the top companies as well. Soon we hope to attain this stature in the rest of the world too – wherever we operate.

Our people are our future. With them and the wind in our sails, we feel buoyant about achieving our stretch goal of becoming a 65 billion dollar Group by 2015. Your Company will play an important role in reaching this destination.

Yours sincerely,



Kumar Mangalam Birla

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Break the language barrier.

What an idea!



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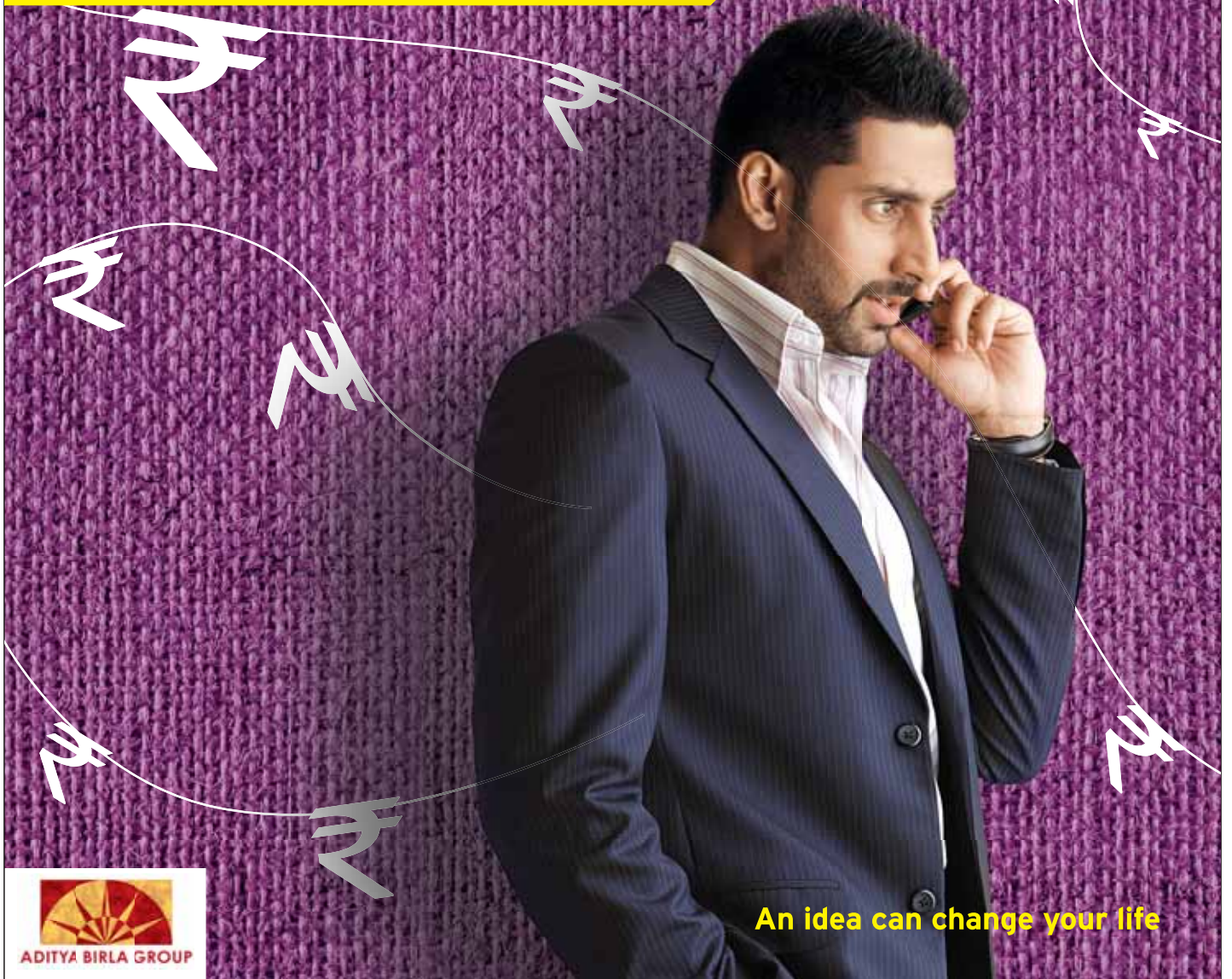
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Corporate Information

Board of Directors

Mr. Kumar Mangalam Birla	Chairman
Mrs. Rajashree Birla	Non-Executive Director
Dr. Rakesh Jain	Non-Executive Director
Mr. Biswajit A. Subramanian	Non-Executive Director
Mr. Juan Villalonga Navarro	Non-Executive Director
Mr. Sanjeev Aga	Non-Executive Director
Mr. Arun Thiagarajan	Independent Director
Mr. Gian Prakash Gupta	Independent Director
Mr. Mohan Gyani	Independent Director
Ms. Tarjani Vakil	Independent Director
Mr. R.C. Bhargava	Independent Director
Mr. P. Murari	Independent Director
Mr. Himanshu Kapania	Managing Director
Dr. Shridhir Sariputta Hansa Wijayasuriya	Alternate Director to Mr. Juan Villalonga Navarro

Chief Financial Officer

Mr. Akshaya Moondra

Company Secretary

Mr. Pankaj Kapdeo

Auditors

Deloitte Haskins & Sells
Chartered Accountants
706, B Wing,
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016

Registered Office

Suman Tower,
Plot No. 18, Sector 11,
Gandhinagar – 382 011
Gujarat

Corporate Office

Windsor, 5th Floor,
Off CST Road,
Near Vidya Nagari, Kalina,
Santacruz (East),
Mumbai – 400 098

Registrar and Share Transfer Agents

Bigshare Services Pvt. Ltd.
E-2 & 3, Ansa Industrial Estate,
Saki-Vihar Road,
Sakinaka,
Andheri (East),
Mumbai - 400 072

Website

<http://www.ideacellular.com>

What an idea **3G!**

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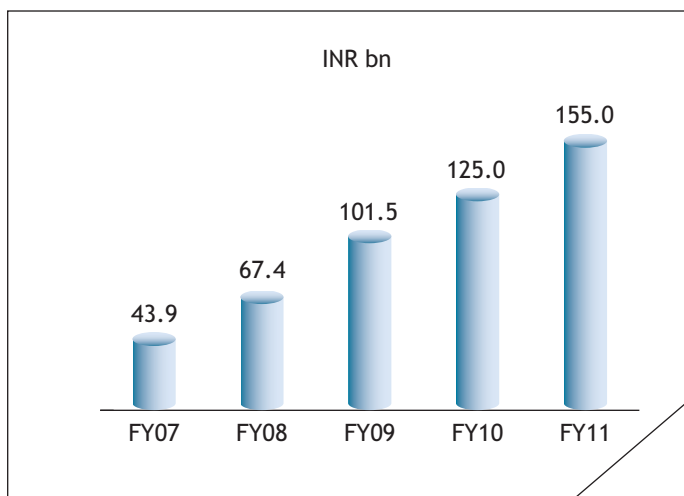
Video calling | Superfast internet
Live TV | Multiplayer gaming

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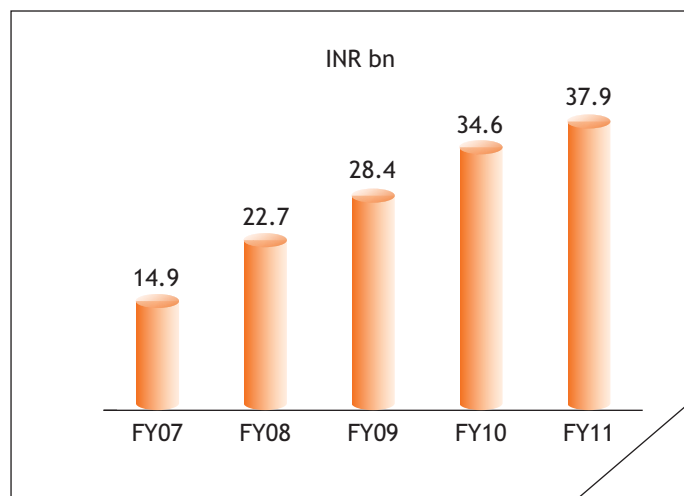


Performance Highlights

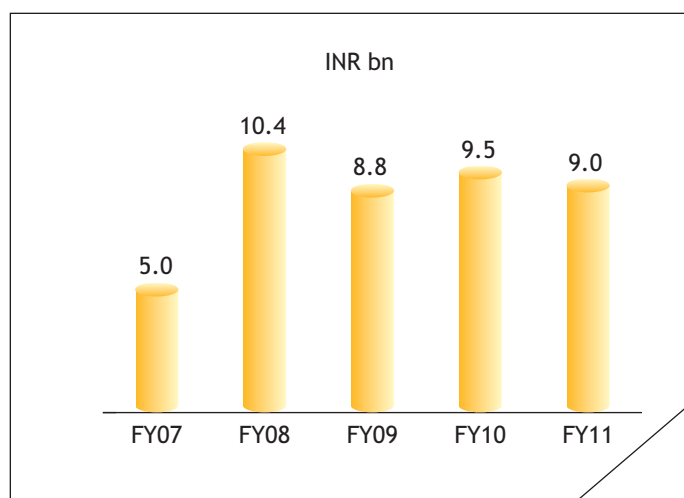
Robust Growth in Top Line



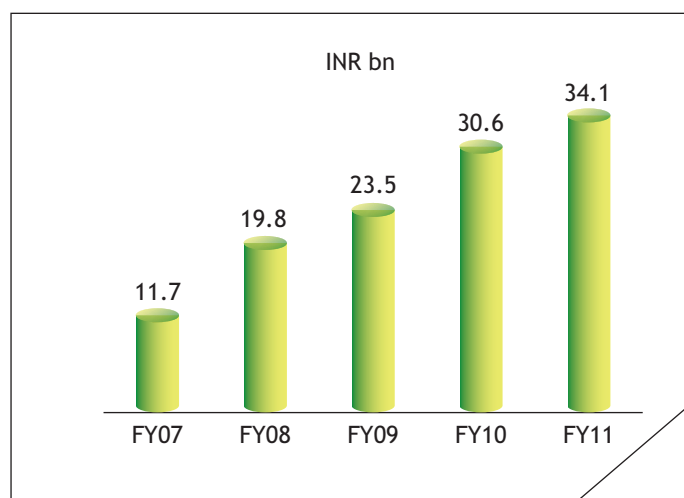
Robust Growth in EBITDA



Robust Growth in Net Profits



Robust Growth in Cash Profits



!dea

Hum do, hamara Idea 3G.

Ho jao 3G pe busy.

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Management Discussion And Analysis Report

Indian Wireless Sector

With the award of new mobile licenses in 2008 by the DoT, the Indian wireless sector is experiencing a phase of hyper-competition and over-capacity. As a result, in the last 8 quarters, the industry has witnessed savage price drops, restricting the revenue growth inspite being among the fastest growing global markets in terms of subscribers. Last year industry wireless subscriber base grew by 38.9% but the sectorial gross revenue increased only by 11.9%, slower than gross GDP, counter-intuitive for a high growth market.

The country's wireless tele-density stands at 68.0% as on March 31, 2011, while the rural tele-density is still under-penetrated at 32.8%, offering good growth opportunity in the voice business for the strong incumbent telecom operators.

The Indian wireless market has reached global proportions and is the second largest wireless market in the world. In comparison, as fixed-line penetration is low, the broadband subscriber base is only at 11.89 Mn, a penetration of 1%. This is expected to change with the arrival of 3G & BWA platforms.

Discussion on Idea's Operational Performance and Consolidated Financial statements

Mobile Business

Idea provides mobile services in all 22 service areas of India. Your Company's 2G mobile business is segregated into Established Service Areas (13 service areas, evolved with time in terms of profitability) and New Service Areas (9 service areas, launched in FY09 and FY10 and gestating in terms of profitability). Established Service Areas contributes to over 89% of mobile revenues, while share of New Service Areas is increasing steadily. The Company pursues the strategy of consolidating its leadership position in Established Service Areas and following a calibrated approach while expanding its footprint in the New Service Areas. Revenue market share for Established Service Areas stands at 17.7% for 2010-11.

Long Distance & Other Services

Your Company holds licenses for NLD, ILD, ISP and IP-1 services. The Company has Pan India coverage, with around 20,000 km of own built fibre cable transmission network and additional IRU arrangement with other telecom operators. Company is also expanding OFC PoPs and presently has over 1,400 PoPs in 91 cities and linked highways. The fibre network of the Company optimally serves Company's 2G/ 3G/ NLD/ ILD/ ISP/Wireless Broadband needs. Company's NLD and ILD network currently carries over 90% of captive NLD and ILD outgoing minutes, respectively, the capacity of which is further being expanded.

Telecom Infrastructure

As on March 31, 2011, the Company has a portfolio of 73,668 2G cell sites. The demerged 11,094 towers are under IRU arrangement with Indus. Besides these, the Company and its subsidiaries still own 9,000 plus towers with a tenancy of over 1.54. Your Company is now installing 3G cell sites to capture the future wireless broadband data market.

Launch of 3G services

In April-June 2010, the DoT conducted open auction for 3G and BWA spectrum inviting the existing Indian and Global telecom operator. Idea is delighted to win 3G spectrum in 11 important service areas, through the market determined auction process. These 11 service areas cover 76% of Idea's revenue base as well as account for half of national mobility revenue. In March, 2011 Company launched its 3G services and same is now extended to 9 out of these 11 service areas.

Company also entered into bilateral roaming arrangement for the service areas of Mumbai, Bihar, Karnataka, Delhi, Kolkata and Tamil Nadu (including Chennai), with leading quality operators, enabling it to offer 3G services in 15 service areas. Idea subscribers would very soon be able to enjoy 3G services, across most parts of India, through a combination of home network and roaming arrangements.

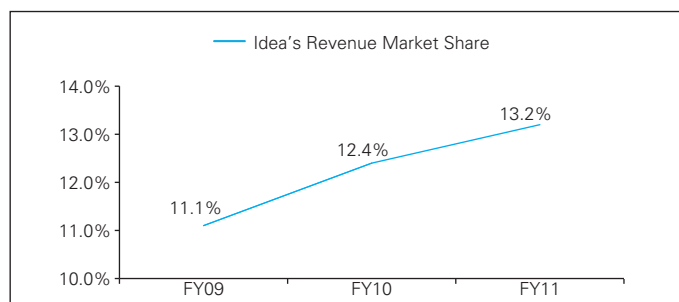
Idea's gold standard 3G services connect to the world of faster internet with the speed of upto 21 Mbps, video calling and conferencing on the handset, Mobile TV, Idea Mall applications store, besides many other infotainment services.

Idea has also introduced a choice of affordable data billing option for Pre-paid and Post-paid subscribers, including time based billing plans for 3G services, enabling user to avail high end data services without worrying about the volume of usage. Idea is the first company to introduce the sachet pricing at as low as ₹ 8 for trial purpose and attractive 'Gigabyte' bundles, for medium to heavy users.

With launch of 3G services and all around improvement in 3G ecosystem in terms of devices, applications and contents your Company is all set to exploit the untapped wireless broadband data market and other emerging verticals of revenue like Mobile banking, M-commerce, M-health, M-education etc.

Revenue Market Share

The Company remains focused to improve its revenue market share. From 5th ranked operator in FY09, company improved its national standing and as per latest TRAI release, is positioned as No. 3 Indian operator, in terms of gross revenues. The revenue market share for the company stands at 13.2% in FY11 compared to 12.4% in FY10, the testimony to its growing performance. Company was placed among top two operators in terms of incremental gross revenue market share in FY11. In its established service areas Company commands a revenue market share of 17.7%.



Source: TRAI

Quality Subscriber Base

As at end March, 2011 the Company's subscriber base stands at 89.5 Mn as compared to 63.8 Mn last year, an increase of 40.2%. To monitor the quality of subscribers reported by the industry, the TRAI recently started releasing the data of VLR subscribers (surrogate for active subscribers). Idea has always been stringent in monitoring the quality of its subscriber base. As per TRAI release (March, 2011), your Company leads the industry with 93% of reported subscribers as VLR subscribers. Company's VLR EoP subscriber market share stands at 14.6% in March, 2011 compared to a reported subscriber market share of 11.0%, true reflection of competitive strength of the Company.

Mobile Number Portability

The Mobile Number Portability (MNP) - an invite to all Indian mobile customers to change their Wireless Operator, while retaining their mobile number was implemented by a nationwide launch on January 20, 2011. On an overall basis, the subscribers who opted to change their operator are not very large in numbers. However, the trends emerging from MNP are clearly distinguishing Idea in terms of customers' preference for better quality of services and perception of brand value. With a net gain of over 930,000 subscribers (as on July 24, 2011) and lowest port-out ratio of only 58 subscribers against every 100 subscribers, your Company leads the industry with respect to Mobile Number Portability.

The success on MNP can be attributed to winning the MNP space in consumer's mind. We were the first mover to promote MNP, highlighting our network quality, superior consumer service and brand strength, using the power of 'No Idea, Get Idea' campaign.

Idea has been most successful on the MNP drive as its program is based on the insights that mobile consumer look for, a Pan India network offering seamless connectivity across the length and breadth of the country, accessible and humane customer care, accurate billing system, voice quality and low call drops. The overwhelming response from the Indian consumers on MNP reflects the power of these parameters, being delivered by your company.

Non Voice Revenue

Idea believes there is significant potential for the growth in the 'Non Voice Segment' revenues across all three categories - Text, Voice and Data.

Indian telecom operators manages only 12-13% of VAS revenue, thereby lagging behind other emerging markets counterparts in China, Indonesia etc, where Non-voice revenue is significantly high. Idea is focused on capturing this opportunity in VAS.

Your Company is targeting to improve adoption of SMS services, where current penetration is only 39%. Similarly while 60% of Idea consumers use GPRS/EDGE devices, only 10% are active users of wireless data services and the company is making all efforts to change the same.

Idea VAS strategy is to offer rich and high quality content around music, bollywood, cricket and other mass appeal products to over 93 million mobile users.

Mobile Banking

RBI has allowed the mobile operators to acquire a 'Semi Closed Wallet' to offer M-banking services for the unbanked so as to improve the financial inclusion of masses.

Idea became the first major telecom operator to initiate Mobile Banking services through an alliance with Axis Bank. Idea has developed a facility titled 'Idea MyCash' which provides basic banking services including money transfer using the mobile platform.

Project 'Idea MyCash' along with Axis Bank is currently at a pilot stage. This is mobile based financial inclusion initiative which besides providing basic banking services to the unbanked like cash deposit, cash withdrawal and balance enquiry, will also enable money transfer between the migrant population in urban areas to their beneficiaries back home. The remittance facility is currently being offered on pilot basis from Mumbai (Dharavi) to Uttar Pradesh East (Allahabad) remittance corridor to begin with, and will be extended to other remittance corridors subsequently.

Power Brand

Idea is envisioned as a 'Champion' brand, driven by a cause. Our mission is to shift paradigms, making mobile telephony a way of life. To be a leader in the fast changing telecom industry, it is important to be ahead of the times. Idea represents innovation and vitality, is imaginative and future ready. Idea strives to build preference for the brand through its services.

Idea's communication has been about simple ideas that have the potential to change your life. It paints a picture of possibilities that lift mobile telephony from just communication to being an enabler of positive change in the lives of millions. We have creatively used the role Mobile Services is playing in uniting the country and providing innovative suggestions to long standing social and societal issues. The brand communication is designed to be perceived as humane, caring, warm and friendly.

This framework has led to the creation of some very noticeable and memorable advertising like the Caste War, Education for all, Use Mobile Save Paper, Break the Language Barrier, which have not only won many awards but also millions of hearts. This time we have embarked on an even more ambitious social issue that looms large on India's front - POPULATION. The 'Idea 3G pe Busy' campaign has been much appreciated and is the most talked about campaign in recent times.

Idea is the fastest growing telecom operator in the world's fastest growing telecom market, and has also been ranked among India's Buzziest Brands across telecom and non-telecom categories, and our brand efforts have played a sterling role in cutting through the clutter of advertising with a simple message on the benefits of telephony.

Global Scale of Operation at World's Lowest Pricing Points

The Company carried 362.6 billion minutes on its network during FY11, placing it among the top 10 operators in the world in terms of voice minutes of usage.

Due to hyper-competition, the realised rate fell by 12.3%, from Q4FY10 to Q4FY11 and stands at 40.6p. But your Company has worked hard to manage its cost structure with better assets utilisation and efficiencies in operation. As a result, the cost per minute during the same period declined by 10.6%, and stands at 32.6p. Idea is one of the few companies in the world, which is able to run high quality telecom services at the world's lowest price.

Revenues

Revenues and Other Income for the year ended March 31, 2011, stood at ₹ 155,032 Mn, as compared to ₹ 124,990 Mn during the previous year, indicating a growth of 24.0%, in a sector which grew by only 11.9%. Non-voice revenues from subscribers grew at 41.1% over the previous year. Revenues from Long Distance services, forming part of total revenues after inter segment eliminations, were ₹ 414 Mn while revenues from Passive Infrastructure services were ₹ 718 Mn. Other Income reduced predominantly due to reversals arising from conversion of lease agreements from finance lease to operating lease which was specific to the previous year.

Operating Expenses

Operating Expenses stood at ₹ 117,126 Mn vis-à-vis ₹ 90,399 Mn for the previous year. The contributors to the total Operating Expense of 75.5% were Personnel Expenditure 5.2%, Network Operating Expenses 25.9%, License and WPC charges 11.4%, Roaming and Access Charges 16.0%, Subscriber Acquisition and Servicing Expenses 10.3%, Advertisement & Business Promotion Expenditure 2.5% and Administration & Other Expenditure 4.1%.

Profit before Interest, Depreciation and Amortisation

The Company generated a Profit before Interest, Depreciation and Amortisation of ₹ 37,906 Mn for the year ended March 31, 2011, as compared to ₹ 34,591 Mn for the previous year. The operating profit margin for the current financial year stood at 24.5% compared to 27.7% for the previous year.

Depreciation, Amortisation and Finance Charges

Depreciation and Amortisation expenses increased by 19.0% to ₹ 23,973 Mn for the year ended March 31, 2011 as against ₹ 20,149 mn for the previous year. Net Finance Charges for the year decreased slightly by 1.0% from ₹ 4,005 Mn to ₹ 3,964 Mn.

Profits and Taxes

For the year ended March 31, 2011, Cash Profit stood at ₹ 34,068 Mn, a growth of 11.5% over the previous year. The Profit before Tax for the year stood reduced by 7.3% over the previous year at ₹ 9,969 Mn. The tax charge, mainly consisting of deferred tax charge stood at ₹ 982 Mn. The Net Profit for the year ended March 31, 2011 was ₹ 8,987 Mn resulting in a net profit margin of 5.8%.

Capital Expenditure

During the year ended March 31, 2011, the Company incurred a capital expenditure of ₹ 99,107 Mn, including ₹ 57,686 Mn being the payout for 3G spectrum.

Balance Sheet

During the year, the paid-up equity share capital of the Company increased by ₹ 34.34 Mn, due to issuance of equity shares to the employees pursuant to exercise of stock options granted under Employee Stock Option Scheme, 2006. The total shareholders' funds stood at ₹ 122,980 Mn as at March 31, 2011.

The Gross Block and Net Block [including Capital Work in Progress (CWIP)] stood at ₹ 336,977 Mn and ₹ 261,316 Mn respectively as at March 31, 2011. Treasury investments in mutual funds decreased by ₹ 1,104 Mn during the year and stood at ₹ 10,200 Mn as at March 31, 2011. Net Current Liabilities increased as at March 31, 2011 and stood at ₹ 24,773 Mn.

Human Resources

The Company, through its participative work environment, skill development activities, and by championing the values of commitment, integrity, passion, seamlessness and speed, promotes strong bonding with its employees.

The company has participated in the Organisation Health Study (OHS) during the year and findings of the same have been analysed, which are very encouraging, and concern areas are being suitably addressed. In June, 2011 as part of India's Best Company to Work for – 2011 study, the Company has been ranked 1st in the Telecommunications sector and ranked 12th amongst 471 companies which had participated across sectors on an All India basis, which is an acknowledgement of the organizational culture that exists. The employee strength on rolls stood at 7,282 as on March 31, 2011.

Risk Management

The Risk Management framework of the Company ensures, amongst others, compliance with the requirements of clause 49 of the Listing Agreement. The framework establishes risk management across all service areas and functions of the Company, and has in place procedures to inform the Board Members about the risk assessment and minimization process. These processes are periodically reviewed to ensure that the management of the Company controls risks through a defined framework. The various risks, including the risks associated with the economy, regulations, competition, foreign exchange, interest rate etc., are monitored and managed effectively.

Internal Control Systems

The Company has appropriate internal control systems for business processes, covering operations, financial reporting and compliance with applicable laws and regulations. Clearly defined roles and responsibilities for all managerial positions drive adherence of defined processes. Process controls are reviewed periodically and strengthened given the inherent nature of operational fraud risks in telecom sector. The operating parameters are also monitored and controlled. Regular internal audits and checks ensure that the responsibilities are executed effectively. The audit committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them, as appropriate.

Regulatory

Major regulatory developments for the period are:

3G and BWA Spectrum Allotment

The DoT conducted the auction of 3G and BWA spectrum in 2010. The 3G auction conducted by International auctioneers under supervision by Department of Telecommunications concluded in May 2010, which was followed by auction for BWA spectrum. The 3G and BWA auction fetched a total of approximate ₹ 106,000 crore to the Government of India. A total of 71 slots for 3G spectrum were auctioned, while MTNL and BSNL were allocated spectrum in respective areas with equivalent winning bid prices. Post conclusion of the 3G and BWA spectrum auctioning process, spectrum has been allocated to successful bidders, as per the timeline provided in the Notice Inviting Application (NIA). The DoT has also amended the CMTS/UAS license conditions to use 3G/BWA spectrum for provision of telecom access services. During the last quarter of the year, some operators have started roll-out of 3G services. However issues relating to interference etc. have impacted services at certain locations like Jammu & Kashmir.

Mobile Number Portability

The facility of Mobile Number Portability (MNP) service was introduced on a pilot basis in the service area of Haryana on November 25, 2010. After successful trial, same was introduced across all remaining service areas of the country from January 20, 2011. By the end of March 2011, around 64.23 lakh subscribers have submitted their requests to different service providers for porting their mobile number. (Source: TRAI)

Security Compliances

On July 28, 2010, the DoT had issued the license amendment, as per which, a security template had to be signed between the licensees and vendors. There were many clauses in the template which were incoherent and not acceptable to the vendors and the operators. As a result, majority of the vendors were not able to sign the agreement. The amendment effectively visualized a penalty of ₹ 50 crore for any incidence of non-compliance – valid for each purchase order. Later on the DoT clarified that the process of import of equipment could also be considered under specific approval process. This clarification – valid for vendors, who did not sign template agreements, led to considerable delays in import of equipment and associated roll-out, especially in rural areas.

On other security linked compliances, it may be noted that DoT extended the time frame for completion of subscriber re-verification process – which considering the existing subscriber base was a mammoth exercise. After deliberations from service providers the DoT also accepted the UID as a valid Proof of Identity and Address for acquiring mobile connections. In fact, the DoT will shortly conduct a Proof of Concept for the same with a few operators.

The service providers also had to face fresh requirements related to compliance on EMF radiation norms. Post discussions with service providers, the DoT agreed for extension of deadline for EMF compliance from November 30, 2010 to March 31, 2011.

TRAI Recommendations on Spectrum Management & Licensing Framework

The TRAI on May 11, 2010, announced recommendations on Spectrum Management and Licensing Framework. As per the recommendations:

- The contracted spectrum will be 6.2 MHz for GSM operators and 5 MHz for CDMA operators.
- The prescribed limit for spectrum to be assigned to a service provider will be 8 MHz for all service areas, other than Delhi and Mumbai where it will be 10 MHz. All Spectrum assigned beyond the prescribed limit shall be withdrawn.
- All future licenses should be unified licenses and spectrum to be delinked from the license.
- There should be uniform license fee across all telecom licenses and service areas.
- Spectrum in 800 MHz and 900 MHz bands should be refarmed at the time of renewal of licenses and to be replaced with 450/1900 MHz (for CDMA) /1800 MHz (for GSM) bands with equal amount of spectrum.
- The 3G price should be adopted to determine the current price of spectrum in the 1800 MHz band. 900MHz spectrum band will be valued at 1.5 times of 1800MHz band. The TRAI is separately initiating the exercise to further study this subject and would apprise the Government of its findings.
- Spectrum sharing to be allowed between 2 operators, who do not hold more than 4.4 MHz.

However no final decision has been taken by the Department of Telecommunications on this issue.

Report on the 2010 value of spectrum in the 1800 MHz band

The TRAI post their recommendations in May, 2010 had entrusted four experts to study the issues involved and provide the value of spectrum in 1800 MHz band. On February 9, 2011 the TRAI has released the experts report on "The 2010 value of spectrum in 1800 MHz band". As per the report, the price for per MHz of the Pan India spectrum, upto 6.2 MHz, is estimated to be ₹ 1,769.75 Crore while for the spectrum beyond 6.2 MHz, the estimated price of the Pan India spectrum is ₹ 4,571.87 Crore. In a letter to DoT, while submitting the above report, the TRAI has also mentioned the following points:

- If the cancellation of licenses, as advised by the authority, takes place then in certain service areas spectrum would be available and in that event it should be possible for the government to auction the surplus spectrum and treat the auction price as the relevant price of spectrum beyond 6.2 MHz.
- The price given by the experts be adopted as the best available figures for spectrum up to 6.2 MHz and these prices may be made applicable w.e.f. April, 2010 prorated for the remaining validity of the respective licenses while charging for excess spectrum.

However no final decision has been taken by the Department of Telecommunications on this issue.

Opportunities, Risks, Concerns and Threats

The Indian wireless sector is going through a phase where the volume growth in terms of total minutes of usage in the sector is healthy, but the continuous decline in the tariffs resulting in a much lower growth in terms of gross revenue for the sector.

However, Idea's 2G operations are competitively very well placed. Idea is the leader in four service areas viz., Kerala, Maharashtra, Madhya Pradesh and Uttar Pradesh (West), ranks 2nd in three service areas namely Haryana, Punjab and Andhra Pradesh and ranks 3rd in Gujarat. Idea won 3G spectrum in all these strategically important service areas. These service areas, give a combined revenue market share of 23.6%, making Idea the second largest operator in these service areas put together.

Idea is also emerging as a strong operator in the service areas of Uttar Pradesh (East) and Rajasthan (ranks 3rd), Delhi, Himachal Pradesh and Bihar (ranks 4th), where it was a late entrant. Idea also holds 3G spectrum for the service areas of Uttar Pradesh (East) and Himachal Pradesh out of these service areas. Idea is suitably positioned to benefit from the future growth in voice and data.

The telecom sector is characterized by technology changes. Competition from new technologies is an inherent threat. However, your Company, with an assortment of spectrum in 900/1800 MHz and now also in 2100 MHz, has an attractive spectrum footprint to adapt to future technology changes. Company has also launched its 3G services in most parts of India and the initial response from 3G subscribers is encouraging. This, along with the strong Balance Sheet and a power brand, positions the company to make the best of future opportunities in this growth sector.

Besides the 20 year license won by the company in 22 service areas for 2G business at various stages of its lifecycle, and 3G spectrum for 11 service areas, the company works with local, state and central agencies for specific permissions to operate its mobile licenses and meet regulatory/policy guidelines of the DoT, related to national security, subscriber verification and other related local/national issues. After the completion of the license period, the renewal of the licenses will be as per the applicable policy, which is under formulation. The Company is of the view that such renewal will be with moderate fees and will not be disruptive in nature. The continuation of services and investment protection will hopefully be ensured through the terms of renewal.

The Company's business is dependent on key Network and IT equipment suppliers, for management and continuity of its Network, IT and business processes. The Company is in partnership with global leaders in Network equipment and IT services and enjoys very long standing healthy relations with all its suppliers.

Outlook

The over-capacity and hyper-competitive scenario over the last two years resulted in compulsion to operate at tariff levels which are lower than costs for most of the new operators. In this phase, Idea has significantly improved its competitiveness in the world's fastest growing telecom market and now ranks among the top three Indian wireless operators, in terms of gross revenue. Idea based on its strong position in the leadership service areas, calibrated approach for new service areas, brand power, sophisticated management processes coupled with its strong Balance Sheet and generation of steady cash profits is poised to benefit from long term sector opportunities.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may constitute a "forward-looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic markets in which the Company operates, changes in the Government Regulations, tax laws and other statutes and other incidental factors.

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the sixteenth Annual Report, together with the audited financial statements of the Company for the financial year ended March 31, 2011.

Financial Results

The standalone and consolidated financial results of your Company for the financial year ended March 31, 2011 are summarised below:

Particulars	₹ Mn			
	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
Income from Services	153,328	118,502	154,384	123,979
Other Income	562	801	648	1,011
Total Revenue	153,890	119,303	155,032	124,990
Operating Expenses	122,609	90,358	117,126	90,399
EBITDA	31,281	28,945	37,906	34,591
Depreciation and Amortisation	19,730	15,512	23,973	20,149
EBIT	11,551	13,433	13,933	14,442
Interest and Financing charges	2,487	2,063	3,964	4,005
Surplus from prepayment of loan	-	317	-	317
EBT	9,063	11,687	9,969	10,754
Taxes	617	1150	982	1,215
Net Profit after Tax	8,446	10,537	8,987	9,539
Balance brought forward from previous year	(3,964)	(4,053)	(5,038)	(5,263)
Accumulated Losses acquired on Amalgamation of Spice Communications Limited (net of withdrawals from General Reserve & Deferred Tax effects)	-	(10,448)	-	(9,314)
Cumulative Profit / (Losses)	4,482	(3,964)	3,949	(5,038)

Operations Review

Your Company's total subscriber base as on March 31, 2011 stood at 89.5 million, an increase of 40.2% over the previous year. On a national basis, your Company's subscriber market share stood at 11.0% as of end March, 2011. Further, the Company's revenue market share increased to 13.2% for the year ended March, 2011 from 12.4% in the previous year.

During the financial year, your Company's total minutes of usage on the network crossed the daily one billion minutes mark in terms of daily voice traffic, placing the Company amongst the largest 10 telecom operators in the world. The Company grew its Optic Fibre network by ~ 7,000 route kilometers during the financial year to cater to almost all of its captive National Long Distance traffic.

As a result of the above, on a standalone basis, the total revenues for the financial year were ₹ 153,890 Mn representing a growth of 29.0% over the previous year.

During the last financial year (FY 10), your Company had launched 7 new service areas, which, in FY 11 operated for the first full financial year and are yet to generate cash from operations. The Profit after tax was lower at ₹ 8,446 Mn, a decrease of 19.8% as compared to the previous year. However, the brought forward losses from the previous years (including those acquired on amalgamation of Spice Communications Limited in March 2010) have been completely wiped off during this financial year. As of March 31, 2011, your company has carried the accumulated Profit and Loss balance of ₹ 4,482 Mn to Reserves and Surplus.

On a consolidated basis, the total revenues were higher by 24.0% at ₹ 155,032 Mn over the previous year. The consolidated Net Profit after tax stood at ₹ 8,987 Mn, a decrease of 5.8% compared to the previous year.

Dividend

The Company is in the telecommunication sector which continues to see tremendous growth and significant new investments. The Company's capex requirements are presently higher than the cash profits and hence the company currently does not have free cash flows. Hence, your Directors do not recommend any dividend for the year ended March 31, 2011.

Share Capital

During the year under review, your Company issued and allotted 3,433,713 Equity Shares of ₹ 10/- each, fully paid-up, to the option grantees pursuant to the exercise of stock options under Employee Stock Option Scheme, 2006 (ESOS-2006).

Consequently, the issued, subscribed and paid-up equity share capital of your Company as on March 31, 2011 stood at 3,303,271,505 equity shares of ₹ 10/- each.

Credit Rating

Your Company continues to have credit rating of CARE A1+ and CRISIL A1+ for its short term debt program and CARE AA credit rating for its long term debt program.

Capital Expenditure

Your Company continues to expand network for enhanced coverage and quality. Your Company incurred a capex of ₹ 99,107 Mn (including ₹ 57,686 Mn and ₹ 4,097 Mn, being payout for 3G spectrum fee and interest capitalised thereon) during the financial year 2010-11.

The Company also made significant progress in rolling out its National Long Distance (NLD) network, and augmenting the International Long Distance (ILD) network. As at end March, 2011, it carried about 90% of its captive NLD and ILD outgoing traffic.

Employee Stock Option Scheme

During the year, the ESOS Compensation Committee granted 2,524,500 options as fourth tranche under the Employee Stock Option Scheme, 2006 (ESOS - 2006) to the eligible employees of the Company. Each option is convertible into one Equity

Share of the Company upon vesting. These options will vest in 4 equal annual installments after one year of the grant and shall be exercisable within a period of 5 years from the date of the vesting.

The disclosures in compliance with clause 12 of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended, are set out in Annexure 'A' to this Report.

Human Resources

Your company continues to invest in building a strong performance culture through alignment, shared agreement, robust measurement and constructive performance conversations. Implementation of sophisticated management processes and continued investment in people have helped the Company set high standards of performance.

Significant Developments:

- **Launch of 3G Services**

The Company was winner of 3G spectrum in 11 services areas. During the period March'11 to July'11, the Company has launched 3G services in 9 out of these 11 service areas. The Company is in the process of launching 3G services in Jammu and Kashmir service area. The 3G spectrum for Punjab service area has not been earmarked by DoT to the Company for commercial usage as yet, and hence Company has not been able to launch 3G service there until now.

Besides providing 3G services in the service areas where the Company has won spectrum, the Company has also entered into bilateral roaming arrangements with other leading operators. Consequent to these arrangements, the Company is providing 3G services in 6 service areas through roaming arrangements, and is in talks to launch its 3G services in the remaining service areas.

- **ISO 9001:2008 Certification**

The Service Delivery function of the Company is ISO 9001:2008 certified. The ISO 9001:2008 certification (by TUV-Nord) ensures a unified platform for providing consistent services to all the customers the Company serves across the markets and hence the processes that are implemented are customer centric, best in class and in line with the international quality management systems.

- **Change in Leadership**

Mr. Sanjeev Aga relinquished the office of the Managing Director of the Company from the close of business hours on March 31, 2011. Mr. Aga continues to be on the Board as a Non-Executive Director of the Company. Mr. Himanshu Kapania assumed the role of the Managing Director with effect from April 1, 2011. Mr. Kapania has over 26 years of experience and has in-depth knowledge of the Telecom Industry including the current competitive landscape in India. Before taking over this current role, in the position as Director Operations, he has successfully led the numerous new service area roll outs in the last four years and also has led several Company-wide strategic initiatives contributing to the growth of the Company.

- **Merger of Spice Communications Limited**

The Department of Telecommunications (DoT) had obtained an

ex-parte stay on March 30, 2011 from the Hon'ble High Court of Delhi against its order dated February 5, 2010 sanctioning the Scheme of Amalgamation of Spice Communications Limited (Spice) with the Company. The Hon'ble High Court of Delhi while pronouncing its judgment on July 4, 2011, reaffirmed the amalgamation of Spice with the Company. However, the said judgment transferred and vested unto the DoT, the six licenses granted to erstwhile Spice along with the spectrum (including the two operational licenses for Punjab & Karnataka service areas), till the time permission of DoT is obtained. Upon an appeal filed by the Company before the Appellate Bench, challenging the above judgment of July 4, 2011, the Appellate Bench through interim orders, has directed DoT to:-

- Accept the License Fee from the Company without prejudice, as the Company is continuing to operate the licenses for Punjab & Karnataka service areas granted to erstwhile Spice;
- Maintain status quo in relation to the aforesaid two operating licenses and not to take any coercive steps in relation to any demand pertaining to the four non operating licenses till the next date of hearing.

The matter remains sub-judice.

- **3G Spectrum for Punjab Service Area**

The Company had participated in the 3G auction conducted by the Department of Telecommunications (DoT), basis the 2G licenses held by it for various service areas and was declared winner for the allotment of 3G spectrum in 11 service areas on May 21, 2010, including Punjab service area. The DoT accordingly issued Letters of Intent for earmarking of 3G spectrum, inter-alia, for Punjab service area. Thereafter the Company approached DoT for carrying out license amendment, enabling the Company for commercial usage of 3G spectrum. Though DoT carried the requisite amendments to 2G licenses for 10 service areas, it, however, is yet to carry license amendment and allow commercial usage of earmarked 3G spectrum in respect of Punjab service area.

As the Company did not receive any response to repeated requests made to DoT, it approached Telecom Disputes Settlement and Appellate Tribunal (TDSAT) and filed Petition for necessary direction to the DoT to allow the commercial usage of allocated 3G Spectrum for Punjab service area. The TDSAT has dismissed the said petition in view of order passed by Delhi High Court in July, 2011 concerning amalgamation of erstwhile Spice Communications Limited with the Company, which was holding the operative 2G license in respect of Punjab service area. The Company has filed necessary appeal before the Appellate Bench of Delhi High Court against the July, 2011 order passed by the single judge and would decide the next course of action at an appropriate time, basis the outcome of appeal.

- **Notices from DoT for alleged violation of terms and conditions of License Agreement**

Due to the DoTs alleged contention that the acquisition of erstwhile Spice Communications Limited and its subsequent amalgamation violates certain license conditions / guidelines, the Company had received various Show Cause / Demand Notices from the DoT in respect of the operational and non-

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operational licenses including for alleged failure to meet roll-out obligations. Your Company is contesting the same before the appropriate forums. More details are provided in Note B4 of Schedule 22 – Notes to Accounts.

Corporate Sustainability

Your Company, part of the Aditya Birla Group which is India's first truly global conglomerate, is one of the oldest players in the Indian telecom industry and has played a key role in the development of mobile telephony, particularly in rural India. As part of a socially responsible corporate group, your Company has and continues to adopt policies, and business strategies to effectively integrate emerging environmental, social and economic considerations.

Whether it's through conserving energy, recycling, or finding innovative solutions to environmental and social challenges, your Company is committed to being a respectful, responsible and positive influence on the environment and the society in which it operates. Efficient power management, infrastructure sharing, use of eco-friendly renewable energy sources, leveraging the latest in technology to reach out to a large audience in most energy efficient manner such as video and teleconferencing, smart logistics, etc. are some of the best practices in our network infrastructure and day-to-day business operations, to ensure a clean and green environment.

Network Infrastructure Initiatives

In our effort to give back to the environment and reduce the collective carbon foot print of the telecom sector in India, your Company pioneered the concept of 'Shared Telecom Infrastructure' services, along with a few other industry leaders in the wireless space. This initiative is committed towards continuous innovation endeavors; optimization of future tower rollouts; and enhanced operational efficiencies leading to a substantial reduction of carbon foot print.

The Indian telecom industry's first collaborative, cross-industry consortium to encourage the development of environmentally sustainable mobile networks was also led by your Company, which was supported by the GSMA. The pilot, aimed at developing biofuels as a source of power for wireless networks in rural India which are located beyond the reach of the national electricity grid, was conducted in parts of Andhra Pradesh and Maharashtra. The learnings of the research were later handed to the infrastructure company which owns the towers, to explore broad basing of the program.

In a bid to reduce energy consumption by our BTS, your Company chose OD BTS (outdoor BTS) as our preferred BTS type in 2007. Currently, over 40% of our total BTS portfolio comprises of OD BTS, which has resulted in reducing our conventional energy consumption by about 25% as compared to the ID BTS (indoor BTS). Efforts are also on to re-deploy ID BTS to OD BTS sites, in some locations, which will further reduce energy consumption at these sites by 25%.

Your Company has explored a Solar Hybrid Solution for running our BTS in parts of rural Bihar. This will reduce the fuel consumption of power generator from running for 15-16 hours to less than 5 hours a day in these locations.

Your Company is also part of the Fuel Cell project, initiated by

our Group. The project aims at exploring the usage of hydrogen as an alternate energy source to power mobile base stations. Currently, at trial stage, if successful, this program has the potential of reducing the usage of a regular power generator to Zero.

Communication Initiatives

With a current subscriber base of nearly 10 crore, there is an opportunity to influence a large mass of people by promoting green initiatives through our various communication programs and customer service initiatives.

Your Company germinated the thought of 'Use Mobile, Save Paper' in the minds of millions of mobile users in India, with its aggressive yet thought provoking campaign. The campaign was designed to highlight numerous ways of saving paper, and thereby saving the green cover necessary for the health of the planet, by using a range of mobile based value added services in day-to-day activities to replace paper.

Your Company was amongst the first mobile operators in India to promote V-Top up recharges for prepaid users, in a major way, which led to virtual phasing out of paper-based recharge vouchers, ultimately resulting in saving tonnes of paper.

Another recent and ongoing initiative is e-Bill, which is being consistently promoted to ensure that more and more users opt for this service, and contribute towards saving paper.

Breaking all conventions, your Company has conceived another innovative program which is aimed at reducing plastic consumption on a large scale. In a major overhaul of its logistics management, it introduced the 'PICO' card, which is a half-size plastic card that bears the SIM card. Your Company is one of the first operators, globally, to introduce the new PICO card which is expected to save over 90% of plastic used in manufacturing regular cards.

Employee Based Initiatives

Your Company's HR operations have all been enabled online for its over 7,000 employees, to ensure that there is minimal paper documentation. This will save tonnes of paper and help maintain otherwise fragile eco-balance.

The Company uses smart ICT solutions such as teleconferencing, videoconferencing, web chats etc. for internal communication amongst employees to minimize travel.

Driven by its socially conscious parent Group, your Company stays committed to the cause of giving back to the environment and will continue to drive the efforts towards environment sustainability by reducing carbon foot print and energy consumption.

Awards and Recognitions

Your Company's contribution and efforts is being recognised through prestigious awards and recognitions in various fora. Some of them are listed below:

- Your company has been ranked 1st in the Telecommunications sector and ranked 12th in the country under India's Best Companies to Work for – 2011 Study conducted by Great Place to Work® Institute, India, in partnership with The Economic Times.

- Your Company has also been adjudged amongst the Top 3 companies in Telecommunications sector in the “Best Companies to Work For” Study conducted by Business Today.
- Your Company has been ranked 3rd in Best Investor Relations category for Telecommunications sector (Nominated by Sell Side) in 2011 All-Asia Executive Team rankings by Institutional Investor magazine in a sector based survey, which had a participation of 522 portfolio managers and investors, as well as 348 sell-side analysts.
- Brand *Idea* has been ranked the 4th Buzziest Brand by Agencyfaqs for second consecutive year.
- Outdoor Innovation for “Break the Language Barrier campaign” won two Silver Awards at the OAC (Outdoor Advertising Convention) Awards 2011 for Telecom Category for Multiple Executions and Best New Media Format Innovation.
- The ‘Use Mobile Save Paper’ campaign was one of the most awarded campaigns with over 7 awards in various media awards like the EMVIES 2010, EFFIES 2010, Digital Media Awards 10-11 and Yahoo big Chair Awards 10-11. The campaign was also creditably nominated at the Asian Marketing Effectiveness Awards and it also won us the Olive Crown Gold Award for the Green Brand of the Year at Goafest 2011.
- The Company also received the award for ‘Most outstanding use of Radio in an Ad campaign’ at the India Radio Forum 2011, Best Televised Event - EEMAX Awards 2010 for ‘Idea Rocks India’ and an award for Rural Marketing Programme at the WOW Awards.
- The Company launched a unique Interactive Voice Response rural service called ‘Behtar Zindagi’ in 16 regional languages, which provides information on key requirements of the rural segment like mandi rates, livestock, weather information, agriculture etc.
- Classified Services have been launched as a new VAS service, offering access to Jobs, Real Estate, Matrimony, Best Deals etc.
- Idea continued on its ‘*What an Idea Sirji*’ campaign and launched the much appreciated ‘Break the Language Barrier’ campaign. It was supported with a unique service of ‘Idea Language Helpline’ offering instant translations in 15 Indian languages.
- The Idea 3G media campaign was launched to support Idea’s 3G rollout.
- Idea strengthened its brand through a series of media properties with associations with Kaun Banega Crorepati, Koffee With Karan, Mission Army and Grammy Awards on VH1, in addition to existing marquee properties like Idea Filmfare Awards, Idea Present Citizens Journalist and other regional media properties. The brand continued its association with the Delhi Daredevils team in IPL4.
- Idea launched a unique National Inter School Skill fest called “Kaho Whats Your Idea” in association with renowned Quizmaster Derek O Brien. The program was very well received as it became one of the largest National School Connect Programs in the country touching 2.5 Lakh students across 3000 schools in 100 cities.

New Initiatives and Alliances

During the year under review, your Company made extensive progress on the marketing and customer care front by introducing various innovative products and services and also entered into various alliances. Some of these are:

- “IMAGINE” promotions management system won the Prepaid Excellence Awards 2011 for Best Product Innovation category. This system enables the Company to launch targeted promotions for the prepaid subscribers and ensures enhancement in take rate of the promotions.
- Matrix, the number and SIM management system is being rolled out to enable seamless provisioning of numbers and starter packs in the various network elements.
- Siebel CRM (Christened as Crystal) was successfully rolled out in the Company. This is the largest Implementation of Siebel in a single instance in the world. Crystal implementation has ensured, reduced cost, increased customer satisfaction through better customer service.
- To facilitate higher adoption of 3G services by customers and to provide better face-to-face service, 3G Experience Zones have been established at the Service Centers across various cities. The 3G Experience Zones are managed by trained Data Specialist equipped with TV, Netbook, 3G compatible handset, NetSetter and device simulators for demonstration and query handling.

Subsidiaries and Joint Ventures

Your Company has the following subsidiaries and joint ventures:

Subsidiaries

- Aditya Birla Telecom Limited, holds 16% shareholding in Indus Towers Limited and 100% shareholding in Idea Cellular Towers Infrastructure Limited.
- Idea Cellular Services Limited, provides manpower services to the Company.
- Idea Cellular Infrastructure Services Limited, is a tower company owning towers in Bihar and Orissa service areas and provides passive infrastructure services in these service areas.
- Idea Cellular Towers Infrastructure Limited (ICTIL), holds towers de-merged from the Company. ICTIL has filed a scheme of arrangement in the Hon’ble High Court of Delhi which provides for its merger into Indus Towers Limited.
- Idea Mobile Commerce Services Limited (Formerly Carlos Towers Limited), is engaged in the business of Mobile Banking, though it is yet to commence commercial operations.
- Swinder Singh Satara and Company Limited, is engaged in the trading of Data Cards, mobile handsets and Fixed Wireless Phones.

In terms of general exemption granted by the Ministry of Corporate Affairs, Government of India, vide its circular

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no. 2/2011 dated February 8, 2011, and in compliance with the conditions enlisted therein, the reports and annual accounts of the subsidiary companies for the financial year ended March 31, 2011 have not been attached to the Company's accounts.

The annual accounts and other related information of the Subsidiary Companies shall be available for inspection during business hours by the members at the Registered Office of the Company. The copies of these documents will also be made available to the members upon request.

Joint Ventures

Indus Towers Limited, in which Aditya Birla Telecom Limited (ABTL) holds a 16% stake, is a joint venture between the Bharti group, Vodafone Essar group and the Company (through ABTL), and provides passive infrastructure services in 16 service areas.

Fixed Deposits

Your Company does not accept or hold any deposits and as such, no amount of principal or interest on fixed deposits was outstanding on the date of the Balance Sheet.

Corporate Governance

The Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to all the requirements as provided in clause 49 of the Listing Agreement which relates to Corporate Governance.

A Report on Corporate Governance as stipulated under clause 49 of the Listing Agreement forms part of the Annual Report. A certificate from the statutory auditors of the Company, confirming compliance with the conditions of Corporate Governance, as stipulated under clause 49 forms part of this report.

Management Discussion and Analysis

The Management Discussion and Analysis Report for the year under review, as stipulated under clause 49 of the Listing Agreement is presented in a separate section forming part of the Annual Report.

Board of Directors

Mr. Sanjeev Aga relinquished the office of the Managing Director of the Company from the close of business hours on March 31, 2011. Taking into account the significant contribution made by Mr. Aga during his tenure as the Managing Director, in the growth of the Company, the Board decided to avail his services as a Non-Executive Director on the Board of the Company with effect from April 1, 2011.

Mr. Himanshu Kapania has been appointed as the Managing Director of the Company for a period of 5 years with effect from April 1, 2011. An abstract of the terms and conditions of his appointment and memorandum of interest under Section 302 of the Act have been sent to the Members of the Company in February, 2011.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Kumar Mangalam Birla, Mr. Gian Prakash Gupta, Mr. Sanjeev Aga,

and Dr. Rakesh Jain retire from office by rotation, and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting of the Company.

Brief profile of the Directors proposed to be appointed / re-appointed as required under Clause 49 of the Listing Agreement are annexed to the Notice convening the 16th Annual General Meeting forming part of this Annual Report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo

The particulars as required to be disclosed pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, are given to the extent applicable in the Annexure 'B' forming part of this Report.

Particulars of Employees

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees have been set out in the annexure to this report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Act, the report and accounts, as therein set out, are being sent to all the members of the Company excluding the aforesaid information about employees. Any member, who is interested in obtaining such particulars about employees, may write to the Company Secretary at the Registered Office of the Company.

Directors' Responsibility Statement

Your Directors affirm that the audited accounts containing the financial statements for the Financial Year 2010-11 are in conformity with the requirements of the Companies Act, 1956. They believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operations.

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) the accounting policies have been applied consistently and judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period;
- c) proper and sufficient care has been taken to the best of their knowledge and belief for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis.

Auditors

The Statutory Auditors of the Company, M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, retire at the conclusion of the ensuing Annual General Meeting. The Statutory Auditors have confirmed their eligibility and willingness to accept the office on re-appointment. The Board recommends their re-appointment for the next term.

Auditors' Report and Notes to Accounts

The Board has duly reviewed the Statutory Auditors' Report on the Accounts. The observations appearing in the Auditors' Report, including on the sub-judice matter, does not call for any further explanation/clarification by the Board of Directors under Section 217(3) of the Companies Act, 1956.

Acknowledgements

Your Directors wish to express their sincere appreciation to the Department of Telecommunications, the Central Government, the State Governments, bankers and all the business associates for their support and look forward to continued support in future. Your Directors also wish to place on record their appreciation to the employees for their commitment in the progress of the Company.

For and on behalf of the Board



Kumar Mangalam Birla
Chairman

Place: Mumbai
Date: July 29, 2011

Annexure 'A' to the Directors' Report

Disclosure pursuant to the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Particulars	ESOS - 2006			
	Tranche I (December 31, 2007)	Tranche II (July 24, 2008)	Tranche III (December 22, 2009)	Tranche IV (January 24, 2011)
a) Number of Stock Options granted	19,931,000	6,131,250	6,918,750	2,524,500
b) The pricing formula	The exercise price was determined by averaging the daily closing price of the Company's equity shares during 7 days immediately preceding the date of grant and discounting it by 15%. In accordance with the approval of the Board of Directors and the shareholders of the Company, the ESOS Compensation Committee had re-priced the options from ₹ 112.57 to ₹ 39.30 per option on December 22, 2009.	The exercise price was determined by averaging the daily closing price of the Company's equity shares during 7 days immediately preceding the date of grant. In accordance with the approval of the Board of Directors and the shareholders of the Company, the ESOS Compensation Committee had re-priced the options from ₹ 84.03 to ₹ 45.55 per option on December 22, 2009.	The exercise price was determined by averaging the daily closing price of the Company's equity shares during 7 days immediately preceding the date of grant. Exercise price - ₹ 57.55 per option	The exercise price was determined by averaging the daily closing price of the Company's equity shares during 7 days immediately preceding the date of grant. Exercise price - ₹ 68.86 per option
c) Options vested	8,176,200	2,111,889	1,385,422	NIL
d) Options exercised	3,544,050	422,238	56,539	NIL
e) The total number of shares arising as a result of exercise of options	3,544,050	422,238	56,539	Not Applicable
f) Options forfeited/cancelled/lapsed	4,522,250	1,182,624	1,221,874	39,000
g) Variation of terms of options	In accordance with the approval of the Board of Directors and the shareholders of the Company, the ESOS Compensation Committee had re-priced the options from ₹ 112.57 to ₹ 39.30 per option on December 22, 2009.	In accordance with the approval of the Board of Directors and the shareholders of the Company, the ESOS Compensation Committee had re-priced the options from ₹ 84.03 to ₹ 45.55 per option on December 22, 2009.	NIL	NIL
h) Money realized by exercise of options	₹ 139,281,165	₹ 19,232,940.90	₹ 3,253,819.45	NIL
i) Total number of options in force	11,864,700	4,526,388	5,640,337	2,485,500
j) Employee wise details of options granted:				
i) Senior managerial personnel:	Mr. Sanjeev Aga: 1,712,000	Mr. Sanjeev Aga: 428,000	NIL	NIL
ii) Any other employee who received a grant in any one year of option amounting to 5% or more of options granted during that year	NIL	NIL	NIL	NIL
iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL	NIL	NIL	NIL
k) Diluted Earnings Per Share	₹ 2.55			
l) Difference between the employee compensation cost, computed using the intrinsic value of the stock options and the employee compensation cost that shall have been recognised if the fair value of the options was used.	₹ 229.74 Mn			

Annexure 'A' to the Directors' Report (Contd.)

Particulars	ESOS - 2006			
	Tranche I (December 31, 2007)	Tranche II (July 24, 2008)	Tranche III (December 22, 2009)	Tranche IV (January 24, 2011)
The impact of this difference on profits and on EPS of the company	The effect of adopting the fair value on the net income and earnings per share for 2010-11 is as presented below :			
	Particulars			₹ Mn
	Net profit after tax but before exceptional items			8,445.97
	Add: Intrinsic Value compensation cost			150.34
	Less: Fair Value compensation cost			380.08
	Adjusted Net Income			8,216.23
	Earnings Per Share (₹)		Basic	Diluted
	As reported		2.56	2.55
	As Adjusted		2.49	2.48
m) (i) Weighted-average exercise prices and weighted-average fair values of options whose exercise price equals the market price of the stock	—	—	—	—
(ii) Weighted-average exercise prices and weighted-average fair values of options whose exercise price is less than the market price of the stock	Weighted - average exercise price: ₹ 39.30 Weighted - average fair value of options: ₹ 31.76	Weighted - average exercise price: ₹ 45.55 Weighted - average fair value of options: ₹ 30.80	—	—
(iii) Weighted-average exercise prices and weighted-average fair values of options whose exercise price exceeds the market price of the stock	—	—	Weighted - average exercise price: ₹ 57.55 Weighted - average fair value of options: ₹ 31.34	Weighted - average exercise price: ₹ 68.86 Weighted - average fair value of options: ₹ 37.47
n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:				
On the date of Grant				
(i) risk-free interest rate (%)	7.78	7.50	7.36	8.04 – 8.14
(ii) expected life (No. of years)	6 years 6 months	6 years 6 months	6 years 6 months	6 years 6 months
(iii) expected volatility (%)	40.00	45.80	54.54	50.45
(iv) dividend yield (%)	Nil	Nil	Nil	Nil
(v) the price of the underlying share in market at the time of option grant	₹ 139.10	₹ 87.75	₹ 57.05	₹ 68.55
On the date of Re-pricing				
(i) risk-free interest rate (%)	7.36	7.36		
(ii) expected life (No. of years)	4 years 6 months	5 years 9 months		
(iii) expected volatility (%)	54.54	54.54	N.A.	N.A.
(iv) dividend yield (%)	Nil	Nil		
(v) the price of the underlying share in market at the time of option Re-pricing	₹ 57.05	₹ 57.05		

Annexure 'B' to the Directors' Report

Particulars pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are furnished hereunder:

- A. CONSERVATION OF ENERGY : Electricity is used for operating the Company's network. The company regularly reviews power consumption patterns across its networks and implements requisite improvements/changes in the network or processes in order to optimize power consumption and thereby achieve cost savings. The additional measures adopted / being tried out by the Company for energy conservation are:
- (i) Solar-DG Hybrid Solutions
 - (ii) DG-Battery Hybrid Solutions
 - (iii) Indoor to Outdoor conversion of BTSs
 - (iv) Deployment of Active TRX shutdown feature
 - (v) Fixed Energy Model with IP Companies
 - (vi) Hydrogen Fuel Cell Solutions with Ministry of New and Renewable Energy subsidy
- B. RESEARCH & DEVELOPMENT (R&D)
1. Specific areas in which R & D is carried out by the Company : Nil
 2. Benefits derived as result of the above R & D : Nil
 3. Future Plan of action : The Company will explore various options to adopt latest technology/use of equipment for its operations
 4. Expenditure on R&D:
 - a) Capital : Nil
 - b) Recurring : Nil
 - c) Total : Nil
 - d) Total R&D expenditure as percentage of total turnover : Nil

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts in brief towards technology absorption, adaptation, innovation : Development of a skilled team of engineers in the area of radio engineering, installation of base station and operation of mobile telecom services.
2. Benefits derived as a result of the above efforts : Cost of installation of base station reduced due to better network planning and designing. Achieved better coverage and high quality of reception.
3. Particulars of imported technology in the last five years:
 - a) Technology imported : No Technology has been imported. However, GSM equipments are imported on a regular basis.
 - b) Year of import : The GSM equipments are imported on ongoing basis.
 - c) Has the technology been fully absorbed. If not fully absorbed areas where this has not taken place, reasons thereof and future plans of action : Not applicable
4. Foreign exchange earnings and outgo (Outgo includes CIF value of imports) : Earnings: ₹ 1,113.25 Mn
Outgo: ₹ 16,970.70 Mn

For and on behalf of the Board



Kumar Mangalam Birla
Chairman

Corporate Governance Report

Company's Philosophy on Corporate Governance

Corporate Governance refers to a set of laws, regulations and good practices that enables an organisation to perform efficiently and ethically generate long-term wealth and create value for all its stakeholders.

The Aditya Birla Group is committed to the adoption of best governance practices and its adherence in the true spirit at all times. Our governance practices are a product of self desire, reflecting the culture of the trusteeship that is deeply ingrained in our value system and reflected in our strategic thought process.

Our governance philosophy rests on five basic tenets:

- Board accountability to the Company and shareholders
- Strategic guidance and effective monitoring by the Board
- Protection of minority interests and rights
- Equitable treatment of all shareholders
- Superior transparency and timely disclosure

In line with this philosophy, **Idea Cellular Limited**, an Aditya Birla Group Company, continuously strives for excellence through adoption of best governance and disclosure practices. We believe in maintaining highest standards of Corporate Governance by ensuring compliance with all the applicable laws, demonstrating high level of accountability, maintaining high standards of transparency and conducting business in ethical manner.

Your Company confirms the compliance of Corporate Governance as contained in clause 49 of the Listing Agreement, the details of which for the financial year ended March 31, 2011 are as follows:

1. BOARD OF DIRECTORS

An active, informed and independent Board is necessary to ensure highest standards of Corporate Governance. The primary role of the Board is to safeguard and enhance the shareholders value and monitor the effective functioning of the Company. The Board provides strategic direction to the Company and

exercises appropriate control to ensure that the business of the Company is conducted in the best interests of the shareholders and society at large. The Board is assisted by the Managing Director / Senior Management Personnel in ensuring effective functioning of the Company.

Composition of the Board

The Board of Directors of your Company comprises of the eminent members from diversified background having rich and varied expertise in the areas of technology, finance, law, general management and entrepreneurship. The Company has a balanced board with optimum combination of Executive and Non-Executive Directors which includes independent professionals.

As on the date of this report, the Board of your Company comprises of 13 Directors, comprising of a Non-Executive Chairman, a Managing Director, Six Independent Directors and Five Non-Executive Directors.

Mr. Sanjeev Aga relinquished the office of Managing Director of the Company with effect from close of business hours on March 31, 2011. However, he continues to serve as a Non-Executive Director on the Board of the Company. Pursuant to the demitting of office of Managing Director by Mr. Aga, the Board of Directors has appointed Mr. Himanshu Kapania, as the Managing Director of the Company with effect from April 1, 2011, subject to the approval of the Members of the Company and approval of the Central Government, if required.

None of the Directors on the Board is a Member of more than ten Committees or Chairman of more than five Committees (as specified in clause 49), across all the Companies in which he/she is a Director. All the Directors have intimated periodically about their Directorship and Membership on the Board Committees of other Companies.

The composition of the Board of Directors as on March 31, 2011 and the number of Directorships and Committee positions held by them are as under:

Name of Director	Category	No. of Outside Directorship(s) Held ¹ / Outside Committee Positions Held ²			
		Public	Private	Member	Chairman/ Chairperson
Mr. Kumar Mangalam Birla	Non-Executive	10	15	-	-
Mrs. Rajashree Birla	Non-Executive	6	12	1	-
Dr. Rakesh Jain	Non-Executive	6	1	1	-
Mr. Biswajit A. Subramanian	Non-Executive	1	-	-	-
Mr. Juan Villalonga Navarro ³	Non-Executive	-	-	-	-
Dr. Shridhir Sariputta Hansa Wijayasuriya ⁴	Non-Executive	-	-	-	-
Mr. Arun Thiagarajan	Independent	9	4	8	-
Mr. Gian Prakash Gupta	Independent	10	3	3	3
Mr. Mohan Gyani	Independent	-	-	-	-
Ms. Tarjani Vakil	Independent	5	2	1	3
Mr. R.C. Bhargava	Independent	9	2	5	4
Mr. P. Murari	Independent	9	-	5	2
Mr. Sanjeev Aga ⁵	Managing Director	6	1	-	1

1. Directorships held by the Directors as mentioned above, excludes alternate directorships, directorships held in foreign companies and companies registered under Section 25 of the Companies Act, 1956.

2. Represents Membership / Chairmanship of two Committees viz. Audit Committee and Shareholders' / Investors' Grievance Committee of Public Limited companies.

3. Nominee of Axiata Group Berhad.

4. Alternate Director to Mr. Juan Villalonga Navarro.

5. Mr. Sanjeev Aga, relinquished the position of Managing Director of the Company from the close of business hours on March 31, 2011. Mr. Aga continues to be a Non-Executive Director on the Board of the Company effective April 1, 2011.

IDEA CELLULAR LIMITED

Appointment and tenure

The Directors of the Company are appointed by the shareholders at the General Meeting. All Directors except the Managing Director are subject to retirement by rotation and at every Annual General Meeting, one third of such Directors, if eligible, offer themselves for re-appointment. The Managing Director is appointed for maximum period of 5 years and is eligible for re-appointment upon completion of the term.

Board Meetings and Procedure

The annual calendar of meetings is broadly determined at the beginning of each year. The Board meets at least once in a quarter to review the quarterly financial results and operations of the Company. Apart from the above, additional Board Meetings are convened to address the specific needs of the Company. In case of business exigencies some resolutions are also passed by circulation. The Meetings of the Board are generally held in Mumbai. The maximum time gap between any two consecutive meetings did not exceed four months as prescribed under clause 49 of the Listing Agreement.

The Board Meetings of the Company and its subsidiaries are scheduled well in advance and the notice of such board meeting is given in writing to all the Directors. The Meetings are governed by a structured agenda. The Company Secretary in consultation with the Chairman and Managing Director prepares the detailed agenda for the meetings. All the agenda items are backed by comprehensive agenda notes and relevant supportings containing all the vital information, so as to enable the Directors to have focused discussion at the meeting and to take informed decisions. The agenda and agenda notes are circulated to all the Directors well in advance of each meeting of the Board of Directors. Where it is not practical to send the relevant information as a part of the agenda papers, the same is tabled at the meeting. In special and exceptional circumstances, additional or supplementary agenda items are taken up for discussion with the permission of the Chairman. The members of the Board in consultation with the Chairman may bring up any matter for the consideration of the Board.

The Chief Financial Officer and other Senior Management Personnel are invited to the Board Meetings to present reports on the items being discussed at the meeting.

All the relevant information as enumerated in Annexure 1A to clause 49 of the Listing Agreement is placed before the Board. The presentations covering the Company's performance, operations and business strategy are also made to the Board. The Board periodically reviews the compliance status of all the applicable laws. Action Taken Report in respect of the matters arising out of the previous meetings is placed at the succeeding meeting of the Board / Committee for noting. The draft minutes of each Board / Committee Meetings are circulated to all Directors for their comments, before being recorded in the minutes book. The Company Secretary records the minutes of each Board / Committee Meeting.

The Members of the Board have complete freedom to express their opinion and have unfettered and complete access to information in the Company. All the decisions are taken after detailed deliberations by the Board Members at the meetings. The important decisions taken at the Board / Committee

meetings are communicated to the concerned departments promptly.

During the financial year 2010-11, four meetings of the Board were held on May 3, 2010, July 22, 2010, October 25, 2010 and January 24, 2011.

The details of attendance of Directors at the Board Meetings and at the last Annual General Meeting are as under:

Name of Director	No. of Board Meetings held during the tenure		Attended Last AGM
	Held	Attended	
Mr. Kumar Mangalam Birla	4	4	No
Mrs. Rajashree Birla	4	2	No
Dr. Rakesh Jain	4	4	No
Mr. Biswajit A. Subramanian	4	3	No
Mr. Juan Villalonga Navarro	4	1	No
Dr. Shridhir Sariputta Hansa Wijayasuriya ¹	4	2	Yes
Mr. Arun Thiagarajan	4	3	No
Mr. Gian Prakash Gupta	4	4	Yes
Mr. Mohan Gyani	4	1	No
Ms. Tarjani Vakil	4	4	No
Mr. R.C. Bhargava	4	3	No
Mr. P. Murari	4	2	No
Mr. Sanjeev Aga	4	4	No

1. Attended as an Alternate Director to Mr. Juan Villalonga Navarro.

Code of Conduct

The Board of Directors have laid down the Code of Conduct for all the Board Members and Senior Management Personnel of the Company, which is also uploaded on the website of the Company (www.ideacellular.com). The Code is derived from three inter-linked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct. All Board Members and Senior Management Personnel have affirmed compliance to the Code of Conduct. A declaration signed by the Managing Director affirming the compliance with the Code of Conduct by the Board Members and Senior Management Personnel of the Company is attached and forms part of this report.

2. COMMITTEES OF THE BOARD

The Board of Directors of the Company has constituted six Board Committees viz. Audit Committee, Remuneration Committee, Shareholders'/ Investors' Grievance Committee, ESOS Compensation Committee, Finance Committee and IPO Committee. The terms of reference of each of these Committees are determined by the Board. The Minutes of the Committee Meetings are noted by the Board.

The role and composition of the aforesaid committees, including the number of meetings held and the related attendance of the members are given below:

A. Audit Committee

The Board of Directors has in accordance with the requirements of clause 49 of the Listing Agreement and Section 292A of the

Companies Act, 1956, constituted an Audit Committee for overseeing the accounting, auditing and overall financial reporting process of the Company. The Audit Committee acts as a link between the Management, the Statutory Auditors, Internal Auditors and the Board of Directors to oversee the financial reporting process of the Company. The Committee's purpose is to oversee the quality and integrity of accounting, auditing and financial reporting process including review of the internal audit reports and action taken report. The Committee also oversees the appointment, performance and remuneration of the internal and statutory auditors. The Committee also gives directions to the management in areas that needs to be strengthened. The recommendations of the Audit Committee are binding on the Board.

Powers of Audit Committee

As enumerated in clause 49 of the Listing Agreement, the Audit Committee, inter-alia, has the following powers:

- To investigate any activity within its terms of reference;
- To seek information from any employee;
- To obtain outside legal or other professional advice; and
- To secure attendance of outsiders with relevant expertise if it considers necessary.

Terms of reference

The broad terms of reference of Audit Committee includes the following, as mandated in clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956:

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
 - b. Recommending to the Board, the appointment, re-appointment and if required, the removal of external auditor, determination of audit fee and also approval of payment for any other services;
 - c. Reviewing with the management, the annual financial statements before submission to the Board, with particular reference to:
 - Changes in accounting policies and practices;
 - Major accounting entries based on exercise of judgment by the management;
 - Qualifications in Draft Audit Report;
 - Significant adjustments made in financial statements arising out of audit findings;
 - The Going Concern assumption;
 - Compliance with Accounting Standards;
 - Compliance with listing and other legal requirements concerning financial statements;
 - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large;
- d. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
 - e. Discussion with internal auditors on any significant findings and follow-up thereon;
 - f. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
 - g. Reviewing with the management, the performance of external and internal auditors, and the adequacy of internal control systems;
 - h. Discussion with external auditors before the audit commences on the nature and scope of audit as well as having post-audit discussions to ascertain any area of concern;
 - i. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
 - j. Reviewing the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
 - k. Review of Management Discussion and Analysis of financial condition and results of operations;
 - l. Review of Management Letters / Letters of Internal Control Weaknesses issued by the Statutory / Internal Auditors;
 - m. Reviewing of functioning of 'Whistle Blower Mechanism' in case the same exists; and
 - n. Carrying out any other function as and when referred by the Board.
- Matters required to be included in the Directors' Responsibility Statement, in terms of Section 217(2AA) of the Companies Act, 1956.

Composition, Meetings and Attendance

The Audit Committee of the Board comprises of four members, of which three members, including the Chairman, are Independent Directors and one Member is a Non-Executive Director. The majority of the Audit Committee members possess accounting and financial management expertise. The Company Secretary acts as a Secretary to the Committee.

The Managing Director and the Chief Financial Officer of the Company are permanent invitees to the Audit Committee Meeting. Representatives of the Statutory Auditors and Internal Auditors of the Company are also invited to the Audit Committee Meetings. In addition, other Senior Management Personnel are also invited to the Committee Meetings to present reports on the respective functions that are discussed at the meetings from time to time.

During the financial year 2010-11, five meetings of the Audit Committee were held on May 3, 2010, July 22, 2010, August 18, 2010, October 25, 2010 and January 24, 2011.

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The composition of the Audit Committee and the attendance of the members at the meetings held during the year are as under:

Name of Director	Category	No. of Meetings held during the tenure	No. of Meetings attended
Mr. Gian Prakash Gupta (Chairman)	Independent	5	5
Mr. Arun Thiagarajan	Independent	5	4
Ms. Tarjani Vakil	Independent	5	3
Mr. Juan Villalonga Navarro ¹	Non - Executive	5	3

1. Dr. Shridhir Sariputta Hansa Wijayaurisya, Alternate Director to Mr. Juan Villalonga Navarro attended two Audit Committee Meetings.

B. Remuneration Committee

The Remuneration Committee has been constituted for reviewing and recommending the remuneration payable to the Directors and senior officials of the Company.

Terms of reference

The broad terms of reference of Remuneration Committee includes the following:

- Review of remuneration payable to the Directors and senior officials of the Company;

Name of the Director	Relationship with other Directors	Business relationship with the Company, if any	Remuneration during 2010-11			
			All elements of remuneration package i.e. salary, benefits, bonuses, pension etc.	Fixed component & performance linked incentives, along with performance criteria	Service Contract, notice period, severance fee	Stock Option details, if any
Mr. Sanjeev Aga	None	Managing Director	₹ 76.61 Mn	See note (a)	See note (b)	See note (c)

- Mr. Sanjeev Aga was paid a sum of ₹ 27.16 Mn towards performance incentive, linked to achievement of targets.
- The appointment of Mr. Sanjeev Aga was for a period of five years effective from November 1, 2006. The appointment was subject to termination by three months notice on either side. No severance fees was payable to the Managing Director. During the financial year 2010-11, Mr. Sanjeev Aga was paid remuneration in accordance with the limits approved by the Central Government and the Shareholders of the Company at the Annual General Meeting of the Company held on December 21, 2009.

Mr. Sanjeev Aga has relinquished the office of the Managing Director of the Company with effect from close of business hours on March 31, 2011, but is continuing as a Non-Executive Director on the Board of the Company.

- Mr. Sanjeev Aga was granted 1,712,000 stock options (Tranche I) on December 31, 2007 at an exercise price of ₹ 112.57 per option. Further, on July 24, 2008, the Company granted 428,000 stock options (Tranche II) at an exercise price of ₹ 84.03 per option. Pursuant to the approval received by the members at the 14th Annual General Meeting, the ESOS Compensation Committee had re-priced the stock options granted in Tranche I to ₹ 39.30 per option and stock options granted in Tranche II to ₹ 45.55 per option.

Consequent to the retirement of Mr. Sanjeev Aga from the employment of the Company with effect from April 1, 2011, the ESOS Compensation Committee has, in accordance with the terms of the Employee Stock Option Scheme, 2006, approved vesting of all the unvested options, which otherwise would have been lapsed.

Each Option is convertible into one equity share of the Company upon vesting. These Options would now be exercisable by Mr. Sanjeev Aga, within 3 years from the date of retirement subject to the last date of exercise not exceeding 5 years from the date of vesting of options. Till the date of this report no options have been exercised by Mr. Aga.

- Reviewing and advising the Board over the remuneration policies of the Company generally; and
- Such other matters as may be decided by the Board from time to time

Composition, Meetings and Attendance

The Remuneration Committee comprises of three Non-Executive Directors, all of whom are Independent Directors. The Company Secretary acts as a Secretary to the Committee. As on March 31, 2011, the Committee comprised of Mr. Arun Thiagarajan, Ms. Tarjani Vakil and Mr. Gian Prakash Gupta.

During the financial year 2010-11, two meetings of the Remuneration Committee were held on October 25, 2010 and January 24, 2011, which were attended by all the members.

Remuneration of Directors

(i) Remuneration to the Managing Director

The remuneration package of the Managing Director is determined by the Remuneration Committee. The recommendations of the Remuneration Committee are considered and approved by the Board, subject to the approval of the members of the Company. The remuneration package of the Managing Director comprises of a fixed salary component and a performance linked bonus.

Details of the Managerial Remuneration paid to the Managing Director during FY 2010-11 is as under:

(ii) Remuneration to Non-Executive Directors

The Non-Executive Directors are not paid any remuneration except sitting fees for attending the Board Meetings and Committee Meetings. The sitting fees, as determined by the Board, is presently ₹ 20,000/- for each meeting of the Board and ₹ 10,000/- for each Meeting of the Committee. The Non-Executive Directors are also entitled to reimbursement of expenses incurred in performance of the duties as directors and members of the committees.

The details of the sitting fees paid to Non-Executive Directors for the financial year ended March 31, 2011 are as under:

Name of Non-Executive Director	Sitting Fees (₹)
Mr. Kumar Mangalam Birla	110,000
Mrs. Rajashree Birla	40,000
Dr. Rakesh Jain	120,000
Mr. Biswajit A. Subramanian	60,000
Dr. Shridhir Sariputta Hansa Wijayasuriya*	60,000
Mr. Juan Villalonga Navarro	30,000
Mr. Arun Thiagarajan	150,000
Mr. Gian Prakash Gupta	150,000
Mr. Mohan Gyani	20,000
Ms. Tarjani Vakil	160,000
Mr. R.C. Bhargava	60,000
Mr. P. Murari	40,000

*Dr. Shridhir Sariputta Hansa Wijayasuriya was paid sitting fees for the meetings attended by him as an alternate director to Mr. Juan Villalonga Navarro.

There were no other pecuniary relationships or transactions of Non-Executive Directors vis-a-vis Company.

(iii) Details of Shareholding of Directors

The details of shareholding of Directors as on March 31, 2011 are as under:

Name of Director	No. of Equity Shares#
Mr. Kumar Mangalam Birla	233,333
Dr. Rakesh Jain	5,000
Mr. Arun Thiagarajan	7,700
Mr. Gian Prakash Gupta	4,192
Ms. Tarjani Vakil	147
Mr. Sanjeev Aga	212,868

shares held singly or as a first shareholder are only considered.

The Company has not granted any stock option to any of its Non-Executive Directors.

C. Shareholders'/Investors' Grievance Committee

In order to ensure quick redressal of the complaints of the stakeholders, Company has in due compliance with clause 49 of the Listing Agreement constituted a Shareholders'/Investors' Grievance Committee. The Committee oversees the process of share transfer and monitors redressal of shareholders'/investors' complaints / grievances viz. non-receipt of annual report, dividend payment, issue of duplicate share certificates, transmission of shares and other related complaints. In addition, the Committee also monitors other issues including status of dematerialisation / rematerialisation of shares issued by the Company.

Composition, Meetings and Attendance

As on March 31, 2011, the Committee comprises of two members namely, Dr. Rakesh Jain and Mr. Sanjeev Aga. The Company Secretary acts as a Secretary to the Committee. During the financial year 2010-11, the Shareholders'/Investors' Grievance Committee met once on January 24, 2011 which was attended by both the members.

Compliance Officer

Mr. Pankaj Kapdeo, Vice President (Legal) & Company Secretary, acts as the Compliance Officer of the Company. The Compliance Officer briefs the Committee on the grievances/queries of the investors and the steps taken by the Company for redressing their grievances. The Compliance Officer can be contacted at:

Idea Cellular Limited
 "Windsor", 5th Floor, Off CST Road,
 Near Vidya Nagari,
 Kalina, Santacruz (East),
 Mumbai – 400 098
 Tel: +91-9594003434
 Fax: +91-22-26527080
 Email: shs@idea.adityabirla.com

Investor Grievances Redressal Status

During the financial year 2010- 11, the complaints and queries received from the shareholders were general in nature and were mainly pertaining to non-receipt of annual reports, request for subsidiary annual accounts etc. All the complaints were resolved to the satisfaction of the investors.

IDEA CELLULAR LIMITED

The status of investors' complaints as on March 31, 2011 is as follows:

No. of complaints as on April 1, 2010	0
No. of complaints received during the financial year 2010-11	239
No. of complaints resolved upto March 31, 2011	239
No. of complaints pending as on March 31, 2011	0

To redress investor grievances, the Company has a dedicated E-mail ID, shs@idea.adityabirla.com to which investors may send complaints.

D. Compensation Committee

A Compensation Committee known as "ESOS Compensation Committee" has been constituted in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, for formulating and implementing an Employee Stock Option Scheme of the Company.

The Committee oversees the formulation of ESOP plans, the implementation of the Scheme, its administration, supervision, and formulating detailed terms and conditions in accordance with the SEBI Guidelines.

The Compensation Committee comprises of three Non-Executive Directors, of whom two members are Independent Directors. As on the March 31, 2011, the Committee comprised of Mr. Kumar Mangalam Birla, Mr. Arun Thiagarajan and Ms. Tarjani Vakil. During the financial year 2010-11, three meetings of the Committee were held on May 3, 2010, October 25, 2010 and January 24, 2011.

The composition of the ESOS Compensation Committee and the attendance of the members at the meetings held during the year are as under:

Name of Director	Category	No. of Meetings held during the tenure	No. of Meetings attended
Mr. Kumar Mangalam Birla	Non-Executive	3	3
Mr. Arun Thiagarajan	Independent	3	3
Ms. Tarjani Vakil	Independent	3	3

E. Finance Committee

The Company has constituted a Finance Committee to approve matters relating to availing of financial / banking facilities. As on March 31, 2011, the Committee comprises of Dr. Rakesh Jain and Mr. Sanjeev Aga.

During the financial year 2010-11, three meetings of the Finance Committee were held on April 8, 2010, May 21, 2010 and July 22, 2010, which were attended by both the members.

F. IPO Committee

The IPO Committee of the Company was constituted to give effect to the Initial Public Offering of the Company and issue of further equity shares. As on March 31, 2011, the Committee comprises of Dr. Rakesh Jain and Mr. Sanjeev Aga.

During the financial year 2010-11, no meetings of the Committee were held.

3. SUBSIDIARY COMPANIES

The Company does not have any material non-listed Indian subsidiary, whose turnover or net worth (paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively of the Company.

As on March 31, 2011, the Company had six Subsidiary Companies, names of which are set out as under:

1. Aditya Birla Telecom Limited
2. Idea Cellular Services Limited
3. Idea Cellular Infrastructure Services Limited
4. Idea Cellular Towers Infrastructure Limited
5. Swinder Singh Satara and Company Limited
6. Idea Mobile Commerce Services Limited
(Formerly known as Carlos Towers Limited)

The Minutes of the subsidiary companies as well as statement of significant transactions and arrangements entered into by the unlisted subsidiary companies are placed before the Board Meeting for their review.

4. DISCLOSURES

a. Disclosure on materially significant related party transactions

The related party transactions are placed before Audit Committee as well as the Board of Directors on a quarterly basis. For the financial year ended March 31, 2011, there were no transactions of material nature entered into with the related parties which were not on the arm's length basis or that may have potential conflict with the interest of the Company at large. The particulars of related party transactions have been disclosed under Note B 18 of Schedule 22 of the Balance Sheet forming part of the Annual Report.

b. Disclosure of Accounting Treatment

While preparing the financial statements, the Company has followed all the relevant / applicable Accounting Standards issued by the Institute of the Chartered Accountants of India.

c. Details of non-compliance with regard to the Capital Market

The Company has complied with all the requirements of the Stock Exchanges as well as the regulations and guidelines prescribed by the Securities and Exchange Board of India (SEBI). There were no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

d. Disclosure of Risk Management

The Company has an integrated approach to manage the risks inherent in the various aspects of business. The Audit Committee of the Board is regularly informed about the business risks and steps taken to mitigate the same.

e. Voluntary Guidelines – 2009

The Ministry of Corporate Affairs has issued a set of Voluntary Guidelines on 'Corporate Governance' and 'Corporate Social Responsibility' in December, 2009. These guidelines are expected to serve as a benchmark for the Corporate Sector and also help them in achieving the highest standard of Corporate Governance.

Some of the provisions of these guidelines are already in place as reported elsewhere in this Report. The other provisions of these guidelines are being evaluated and your Company will strive to adopt the same in a phased manner.

5. MANAGEMENT DISCUSSION AND ANALYSIS

A detailed report on Management Discussion and Analysis forms part of the Directors' Report.

6. SHAREHOLDERS' INFORMATION

i) Disclosure regarding appointment or re-appointment of Directors

Brief profile of the Directors seeking appointment or re-appointment is annexed to the notice convening the 16th Annual General Meeting forming part of this Annual Report.

ii) Communication to Shareholders

The Company's quarterly financial results, presentation made to Institutional Investors / Analysts, official news releases and other general information about the Company are uploaded on the Company's website (www.ideacellular.com).

The quarterly financial results of the Company are generally published in The Economic Times (all editions) and Western Times (a regional daily published in Gujarat).

At the end of each quarter, the Company organizes earnings call with the analysts and investors and the transcripts of the same are uploaded on the website thereafter.

iii) General Body Meetings

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue	Particulars of Special Resolution(s)
2009-10	September 27, 2010	12.00 noon	Cambay Spa and Resort, Plot No. X-22/23 GIDC Electronic Estate, Sector 25, Gandhinagar -382 044, Gujarat.	None
2008-09	December 21, 2009	12.00 noon	Cambay Spa and Resort, Plot No. X-22/23 GIDC Electronic Estate, Sector 25, Gandhinagar -382 044, Gujarat.	<ul style="list-style-type: none"> ● Increase in Remuneration of Managing Director. ● Re-pricing of Stock Options granted under ESOS-2006.
2007-08	September 29, 2008	2.00 p.m.	Emerald Hall, Haveli Arcade, Hotel Haveli, Sector 11, Gandhinagar – 382 011 Gujarat.	<ul style="list-style-type: none"> ● Alteration of Articles of Association of the Company due to increase in Authorised Share Capital

Extra Ordinary General Meeting

During the financial year 2010-11, an Extra Ordinary General Meeting of the Company was held on March 4, 2011, for passing a special resolution for Alteration to the Articles of Association of the Company.

Postal Ballot

There was no Special Resolution passed through Postal Ballot during the financial year 2010-11.

iv) Details of unclaimed shares in terms of clause 5A of the Listing Agreement

In terms of clause 5A of the Listing Agreement, the Company shall credit the shares allotted pursuant to the Initial Public Offering (IPO) of the Company in the year 2007, which are unclaimed and are lying in escrow account to a demat suspense account, and the details thereof as required to be disclosed in the Annual Report are given below:

Particulars	No. of cases	No. of shares
Aggregate number of shareholders and the outstanding shares lying in the suspense account at the beginning of the year i.e. as on April 1, 2010	134	25,701
Number of shareholders who approached to the Issuer / Registrar for transfer of shares from suspense account during the Financial Year 2010-11	26	5,048
Number of shareholders to whom shares were transferred from suspense account during the Financial Year 2010-11	26	5,048
Aggregate number of shareholders and the outstanding shares lying in the suspense account at the end of the year i.e. as on March 31, 2011	108	20,653

7. CEO/CFO CERTIFICATION

As required by clause 49 of the Listing Agreement, the CEO/CFO certification is appended as an Annexure to this Report.

8. REPORT ON CORPORATE GOVERNANCE

This Corporate Governance Report forms part of the Annual Report. The Company is in full compliance with all the provisions of clause 49 of the Listing Agreement entered into with the Stock Exchange(s).

9. COMPLIANCE

The Company has fully complied with all the mandatory requirements as prescribed in clause 49 of the Listing Agreement. A Certificate from the Statutory Auditors of the Company, confirming compliance with the conditions of Corporate Governance, as stipulated in clause 49 of the Listing Agreement entered into with the Stock Exchange(s) is annexed and forms part of this Annual Report. As far as adoption of non-mandatory requirements are concerned, the Board has constituted a Remuneration Committee of Directors comprising of Non-Executive and Independent Directors.

GENERAL SHAREHOLDERS' INFORMATION

1. Annual General Meeting

Day and Date : Wednesday, September 28, 2011
 Time : 12:00 noon
 Venue : Cambay Spa and Resort,
 Plot No. X-22/23,
 GIDC Electronic Estate,
 Sector 25,
 Gandhinagar – 382 044,
 Gujarat.

2. Financial Calendar for 2011-12 (Tentative)

Financial reporting for the quarter ending June 30, 2011 : End July 2011
 Financial reporting for the quarter ending September 30, 2011 : End October 2011
 Financial reporting for the quarter ending December 31, 2011 : End January 2012
 Financial reporting for the year ending March 31, 2012 : End April 2012
 Annual General Meeting for the year ended March 31, 2012 : August / September 2012

3. **Book Closure Date** : September 19, 2011 to September 28, 2011 (both days inclusive)
 4. **Dividend Payment Date** : Not Applicable (Since no dividend is proposed for the Financial Year 2010-11)

5. **Registered Office** : Suman Tower,
 Plot No. 18, Sector - 11,
 Gandhinagar – 382 011,
 Gujarat, India.
 Tel: +91-79-66714000
 Fax: +91-79-23232251

6. **Plant Locations** : The Company being a service provider, has no Plant Locations

7. Listing Details

The Equity Shares of the Company are listed on the following Stock Exchanges:

Name of Stock Exchanges	
National Stock Exchange of India Limited "Exchange Plaza", Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001

The Company's payment of Listing Fees is up-to-date.

8. Stock Codes

	Stock Code	Reuters	Bloomberg
Bombay Stock Exchange	532822	IDEA.BO	IDEA IN
National Stock Exchange	IDEA	IDEA.NS	NIDEA IN
ISIN	INE669E01016		

9. Market Price Data

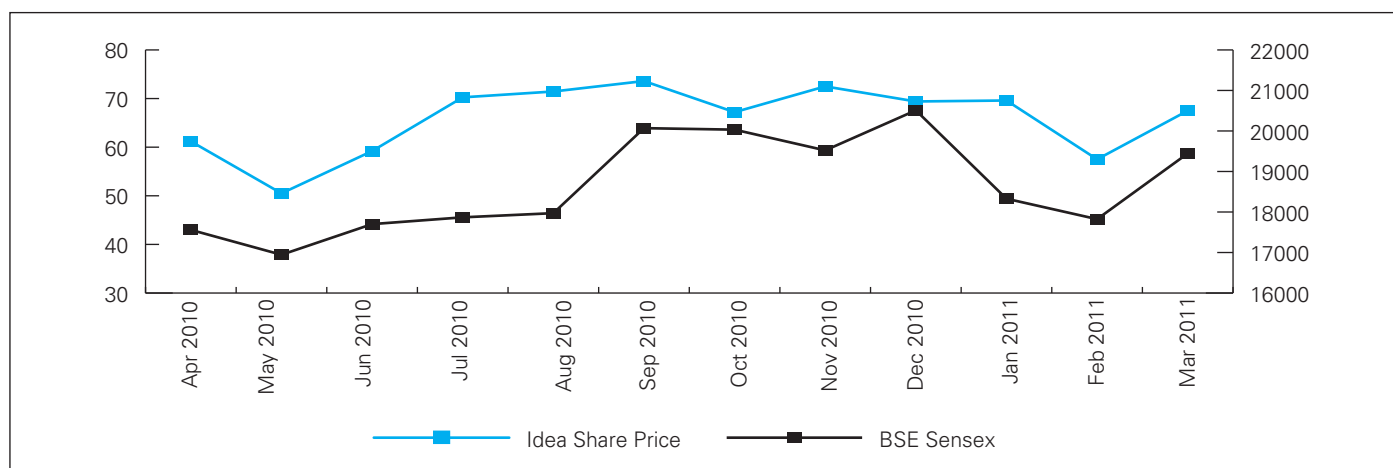
The monthly high and low prices and volume of shares of the Company at the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) for the year 2010-11 are as under:

Month	Bombay Stock Exchange Limited				National Stock Exchange of India Limited			
	High (in ₹)	Low (in ₹)	Close (in ₹)	Avg. Vol. (in Nos.)	High (in ₹)	Low (in ₹)	Close (in ₹)	Avg. Vol. (in Nos.)
April – 2010	68.95	60.55	61.20	634,051	69.10	60.55	61.15	4,539,453
May – 2010	65.90	48.80	50.50	1,129,000	65.70	48.50	50.50	8,746,974
June – 2010	59.60	48.65	59.20	1,232,780	59.90	48.50	59.35	6,394,199
July – 2010	71.05	57.15	70.25	1,919,951	71.10	55.00	70.60	9,812,066
August – 2010	75.00	67.20	71.45	716,477	75.40	67.15	71.55	4,911,586
September – 2010	79.90	70.00	73.60	660,986	80.00	70.65	73.65	5,595,803
October – 2010	75.75	64.80	67.20	532,571	75.90	64.20	67.45	4,627,182
November – 2010	76.30	66.15	72.50	967,355	76.30	66.00	72.55	4,560,279
December – 2010	73.20	66.00	69.40	424,666	73.00	65.80	69.55	3,640,057
January – 2011	73.10	65.30	69.60	337,364	72.70	65.10	69.80	2,854,069
February – 2011	72.15	55.65	57.50	1,207,750	72.70	52.05	57.55	5,628,762
March – 2011	68.40	57.00	67.50	259,548	68.40	56.80	67.45	2,987,689

10. Stock Performance

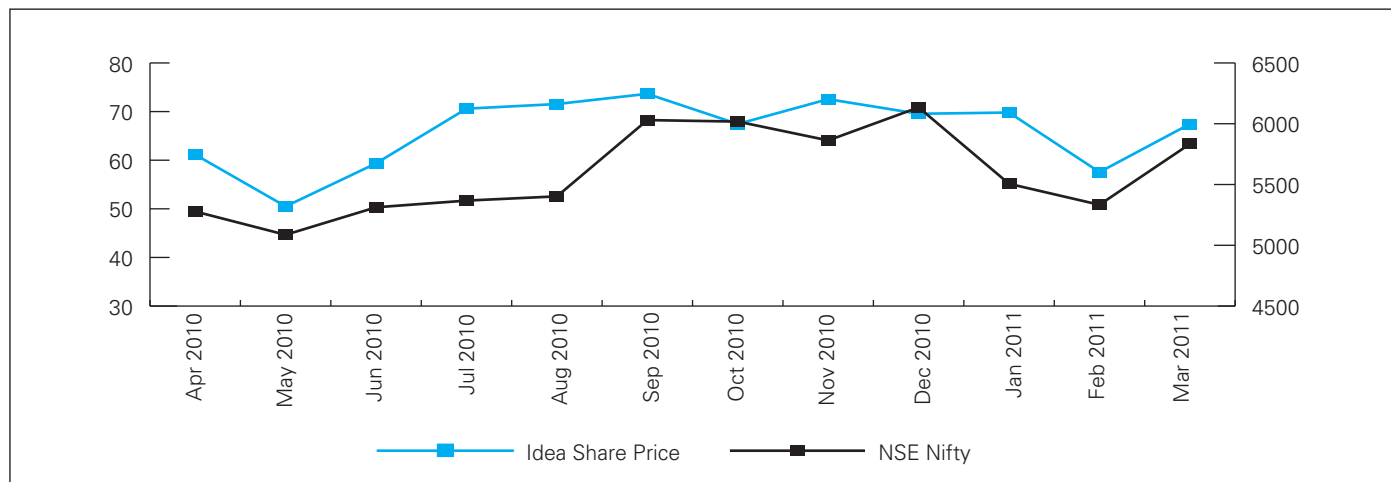
The performance of the Company's share price vis-à-vis the broad based BSE and NSE indices during the year 2010-11 is as under:

(a) Comparison of the Company's share price with BSE Sensex



IDEA CELLULAR LIMITED

(b) Comparison of the Company's share price with NSE Nifty



11. Share Transfer System

Transfer of shares in dematerialized form is done through the depositories without any involvement of the Company. Transfer of shares in physical form is normally processed within a period of 12 days from the date of the lodgement, subject to documents being valid and complete in all respects. All transfers are first processed by the Registrar and Share Transfer Agent and are submitted to the Company for approval thereafter.

12. Distribution of Shareholding

The distribution of shareholding of the Company as on March 31, 2011 is as follows:

Number of Equity Shares held	Number of Shareholders	% to total Shareholders	No. of Shares held	% to total Shareholding
Upto 5000	3,57,310	94.07	49,247,645	1.49
5000 – 10000	13,561	3.57	10,574,027	0.32
10001– 20000	4,977	1.31	7,426,918	0.22
20001 – 30000	1,486	0.39	3,796,408	0.11
30001 – 40000	554	0.14	1,990,116	0.06
40001 – 50000	522	0.14	2,475,606	0.07
50001 – 100000	707	0.19	5,123,664	0.16
100001 & above	722	0.19	3,222,637,121	97.57
Total	3,79,839	100.00	3,303,271,505	100.00

13. Shareholding Pattern

The shareholding pattern of the Company as on March 31, 2011 is as follows:

Category	No. of Shares	% Shareholding
Promoter and Promoter Group	1,520,679,047	46.04
Foreign Institutional Investors	327,005,803	9.90
Non-Resident Indians / Overseas		
Corporate Bodies	1,085,957,260	32.88
Mutual Funds, Financial Institutions, Banks and Insurance Companies	261,308,160	7.91
Domestic Bodies Corporate	22,826,075	0.69
Resident Indians and Others	85,495,160	2.58
Total	3,303,271,505	100.00

14. Dematerialisation of Shares and Liquidity

The Shares of the Company are compulsorily traded in dematerialized form. The shares of the Company are admitted for trading under both the Depository Systems in India – NSDL and CDSL. A total number of 3,303,256,285 Equity Shares of the Company constituting over 99.99% of the issued, subscribed and paid-up share capital were held in dematerialised form as on March 31, 2011.

15. Outstanding GDRs / ADRs etc.

The Company has not issued any GDRs/ADRs/Warrants and hence no amount is outstanding as at the year end.

16. Registrar and Share Transfer Agents

M/s. Bigshare Services Private Limited
E -2 & 3, Ansa Industrial Estate,
Saki-Vihar Road, Sakinaka,
Andheri (East),
Mumbai – 400 072
Tel: +91-22-2847 0652 / 4043 0200
Fax: +91-22-2847 5207
E-mail: investor@bigshareonline.com

17. Investor Correspondence

In order to facilitate quick redressal of the grievances / queries, the Investors and Shareholders may contact the Company Secretary at the under mentioned address for any assistance:

Mr. Pankaj Kapdeo
Vice President (Legal) & Company Secretary
Idea Cellular Limited
“Windsor”, 5th Floor,
Off CST Road, Near Vidya Nagari,
Kalina, Santacruz (East),
Mumbai – 400 098
Tel: +91-9594003434
Fax: +91-22-26527080
E-mail: shs@idea.adityabirla.com

Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchange(s), it is hereby declared that all the Board Members and Senior Management personnel of **Idea Cellular Limited** have affirmed compliance with the Code of Conduct for the year ended March 31, 2011.

Place: Mumbai
Date: July 29, 2011

Himanshu Kapania
Managing Director

CEO/CFO Certification

To the Board of Directors
Idea Cellular Limited

We, Himanshu Kapania, Managing Director and Akshaya Moondra, Chief Financial Officer of **Idea Cellular Limited** ('the Company'), to the best of our knowledge and belief, hereby certify that:

- a) We have reviewed the financial statements and cash flow statement of the Company for the year ended March 31, 2011 and:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b) There are no transactions entered into by the Company during the year ended March 31, 2011, which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design and operations of such internal controls, if any, of which we are aware and steps that have been taken to rectify these deficiencies.
- d) We have indicated, wherever applicable, to the Auditors and the Audit Committee:
 - i) Significant changes, if any in the internal control over financial reporting during the year;
 - ii) Significant changes, if any, in the accounting policies during the year and that the same has been disclosed in the notes to the financial statements; and
 - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place: Mumbai
Date: July 29, 2011

Himanshu Kapania
Managing Director

Akshaya Moondra
Chief Financial Officer

Auditors' Certificate

To the Members of Idea Cellular Limited

We have examined the compliance of conditions of Corporate Governance by **Idea Cellular Limited**, for the year ended on 31st March 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells

Chartered Accountants
(Registration No. 117 366W)

Hemant M. Joshi

Partner
(Membership No.: 38019)

Place: Mumbai
Date: July 29, 2011

Persons constituting group coming within the definition of “group” for the purpose of Regulation 3 (1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following:

1	Mr. Kumar Mangalam Birla
2	Mrs. Rajashree Birla
3	Mrs. Neerja Birla
4	Master Aryaman Vikram Birla
5	Birla Group Holdings Private Limited
6	BGH Exim Limited
7	Birla TMT Holdings Private Limited
8	Chaturbhuj Enterprises LLP
9	Essel Mining & Industries Limited
10	Global Holdings Private Limited
11	Green Acre Agro Services Private Limited
12	Gwalior Properties And Estates Private Limited
13	Heritage Housing Finance Limited
14	IGH Holdings Private Limited
15	Infocyber India Private Limited
16	Mangalam Services Limited
17	Naman Finance And Investment Private Limited
18	Rajratna Holdings Private Limited
19	Seshasayee Properties Private Limited
20	Siddhipriya Enterprises LLP
21	TGS Investment And Trade Private Limited
22	Trapti Trading And Investments Private Limited
23	Turquoise Investments And Finance Private Limited
24	Umang Commercial Company Limited
25	Vighnahara Enterprises LLP
26	Vaibhav Holdings Private Limited

Auditors' Report

To the Members of Idea Cellular Limited

1. We have audited the attached Balance Sheet of **Idea Cellular Limited** ('the Company') as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, ('the said Order' / 'CARO') issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we draw attention to note 2 of schedule 22 B to the financial statements, the Hon'ble High Court of Delhi on July 4, 2011 has reaffirmed its order dated February 5, 2010 sanctioning the Scheme of Amalgamation of Spice Communications Limited (Spice) with the Company. However the judgment transferred & vested unto the Department of Telecommunications (DoT), the six telecom licenses granted to erstwhile Spice along with the spectrum (including two operational licenses for Punjab & Karnataka service areas) till the time permission of DoT is granted for transfer thereof upon an application from the Company to that effect.

The Company has filed an appeal before the Appellate Bench of Hon'ble High Court of Delhi, challenging the above judgment dated July 4, 2011. The Appellate Bench of Hon'ble High Court of Delhi through interim order has directed DoT to maintain status quo in respect of the two operational licenses for Punjab & Karnataka and not to take any coercive action for remaining four non-operational licenses, till the next date of hearing.

Since the matter is sub-judice, the outcome of which is uncertain at this stage, we are unable to comment on the consequential impact, if any, on the financial statements.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have 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 Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us and read with our comments in Para 4 above, the said financial statements read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on March 31, 2011 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells

Chartered Accountants
(Registration No. 117 366W)

Hemant M. Joshi

Partner
(Membership No.: 38019)

Place: Mumbai
Date: July 29, 2011

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. 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 information and explanation given to us the Management is in the process of reconciling the results of such physical verification with the fixed assets register. Management believes that differences if any, arising out of such reconciliation are not expected to be material.
 - c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
2. In respect of its inventory:
 - a) As explained to us, the inventories, except for those lying with the third parties, were physically verified during the year by the Management at reasonable intervals.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, having regard to explanation that certain items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in such internal controls systems.
5. In our opinion and according to the information and explanations given to us, there were no contracts, particulars of which needed to be entered in the register maintained under section 301 of the Companies Act, 1956 and hence provisions of paragraph 4(v)(b) of the said Order relating to reasonableness of price having regard to prevailing market price is not applicable to the Company.
6. 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 58A and 58AA of the Companies Act, 1956 and the rules framed there under are applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of telecommunication activities and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
9. According to information and explanations given to us in respect of statutory dues:
 - a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us, the Company did not have any dues on account of Excise Duty and Investor Education and Protection Fund.
 - b) There were no undisputed amount payable in respect of Income Tax, Wealth Tax, Customs Duty, Cess and other material statutory dues in arrears, as at March 31, 2011 for a period of more than six months from the date they became payable.
 - c) There are no dues of Wealth Tax and Cess which have not been deposited on account of any dispute. Details of dues of Income Tax, Sales Tax, Service Tax, Customs duty and Entry Tax which have not been deposited as on March 31, 2011 by the Company on account of disputes:

IDEA CELLULAR LIMITED

Name of the Statute	Nature of Dues	Period to which the amount pertains	Amount (₹ Mn)	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	2007-08, 2008-09	11.37	Assistant Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	2002-03 to 2010-11	232.18	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	2007-08, 2008-09	29.29	Income Tax Officer – TDS
Income Tax Act, 1961	Income Tax	2003 to 2010	128.38	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	2002-03 to 2004-05	4.15	Karnataka High Court
Income Tax Act, 1961	Income Tax	2007-08	13.56	Commissioner Of Appeal-III Lucknow
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax	1997-98, 2002-03, 2003-04, 2004-05	227.46	Andhra Pradesh High Court
Andhra Pradesh Value Added Tax, 2005	Sales Tax	2005-06 to 2007-08	103.66	Andhra Pradesh High Court
Delhi Sales Tax Act, 1975	Sales Tax	2003-04, 2004-05	92.74	Additional Commissioner (Appeals)
Gujarat Sales Tax Act, 1969	Sales Tax	1998-99 to 2001-02	7.04	Sales Tax Appellate Tribunal
Gujarat Sales Tax Act, 1969	Sales Tax	2006-07	0.83	Assessing officer
Kerala Sales Tax Act, 1963	Sales Tax	1997-98	0.05	Sales Tax Appellate Tribunal
Kerala Sales Tax Act, 1963	Sales Tax	1998-99	0.06	Deputy Commissioner, Sales Tax
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax	2004-05, 2007-08	19.70	Deputy Commissioner, Appeal
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax	2000-01	0.31	CG Appellate Board
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax	2003-04 to 2006-07	10.59	Commercial Tax Tribunal - Madhya Pradesh
Punjab VAT Act, 2005	Sales Tax	2006-07, 2007-08	61.56	Assistant Excise & Taxation Commissioner, Chandigarh
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	1999-00, 2001-02, 2004-05, 2007-08	3.48	Joint Commissioner (Appeals)
Uttar Pradesh Trade Tax Act, 1948 (UTTRAKHAND AMENDMENT)	Sales Tax	2007-08	1.69	Deputy Commissioner, Sales Tax
Uttar Pradesh Trade Tax Act, 1948 (UTTRAKHAND AMENDMENT)	Sales Tax	2006-07	0.94	Joint Commissioner (Appeals)
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	2007-08	1.10	Additional Commissioner (Appeals)
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	2006-07	3.39	Joint Commissioner
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	2002-03, 2007-08, 2008-09	1.02	Trade Tax Tribunal
Uttar Pradesh Value Added Act, 2008	Sales Tax	2006-07, 2007-08, 2009-10	34.13	Commercial Tax Tribunal Bench II Lucknow
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	2007-08	2.73	Allahabad High Court
Finance Act, 1994 (Service Tax provisions)	Service Tax	2003-04 to 2009-10	1,203.79	Customs Excise & Service Tax Appellate Tribunal
Finance Act, 1994 (Service Tax provisions)	Service Tax	2003-04 to 2007-08	8.94	Commissioner of Central Excise (Appeals)
Finance Act, 1994 (Service Tax provisions)	Service Tax	1998-99, 2002-03	2.98	Punjab & Haryana High Court
Finance Act, 1994 (Service Tax provisions)	Service Tax	1999-00 to 2003-04	3.10	Supreme Court
Finance Act, 1994 (Service Tax provisions)	Service Tax	2006-07	34.53	Assessing Officer, Commissioner Central Excise & Service Tax
Customs Act, 1962	Custom Duty	2003-04	7.12	Customs Excise & Service Tax Appellate Tribunal
Haryana Land Development Tax Act.2001	Entry Tax	2002-03	9.52	Tribunal

Name of the Statute	Nature of Dues	Period to which the amount pertains	Amount (₹ Mn)	Forum where the dispute is pending
Karnataka Tax on Entry of Goods Act, 1979	Entry Tax	2004-05	8.92	Karnataka High Court
MP Entry Tax Act, 1976	Entry Tax	1998-99 to 2000-01	0.13	Assistant Commissioner, Entry Tax
MP Entry Tax Act, 1976	Entry Tax	1998-99 to 2006-07	14.72	Commercial Tax Tribunal - Madhya Pradesh
MP Entry Tax Act, 1976	Entry Tax	2005-06 to 2007-08	22.47	Deputy Commissioner (Appeal)
Orissa Entry Tax Act, 1999	Entry Tax	2008-09, 2009-10	5.20	Orissa High Court
Rajasthan Tax On Entry Of Goods Into Local Areas Act, 1999	Entry Tax	2008-09	2.41	Rajasthan High Court
The Uttar Pradesh Tax on Entry of Goods Act, 2000	Entry Tax	2007-08	2.03	Additional Commissioner (Appeals)
The Uttar Pradesh Tax on Entry of Goods Act, 2000	Entry Tax	2006-07	0.22	Deputy Commissioner
The Uttar Pradesh Tax on Entry of Goods Act, 2000	Entry Tax	2004-05	2.08	Joint Commissioner (Appeals), Commercial Tax.
The Uttar Pradesh Tax on Entry of Goods Act, 2000	Entry Tax	1999-00, 2001-02 to 2003-04, 2007-08	11.18	Trade Tax Tribunal
Uttar Pradesh Trade Tax Act, 1948 (UTTRAKHAND AMENDMENT)	Entry Tax	2001-02, 2002-03, 2003-04	0.57	Uttarakhand High Court
The Uttar Pradesh Tax on Entry of Goods Act, 2000	Entry Tax	2007-08	6.00	Joint Commissioner (Appeals)
Bihar Value Added Tax Act, 2005	Entry Tax	2009-10	1.73	Joint Commissioner (Appeals), Commercial Tax.

10. The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of paragraph 4(xiii) of the said Order are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Therefore, the provisions of paragraph 4 (xv) of the said Order are not applicable to the Company.
16. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
17. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on the short term basis amounting to ₹ 16,457 Mn have been used during the year for long term investment.
18. According to information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. According to information and explanations given to us, the Company has not issued any debentures during the year.
20. According to information and explanations given to us, during the year covered by our audit report, the Company has not raised any money by public issue.
21. According to the information and explanations furnished by the Management, which have been relied upon by us, there were no frauds on or by the Company noticed or reported during the course of our audit except few cases of fraud by employees and by external parties estimated at ₹ 0.92 Mn detected by the Management for which appropriate steps were taken to strengthen controls.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117 366W)

Hemant M. Joshi
Partner
(Membership No.: 38019)

Place: Mumbai
Date: July 29, 2011

IDEA CELLULAR LIMITED

Balance Sheet as at March 31, 2011

₹ Mn

	Schedules	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	33,032.72	32,998.38
Outstanding Employee Stock Options		478.09	444.45
Reserves and Surplus	2	89,796.21	85,093.26
		123,307.02	118,536.09
Loan Funds			
Secured	3	77,600.39	59,886.08
Unsecured	4	27,974.21	5,378.05
		105,574.60	65,264.13
Deferred Tax Liability (Net) (Refer Note B 22 to Schedule 22)		2,870.15	2,256.36
TOTAL		231,751.77	186,056.58
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block (At Cost)	5	289,387.53	228,343.96
Less: Depreciation & Amortisation		98,071.29	79,073.37
Net Block		191,316.24	149,270.59
Capital Work-in-Progress		35,940.51	4,625.81
		227,256.75	153,896.40
Investments	6	25,728.07	27,551.26
Current Assets, Loans and Advances			
Current Assets			
Inventories	7	522.16	466.99
Sundry Debtors	8	4,614.46	4,301.17
Cash and Bank Balances	9	4,515.35	2,804.41
Other Current Assets	10	741.11	1,243.65
Loans and Advances	11	22,902.76	30,002.81
		33,295.84	38,819.03
Less: Current Liabilities and Provisions	12		
Current Liabilities		53,237.16	36,796.23
Provisions		1,291.73	1,377.62
		54,528.89	38,173.85
Net Current Assets / (Liabilities)		(21,233.05)	645.18
Profit and Loss Account		-	3,963.74
TOTAL		231,751.77	186,056.58
Significant Accounting Policies and Notes to the Financial Statements	22		
The Schedules referred to above form an integral part of the Balance Sheet			

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

Hemant M. Joshi

Partner

Membership No.: 38019

Place: Mumbai

Date: July 29, 2011

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For and on behalf of the Board

Gian Prakash Gupta

Director

Akshaya Moondra

Chief Financial Officer

Arun Thiagarajan

Director

Pankaj Kapdeo

Company Secretary

Himanshu Kapania

Managing Director

Profit and Loss Account for the year ended March 31, 2011

₹ Mn

Schedules	For the year ended March 31, 2011	For the year ended March 31, 2010
INCOME		
Service Revenue	153,327.77	118,502.21
Sale of Trading Goods	0.25	0.22
Other Income	561.95	801.44
TOTAL	153,889.97	119,303.87
OPERATING EXPENDITURE		
Cost of Trading Goods Sold	0.20	0.22
Personnel Expenditure	7,288.83	5,698.86
Network Operating Expenditure	46,798.17	34,394.16
License and WPC Charges	17,728.00	12,944.79
Roaming & Access Charges	24,754.48	17,452.90
Subscriber Acquisition & Servicing Expenditure	16,427.53	11,343.89
Advertisement and Business Promotion Expenditure	3,848.38	4,066.94
Administration & Other Expenses	5,763.72	4,456.56
	122,609.31	90,358.32
PROFIT BEFORE FINANCE CHARGES, DEPRECIATION, AMORTISATION & TAXES		
	31,280.66	28,945.55
Finance and Treasury Charges (Net)	2,487.35	2,063.20
Depreciation	17,229.95	13,666.07
Amortisation of Intangible Assets	2,500.15	1,845.90
Surplus from Prepayment of Loan	-	(316.94)
PROFIT BEFORE TAX FROM OPERATING ACTIVITIES		
	9,063.21	11,687.32
Impairment in license value	-	3,585.80
Less: Amount withdrawn from Securities Premium	-	(3,585.80)
Loss on impairment and expenses relating to Spice Amalgamation Scheme	-	831.33
Less: Amount withdrawn from Business Restructuring Reserve	-	(831.33)
PROFIT BEFORE TAX		
	9,063.21	11,687.32
Provision for Taxation - Current	1,580.90	2,071.13
- Deferred	613.79	1,150.77
- MAT Credit	(1,577.45)	(2,071.13)
PROFIT AFTER TAX		
	8,445.97	10,536.55
Balance of Loss brought forward from previous year		
	(3,963.74)	(4,052.83)
Accumulated Losses on Amalgamation of Spice Communications Limited	-	15,463.77
Withdrawal from General Reserve	-	(4,844.60)
Deferred tax on Amalgamation of Spice Communications Limited	-	(171.71)
BALANCE OF PROFIT / (LOSS) CARRIED FORWARD TO BALANCE SHEET		
	4,482.23	(3,963.74)
EARNINGS PER SHARE (in ₹) (Refer note B 21 to Schedule 22)		
Basic	2.56	3.39
Diluted	2.55	3.38
Significant Accounting Policies and Notes to the Financial Statements		
22		
The Schedules referred to above form an integral part of the Profit & Loss Account		

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

Hemant M. Joshi

Partner

Membership No.: 38019

Place: Mumbai

Date: July 29, 2011

For and on behalf of the Board**Gian Prakash Gupta**

Director

Akshaya Moondra

Chief Financial Officer

Arun Thiagarajan

Director

Pankaj Kapdeo

Company Secretary

Himanshu Kapania

Managing Director

IDEA CELLULAR LIMITED

Schedules forming part of the Accounts

	₹ Mn	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
6,775,000,000 (Previous year 6,775,000,000) Equity Shares of ₹ 10/- each	67,750.00	67,750.00
1,500 (Previous year 1,500) Redeemable Cumulative Non Convertible Preference Shares of ₹ 10 Mn each	15,000.00	15,000.00
	82,750.00	82,750.00
Issued, Subscribed and Paid-up		
Equity Share Capital		
3,303,271,505 (Previous year 3,299,837,792) Equity Shares of ₹ 10/- each fully paid up	33,032.72	32,998.38
Out of the above 199,153,469 Equity Shares are allotted as fully paid up under the Scheme of Amalgamation of Spice Communications Limited without payments being received in cash		
	33,032.72	32,998.38
SCHEDULE 2		
RESERVES AND SURPLUS		
Amalgamation Reserve	-	643.57
Extinguishment as per Spice Amalgamation Scheme	-	(643.57)
	-	-
Capital Reserve	-	1,414.56
Extinguishment as per Spice Amalgamation Scheme	-	(1,414.56)
	-	-
Securities Premium Account		
Opening Balance	64,230.05	83,755.58
Add: Premium on issue of shares under ESOP scheme	220.72	38.30
Add: Addition on Amalgamation of Spice Communications Limited	-	4,942.59
Less: Utilisation/appropriation as per Spice Amalgamation Scheme		
i) to Business Restructuring Reserve	-	(1,000.00)
ii) to Profit and Loss Account	-	(3,585.80)
iii) to General Reserve	-	(19,920.62)
	64,450.77	64,230.05
Reserve for Business Restructuring		
Opening Balance	168.67	-
Add: Transfer from Securities Premium Account	-	1,000.00
Less: Transferred to Profit and Loss Account during the year	-	(831.33)
	168.67	168.67
General Reserve		
Opening Balance	20,694.54	-
Addition on merger of telecom business of Aditya Birla Telecom Limited	-	20,694.54
Transfer from Securities Premium Account	-	19,920.62
Transfer from Reserves (Amalgamation and Capital)	-	2,058.13
Adjustment on Amalgamation of Spice Communications Limited	-	(17,134.15)
Transfer to Profit and Loss Account	-	(4,844.60)
	20,694.54	20,694.54
Profit and Loss Account	4,482.23	-
	89,796.21	85,093.26

Schedules forming part of the Accounts

	₹ Mn	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE 3		
SECURED LOANS		
Term Loan (Refer note B 3 to Schedule 22)		
Foreign Currency Loan		
- From Banks	6,695.54	6,525.34
- From Financial Institutions	14,080.68	7,523.62
(Repayable within one year ₹ 2,822.48 Mn, Previous year Nil)		
Rupee Loan		
- From Banks	52,670.55	39,026.94
- From Financial Institutions & Others	3,861.42	3,579.47
(Repayable within one year ₹ 8,833.09 Mn, Previous year ₹ 6,952.48 Mn)		
Vehicle Loan	292.20	309.05
(Repayable within one year ₹ 143.15 Mn, Previous year ₹ 151.12 Mn)		
Vendor Finance	-	2,921.66
(Repayable within one year Nil, Previous year ₹ 2,886.84 Mn)		
	77,600.39	59,886.08
SCHEDULE 4		
UNSECURED LOANS		
Term Loan		
Foreign Currency Loan		
- From Banks	10,149.28	3,386.98
(Repayable within one year ₹ 169.35 Mn, Previous year Nil)		
Short Term Loan		
- Rupee Loan from Banks	8,156.77	-
- Buyers Credit in Foreign Currency from Banks	3,776.99	-
- Commercial Papers from Banks	5,000.00	-
(Maximum amount outstanding during the year ₹ 15,000.00 Mn)		
Vendor Finance	891.17	1,991.07
(Repayable within one year ₹ 885.17 Mn, Previous year ₹ 1,141.86 Mn)		
	27,974.21	5,378.05

Schedules forming part of the Accounts

SCHEDULE 5 - FIXED ASSETS

A - TANGIBLE ASSETS

₹ Mn

Particulars	Gross Block			Depreciation			Net Block				
	As at April 1, 2010	Additions on account of Amalgamation	Additions during the year	Sale/Adjustment during the year	As at April 1, 2010	Additions on account of Amalgamation	Additions during the year	Sale/Adjustment during the year	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010
Land	148.53	-	56.00	-	-	-	-	-	-	92.53	148.53
Leasehold Land	191.94	-	1.40	-	53.68	-	12.05	-	65.73	127.61	138.26
Building	1,395.51	-	32.39	-	337.09	-	59.99	-	397.08	1,030.82	1,058.42
Plant & Machinery	185,861.04	-	26,738.90	1,012.09	55,399.22	-	16,655.53	624.51	71,430.24	140,157.61	130,461.83
Furniture & Fixture	1,395.67	-	72.48	7.21	731.13	-	152.44	4.63	878.94	582.00	664.54
Office Equipment	2,101.22	-	88.98	19.56	1,814.23	-	149.57	18.35	1,945.45	225.19	286.99
Vehicles	830.71	-	193.22	121.99	462.17	-	200.37	83.84	578.70	323.24	368.54
TOTAL	191,924.62	-	27,127.37	1,216.85	58,797.52	-	17,229.95	731.33	75,296.14	142,539.00	133,127.11
Previous year	132,460.03	26,396.42	35,868.28	2,800.11	34,964.16	10,247.17	13,666.07	798.93	58,797.52	133,127.11	

Notes:

- Plant & Machinery includes assets held for disposal- Gross Block ₹ 174.75 Mn (Previous year - ₹ 10.23 Mn) and Net Block Nil (Previous year Nil).
- Plant & Machinery includes Gross Block of assets capitalised under finance lease ₹ 5,194.53 Mn (Previous year ₹ 3,621.85 Mn) and corresponding Accumulated Depreciation being ₹ 3,055.16 Mn (Previous year ₹ 1,689.72 Mn).
- Exchange gain amounting to ₹ 75.54 Mn (Previous year ₹ 744.12 Mn) de-capitalised as per transitional provisions of notification under AS-11, issued by Ministry of Corporate Affairs.
- Depreciation charge for the year includes accelerated depreciation of ₹ 566.67 Mn due to change in estimated useful life of certain fixed assets.

B - INTANGIBLE ASSETS

₹ Mn

Particulars	Gross Block			Amortisation			Net Block				
	As at April 1, 2010	Additions on account of Amalgamation	Additions during the year	Sale/Adjustment during the year	As at April 1, 2010	Additions on account of Amalgamation	Additions during the year	Sale/Adjustment during the year	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010
Entry/License Fees	31,657.37	-	33,660.90	-	17,700.17	-	1,698.42	-	19,398.59	45,919.68	13,957.19
Computer - Software	3,332.90	-	914.41	-	2,434.76	-	684.09	-	3,118.85	1,128.46	898.14
Bandwidth	1,429.07	-	565.20	7.46	140.92	-	117.64	0.85	257.71	1,729.10	1,288.15
TOTAL	36,419.34	-	35,140.51	7.46	20,275.85	-	2,500.15	0.85	22,775.15	48,777.24	16,143.48
Previous year	23,167.48	8,909.85	4,342.10	0.09	12,434.45	5,990.11	1,845.90	0.07	20,275.85	16,143.48	
Grand Total	228,343.96	-	62,267.88	1,224.31	79,073.37	-	19,730.10	732.18	98,071.29	191,316.24	

Notes:

- Computer - Software include Gross Block of assets capitalised under finance lease ₹ 1,751.21 Mn (Previous year ₹ 863.86 Mn) and corresponding Accumulated Depreciation being ₹ 758.81 Mn (Previous year ₹ 304.07 Mn).
- The remaining amortisation period of license / spectrum fees as at March 31, 2011 ranges between 5 to 20 years based on the respective Telecom Service License period.

Capital Work in Progress (Net of impairment provision of ₹ 8,430.40 Mn) (Includes capital advances ₹ 131.56 Mn)	35,940.51	4,625.81
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Schedules forming part of the Accounts

	₹ Mn	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE 6		
INVESTMENTS		
Long-term Trade Investment (Unquoted)		
Investments in Shares of Subsidiaries		
Aditya Birla Telecom Limited 10,000,000 fully paid equity shares of ₹ 10/- each	16,327.76	16,327.76
Idea Cellular Infrastructure Services Limited 50,000 fully paid equity shares of ₹ 10/- each	0.50	0.50
Idea Mobile Commerce Services Limited (Formerly known as Carlos Towers Limited) 100,000 (Previous year 50,000) fully paid equity shares of ₹ 10/- each	1.00	0.50
Idea Cellular Services Limited 50,000 fully paid equity shares of ₹ 10/- each	0.50	0.50
Swinder Singh Satara & Company Limited 50,000 fully paid equity shares of ₹ 10/- each	38.31	38.31
Current Investment		
Investments in Units of Mutual Funds (Refer note B 12 to Schedule 22)	9,360.00	11,183.69
	25,728.07	27,551.26
SCHEDULE 7		
INVENTORIES		
(At lower of cost or estimated realisable value)		
Sims and Other Cards	522.16	466.99
	522.16	466.99
SCHEDULE 8		
SUNDRY DEBTORS		
Debts outstanding for over six months		
Unsecured - Considered good	235.05	219.12
- Considered doubtful	2,262.68	1,699.90
	2,497.73	1,919.02
Other Debts		
Unsecured - Considered good	4,379.41	4,082.05
- Considered doubtful	95.23	220.13
	4,474.64	4,302.18
Less: Provision for doubtful debts	2,357.91	1,920.03
Total	4,614.46	4,301.17
Sundry Debtors include certain parties from whom Security Deposits of ₹ 200.64 Mn (Previous year ₹ 292.99 Mn) have been taken and are lying with the Company		

Schedules forming part of the Accounts

₹ Mn

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash and Cheques on Hand	136.49	134.13
Balances with Scheduled Banks		
- in Current Accounts	338.18	1,157.18
- in Deposit Accounts	4,040.68	1,513.10
[Includes ₹ 39.24 Mn as margin money (Previous year ₹ 262.59 Mn)]		
	4,515.35	2,804.41
SCHEDULE 10		
OTHER CURRENT ASSETS		
Unbilled Revenue	733.03	743.72
Interest Receivable on Deposits	8.08	499.93
	741.11	1,243.65
SCHEDULE 11		
LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or kind or for value to be received		
- Considered good	6,918.74	6,251.22
- Considered doubtful	585.51	578.98
Less: Provision for doubtful advances	585.51	578.98
	6,918.74	6,251.22
Deposits with Body Corporates	1,509.95	11,592.48
Deposits with Subsidiaries	3,715.53	3,774.75
Deposits and Balances with Govt. Authorities	297.47	275.75
Deposits with others	3,743.44	3,300.86
Advance Income Tax (Net of provision of ₹ 1,580.90 Mn)	1,374.73	1,042.30
MAT Credit Entitlement	5,342.90	3,765.45
	22,902.76	30,002.81
SCHEDULE 12		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors (Refer note B 13 to Schedule 22)	37,544.95	24,855.13
Book Bank Overdraft	328.16	503.68
Advances from Customers and Unearned Income	8,669.52	7,382.92
Deposits from Customers and Others	1,686.77	1,621.05
Other Liabilities	4,556.96	1,942.80
Interest accrued but not due	450.80	490.65
	53,237.16	36,796.23
Provisions		
Gratuity (Refer note B 16 to Schedule 22)	186.81	110.73
Leave Encashment	665.72	523.27
Asset Retirement Obligation (Refer note B 23 to Schedule 22)	439.20	455.70
Provision for Current Tax (Net of Advance Tax of ₹ 1,814.95 Mn in Previous year)	-	287.92
	1,291.73	1,377.62
Total	54,528.89	38,173.85

Schedules forming part of the Accounts

	₹ Mn	
	For the year ended March 31, 2011	For the year ended March 31, 2010
SCHEDULE 13		
OTHER INCOME		
Liabilities / Provisions no longer required written back	474.55	744.34
Miscellaneous Receipts	87.40	57.10
	561.95	801.44
SCHEDULE 14		
COST OF TRADING GOODS SOLD		
Opening Stock	-	-
Add: Purchases	0.20	0.22
Less: Closing Stock	-	-
	0.20	0.22
SCHEDULE 15		
PERSONNEL EXPENDITURE		
Salaries and Allowances etc.	6,559.51	5,109.10
Contribution to Provident and Other Funds	384.51	296.42
Staff Welfare	249.74	206.13
Recruitment and Training	95.07	87.21
	7,288.83	5,698.86
SCHEDULE 16		
NETWORK OPERATING EXPENDITURE		
Security Service Charges	586.73	442.84
Power and Fuel	13,926.57	10,444.07
Repairs and Maintenance - Plant and Machinery	4,509.49	3,289.70
Switching & Cellsites Rent	1,310.47	930.70
Lease Line and Connectivity Charges	5,212.10	4,187.37
Network Insurance	58.22	47.05
Passive Infrastructure Charges	20,788.59	14,746.09
Other Network Operating expenses	406.00	306.34
	46,798.17	34,394.16
SCHEDULE 17		
LICENSE AND WPC CHARGES		
License Fees	11,076.44	8,682.91
WPC and Spectrum Charges	6,651.56	4,261.88
	17,728.00	12,944.79
SCHEDULE 18		
ROAMING & ACCESS CHARGES		
Roaming Charges	705.23	674.69
Access Charges	24,049.25	16,778.21
	24,754.48	17,452.90

Schedules forming part of the Accounts

₹ Mn

	For the year ended March 31, 2011	For the year ended March 31, 2010
SCHEDULE 19		
SUBSCRIBER ACQUISITION & SERVICING EXPENDITURE		
Cost of Sim and Other Cards	1,615.68	1,350.83
Commission and Discount to Dealers & Recharge Expenses	9,401.46	5,674.44
Customer Verification Expenses	1,585.16	808.88
Collection & Telecalling Expenses	3,462.55	3,265.34
Customer Retention & Customer Loyalty Expenses	362.68	244.40
	16,427.53	11,343.89
SCHEDULE 20		
ADMINISTRATION & OTHER EXPENSES		
Repairs and Maintenance - Building	47.02	38.13
- Others	2,185.66	1,436.98
Other Insurance	12.65	29.31
Non Network Rent	631.26	579.35
Rates and Taxes	82.58	71.80
Electricity	321.87	266.22
Printing and Stationery	81.47	79.73
Communication Expenses	110.67	134.67
Travelling and Conveyance	577.49	461.08
Bad Debts written off	-	1,733.11
Provision for bad and doubtful debts / advances	444.41	(1,260.22)
Bank Charges	71.51	78.71
Directors Sitting Fees	1.00	0.85
Legal and Professional Charges	434.11	314.30
Audit Fees (Refer note B 7 to Schedule 22)	35.45	30.50
Loss on Sale of Fixed Assets / Asset disposed off	172.30	30.87
Miscellaneous expenses	554.27	431.17
	5,763.72	4,456.56
SCHEDULE 21		
FINANCE AND TREASURY CHARGES (NET)		
Interest		
- On Fixed Period Loan (Net of ₹ 4,093.13 Mn capitalised, Previous year Nil)	3,184.60	5,342.90
- Others	249.22	87.29
Financing Charges	230.72	128.17
	3,664.54	5,558.36
Less:		
Interest Received	652.65	2,318.19
Profit on Sale of Other Investments	448.03	878.71
Gain / (Loss) on Foreign Exchange Fluctuation (Net)	76.51	298.26
	2,487.35	2,063.20

Schedules forming part of the Accounts

SCHEDULE 22

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements:

The Financial Statements have been prepared under the historical cost convention on accrual basis. The mandatory applicable accounting standards in India and the provisions of the Companies Act, 1956 have been followed in preparation of these financial statements.

2. Fixed Assets:

Fixed assets are stated at cost of acquisition and installation less accumulated depreciation. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use.

Asset retirement obligations are capitalized based on a constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Such costs are depreciated over the remaining useful life of the asset.

3. Expenditure during pre-operative period of license:

Expenses incurred on project and other charges during construction period are included under pre-operative expenditure (grouped under Capital Work in Progress) and are allocated to the cost of Fixed Assets on the commencement of commercial operations.

4. Depreciation and Amortisation:

Depreciation on fixed assets is provided on straight-line method (except stated otherwise) on the basis of estimated useful economic lives as given below: -

Tangible Assets	Years
Buildings	9 to 30
Network Equipments	10 to 13
Optical Fibre	15
Other Plant and Machineries	5
Office Equipments	3 to 9
Computers	3
Furniture and Fixtures	3 to 10
Motor Vehicles	upto 5
Leasehold Improvements	Period of Lease
Leasehold Land	Period of Lease

Intangible Assets are amortised on straight-line method as under:-

- i) Cost of Rights, Licences including the fees paid on fixed basis prior to revenue share regime and Spectrum fee is amortised on straight-line method on commencement of operations over the validity period.
- ii) Software, which is not an integral part of Hardware, is treated as Intangible asset and is amortized over their useful economic lives as estimated by the management between 3 to 5 years.
- iii) Bandwidth / Fibre taken on Indefeasible Right of Use (IRU) is amortised over the agreement period.

Assets costing upto ₹ 5,000/- are depreciated fully in the month of purchase.

5. Inventories:

Inventories are valued at cost or net realisable value, whichever is lower. Cost is determined on weighted average basis.

6. Foreign currency transactions:

Transactions in foreign currency are recorded at the exchange rates prevailing at the dates of the transactions. As per the transitional provisions given in the notification issued by Ministry of Corporate Affairs dated 31st March, 2009, the company has opted for the option of adjusting the exchange difference on long term foreign currency monetary items to the cost of the assets acquired out of these foreign currency monetary items. The company has aligned its accounting policy based on this notification.

Exchange difference arising out of fluctuation in exchange rates on settlement / period end is accounted based on the nature of transaction as under:

- 1) Short term foreign currency monetary assets and liabilities: recognised in the Profit and Loss account.
- 2) Long term foreign currency monetary liabilities used for acquisition of fixed assets: adjusted to the cost of the fixed assets and amortised over the remaining useful life of the asset.
- 3) Other long term foreign currency monetary liabilities: recognised in "Foreign Currency Monetary Item Translation Difference Account" and amortised over the period of liability not exceeding 31st March, 2012.

7. Taxation:

a) **Current Tax:** Provision for current income tax is made on the taxable income using the applicable tax rates and tax laws.

b) **Deferred Tax:** Deferred tax arising on account of timing differences and which are capable of reversal in one or more subsequent periods is recognised using the tax rates and tax laws that have been

enacted or substantively enacted. Deferred tax assets are not recognised unless there is virtual certainty with respect to the reversal of the same in future years.

- c) Minimum Alternative Tax (MAT) credit:** MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Profit and Loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

8. Retirement Benefits:

Contributions to Provident and Pension funds are funded with the appropriate authorities and charged to the Profit and Loss Account.

Contributions to superannuation are funded with the Life Insurance Corporation of India and charged to the profit and loss account.

Liability for gratuity as at the year end is provided on the basis of actuarial valuation and funded with Life Insurance Corporation of India.

Provision in accounts for leave benefits to employees is based on actuarial valuation done by projected accrued benefit method at the period end.

9. Revenue Recognition and Receivables:

Revenue on account of telephony services (mobile & long distance) and sale of handsets and related accessories is recognized net of rebates, discount, service tax etc. on rendering of services and supply of goods respectively. Recharge fees on recharge vouchers is recognized as revenue as and when the recharge voucher is activated by the subscriber.

Service income from passive infrastructure is recognized on accrual basis (net of reimbursements) as per the contractual terms on straight line method over the contract period.

Unbilled receivables represent revenues recognized from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

Debts (net of security deposits outstanding there against) due from subscribers, which remain unpaid for more than 90 days from the date of bill and/or other debts which are otherwise considered doubtful, are provided for.

Provision for doubtful debts on account of interconnect usage charges (IUC), roaming charges and passive infrastructure sharing from other telecom operators is made for dues outstanding more than 180 days from the date of billing other than cases when an amount is payable to that operator or in specific case when management is of the view that the amount is recoverable.

10. Investments:

Current investments are stated at lower of cost or fair value in respect of each separate investment.

Long-term investments are stated at cost less provision for diminution in value other than temporary, if any.

11. Borrowing Cost:

Interest and other costs incurred in connection with the borrowing of the funds are charged to revenue on accrual basis except those borrowing costs which are directly attributable to the acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use. Such costs are capitalized with the fixed assets.

12. Licence Fees – Revenue Share:

With effect from 1st August, 1999 the variable licence fee computed at prescribed rates of revenue share is being charged to the profit and loss account in the period in which the related revenue arises. Revenue for this purpose comprises adjusted gross revenue as per the licence agreement of the licence area to which the licence pertains.

13. Use of Estimate:

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between actual results and estimates are recognised in the periods in which the results are known / materialise.

14. Leases:

a) Operating: Lease of assets under which significant risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expense in the profit and loss account, on a straight-line or other systematic basis over the lease term.

b) Finance: Leased assets acquired on which significant risk and reward of ownership effectively transferred to the Company are capitalised at lower of fair value or the amounts paid under such lease arrangements. Such assets are amortised over the period of lease or estimated life of such assets whichever is less.

15. Earnings Per Share:

The earnings considered in ascertaining the Company's EPS comprises the net profit after tax, after reducing dividend on Cumulative Preference Shares for the period (irrespective of whether declared, paid or not), as per Accounting Standard 20 on "Earnings Per Share", issued by the Institute of Chartered Accountants of India. 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.

16. Impairment of Assets:

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in accordance for AS-28 "Impairment of Assets", for the amount by which the asset's carrying amount exceeds its recoverable amount as on the carrying date. The recoverable amount is higher of the asset's fair value less costs to sell vis-à-vis value in use. For the purpose of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

17. Provisions & Contingent Liability:

Provisions are recognized when the Company has a present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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.

18. Issue Expenditure:

Expenses incurred in connection with issue of equity shares are adjusted against share premium.

19. Employee Stock Option:

In respect of stock options granted pursuant to the company's Employee Stock Option Scheme, the intrinsic value of the option is treated as discount and accounted as employee compensation cost over the vesting period.

In respect of re-pricing of existing stock option, the incremental intrinsic value of the option is accounted as employee cost over the remaining vesting period.

B. NOTES TO ACCOUNTS

- The company successfully bid for 11 service areas in the 3G Spectrum auction held by the Department of Telecommunications (DoT) during the year for a total cost of ₹ 57,685.90 Mn Spectrum in the 2100 MHz band has been allotted to the Company for a period of twenty years in the 11 service areas, viz. Maharashtra, Gujarat, Andhra Pradesh, Kerala, Punjab, Haryana, Uttar Pradesh (East),

Uttar Pradesh (West), Madhya Pradesh & Chattisgarh, Himachal Pradesh and Jammu & Kashmir.

As of 31st March, 2011, the Company has launched 3G services in select towns in the service areas of Gujarat, Himachal Pradesh, Madhya Pradesh & Chattisgarh, Haryana, Maharashtra and Uttar Pradesh (West). In the service areas of Andhra Pradesh, Kerala and Uttar Pradesh (East), 3G services in select towns have been launched in April, 2011.

In the Punjab service area, the Company has not been given clearance for commercial use of the allotted spectrum band. The Company had approached Hon'ble TDSAT for direction to DoT to allow commercial use of the allotted 3G spectrum band. The Hon'ble TDSAT has directed the Company to approach it again, if required, upon the final disposal of the matters mentioned in point 2 below by the Appellate Bench of Hon'ble High Court of Delhi.

- The erstwhile Spice Communications Limited (Spice) was amalgamated with the Company effective 1st March, 2010 pursuant to sanction of the Scheme of Amalgamation by Hon'ble High Court of Gujarat and Hon'ble High Court of Delhi. However, upon an application made by DoT on 30th March, 2011 for recall of the order dated 5th February, 2010, sanctioning the above scheme, the Hon'ble High Court of Delhi while pronouncing its judgment on 4th July, 2011, reaffirmed the amalgamation of Spice with the Company. However, the said judgment transferred and vested unto the DoT, the six licenses granted to erstwhile Spice along with the spectrum (including the two operational licenses for Punjab & Karnataka service areas), till the time permission of DoT is granted for transfer thereof upon an application from the Company to that effect.

The Company then filed an appeal, before the Appellate Bench of the Hon'ble High Court of Delhi, challenging the above judgment of 4th July, 2011. Through interim orders, Appellate Bench has directed DoT to :-

- Accept the License Fee from the Company without prejudice, as the Company is continuing to operate the licenses for Punjab & Karnataka service areas granted to erstwhile Spice;
- Till the next date of hearing, maintain status quo in relation to the aforesaid two operating licenses and no coercive steps in relation to any demand pertaining to the four non operating licenses.

Pending the final disposal of the appeal, the consequential financial impact, if any, cannot be ascertained.

3. Secured Loans

a) Foreign Currency and Rupee Loans

Foreign Currency Loans amounting to ₹ 20,776.22 Mn (Previous year ₹ 14,048.96 Mn) and Rupee Loans

amounting to ₹ 56,531.97 Mn (Previous year ₹ 42,606.41 Mn) are secured by way of first charge / assignment ranking pari-passu interse the lenders, as under:

- i. First charge by hypothecation / mortgage on all the movable and immovable properties of the Company respectively,
- ii. A first priority charge over all intangible assets (excluding Telecom Licenses) of the Company,
- iii. Assignment of the rights, titles and interest, on deposits, investments, bank accounts, book debts, insurance covers, other general assets, letters of credit and guarantee or performance bond, provided in favour of the Company.

Out of the above Loan, Foreign Currency Loan amounting to ₹ 18,349.02 Mn (Previous year ₹ 11,791.96 Mn) & Rupee Loan amounting to ₹ 40,531.98 Mn (Previous year ₹ 42,106.41 Mn) additionally have pledge on 60% shareholding of Indus Towers Limited held by wholly owned subsidiary. Further Foreign Currency Loan amounting to ₹ 8,733.34 Mn (Previous year ₹ 8,782.34 Mn) & Rupee Loan amounting to ₹ 40,531.98 Mn (Previous year ₹ 42,106.41 Mn) included above, have additional security as first priority charge over Telecom Licenses also.

b) Vehicle Loan

Vehicle Loan amounting to ₹ 292.20 Mn (Previous year ₹ 309.05 Mn) is secured by hypothecation of Vehicles against which the loans have been taken.

4. Contingent Liabilities

- a) Due to the DoT's alleged contention that the acquisition of erstwhile Spice Communications Limited and its subsequent amalgamation with the company violates certain license conditions/ guidelines, the company has received the following demands / notices:

- (i) Demand notices dated 24th February, 2011 and 1st June, 2011 of ₹ 500 Mn each in respect of UAS licenses for Punjab and Karnataka service areas respectively held by erstwhile Spice Communications Limited.

Demand notices dated 1st June, 2011 of ₹ 500 Mn each in respect of CMTS licenses of Delhi, Andhra Pradesh, Haryana and Maharashtra service areas held by the company.

The above demands were challenged by the Company before the Hon'ble TDSAT and stay has been granted.

- (ii) Show Cause notices for termination of six UAS licenses issued in 2008, which have not been rolled out;

- i. Dated 24th February, 2011 and dated 1st June, 2011 for violation of license conditions in respect of Punjab & Karnataka service areas respectively granted to the Company.
- ii. Dated 1st June, 2011 for violation of license conditions in respect of Delhi, Maharashtra, Haryana and Andhra Pradesh service areas granted to erstwhile Spice Communications Limited, which have not been rolled out.
- iii. Dated 11th May, 2011 for termination due to non fulfillment of rollout obligations in respect of UAS license for Karnataka service area granted to Company and for Andhra Pradesh service area granted to erstwhile Spice Communications Limited.

The Company had challenged the show cause notice dated 24th February, 2011 above before Hon'ble TDSAT. The same has been disposed off by Hon'ble TDSAT, terming it as premature with a liberty to approach the Hon'ble TDSAT afresh, in case the company is aggrieved by any final orders of DoT in this matter.

- (iii) Demands for liquidated damages amounting to ₹ 276.50 Mn for non fulfillment of roll out obligations in respect of UAS licenses issued in 2008 to the Company for Punjab and Karnataka service areas and to the erstwhile Spice Communications Limited for the service areas of Maharashtra, Haryana and Andhra Pradesh.

The company has filed appropriate petitions before the Hon'ble TDSAT for quashing these demands. Vide interim orders dated 8th June, 2011, the Hon'ble TDSAT has directed the Company to deposit 60% of the amount within a week for securing interest of both the parties without prejudice to their respective rights and contentions, which the Company has since complied with.

- b) During the financial year 2006-07, the WPC wing of DoT had raised demands towards monthly compounded interest and penalty on WPC charges for the period upto financial year 2002-03 in respect of the telecom service areas of the erstwhile Idea Mobile Communication Limited, BTA Cellcom Limited and Spice Communications Limited amounting to ₹ 844.88 Mn, which were deposited under protest and reflected as advances. Following the favourable decision of TDSAT on petition No. 123 of 2008, these amounts have been adjusted against spectrum dues as of 31st March, 2011. Subsequently, DoT has filed an appeal in Hon'ble Supreme Court.

c) Other Matters not provided for:

Particulars	₹ Mn	
	As on March 31, 2011	As on March 31, 2010
Income Tax matters not acknowledged as debts (see i below)	765.09	727.84
Sales Tax matters not acknowledged as debts (see ii below)	3,124.01	2,306.21
Service Tax matters not acknowledged as debts (see iii below)	3,906.72	2,412.10
Entry Tax and Custom matters not acknowledged as debts (see iv below)	353.91	115.22
Other claims not acknowledged as debts (see v below)	2,305.23	3,464.78

i. Income Tax matters:

The appeals which are pending before various Appellate Authorities includes mainly the appeals filed by the company against the demands raised by various income tax authorities on account of non deduction of tax on discount allowed to prepaid distributors, non deduction of tax on roaming charges etc.

ii. Sales Tax:

The Sales Tax demands as at 31st March, 2011 mainly relates to the demands raised by the VAT/Sales Tax authorities at few states on SIM cards, prepaid cards and recharge coupons, airtime revenue etc. on which the Company has already paid service tax.

iii. Service Tax:

The service tax demands as at 31st March, 2011 mainly relates to the following matters:

- Interpretation issues arising out of Rule 6(3) of the Cenvat Credit Rules, 2004;
- Denial of Cenvat Credit related to Towers & Shelters
- Disallowance of Cenvat Credit on input services viewed as not related to output service.

iv. Entry Tax:

In certain states entry tax is being demanded on receipt of material from outside the state. However, the Company has challenged the constitutional validity of the levy.

v. Other claims not acknowledged as debts:

Mainly include matters appealed by BSNL in Hon'ble Supreme Court, commitments under EPCG, miscellaneous disputed matters with DoT and other consumer court cases.

d) Estimated amount of contracts (net of advance) remaining to be executed on capital account and not provided for:

Particulars	₹ Mn	
	As on March 31, 2011	As on March 31, 2010
Estimated amount of contracts (net of advance)	20,246.02	10,581.35

5. The Company has a contingent obligation to buy compulsory convertible preference shares issued by ABTL, from the holder at the original issue price of ₹ 20,982.50 Mn.

6. Details of guarantees given:

Particulars	₹ Mn	
	As on March 31, 2011	As on March 31, 2010
Bank guarantees given	16,306.11	20,182.72

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7. Auditors' Remuneration (excluding of service tax):

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Statutory audit fees	35.45	30.50
Certification and other matters (incl. in legal and professional charges)	3.15	3.68
Out of pocket expenses (incl. in misc expenses)	0.49	0.66
Total Remuneration	39.09	34.84

8. CIF value of imports:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Capital Goods (including spares)	13,980.86	20,252.07

9. Expenditure in Foreign Currency (on remittance basis):

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Interest	947.10	406.15
Travel	3.84	4.71
Professional and consultancy fees	14.91	1.86
International roaming services	224.65	191.23
Termination / carriage charges	1,706.10	-
Others	93.24	143.23

10. Earning in Foreign Currency (on receipt basis):

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
International roaming services*	811.67	712.69
Termination / carriage services#	301.58	-

* On accrual basis ₹ 946.79 Mn for Current year and ₹ 786.21 Mn for Previous year.

On accrual basis ₹ 247.97 Mn for Current year and ₹ 16.82 Mn for Previous year.

11. Managerial Remuneration under section 198 of the Companies Act, 1956 paid or payable during the financial year is as under:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Salary including perquisites	45.27	38.86
Contribution to provident and other fund	4.18	3.76
Performance incentive	27.16	18.40
Total	76.61	61.02

The above remuneration excludes gratuity & leave encashment amounts as the same is been based on actuarial valuation.

12. Details of Investments

a) During the year, the Company has purchased and sold following units:

Scheme	During the year ended March 31, 2011				During the year ended March 31, 2010			
	Qty in '000	₹ in Mn	Qty in '000	₹ in Mn	Qty in '000	₹ in Mn	Qty in '000	₹ in Mn
	Units Purchased	Purchase Value	Units Sold	Sale Value	Units Purchased	Purchase Value	Units Sold	Sale Value
Axis Liquid Fund – Growth	-	-	-	-	50	50	50	50
Axis Treasury Advantage Fund – Growth	-	-	-	-	50	50	50	50
Baroda Pioneer Liquid Fund - Inst Plan – Growth	-	-	-	-	23,933	250	23,933	250
Baroda Pioneer Treasury Advantage Fund - IP – Growth	-	-	-	-	24,358	250	24,358	251
Birla Sun Life Cash Manager - IP – Growth	1,099,881	17,371	1,099,881	17,401	138,232	2,045	138,232	2,046
Birla Sun Life Cash Plus - Institutional Premium Plan - Growth	7,645,888	116,238	7,111,612	107,971	7,496,923	107,952	7,794,933	112,169
Birla Sun Life Floating Rate Fund - LTP - IP – Growth	135,067	1,500	135,067	1,511	-	-	-	-
Birla Sun Life Floating Rate Fund Short term - IP Growth	240,045	2,944	240,045	2,953	-	-	-	-
Birla Sun Life Floating Rate Short Term Plan – Growth	-	-	-	-	398,109	6,022	398,109	6,023
Birla Sun Life Floating Rate Short Term Plan - IP – Growth	-	-	494,028	6,041	988,058	12,023	494,030	6,022
Birla Sun Life Savings Fund - IP – Growth	1,047,497	18,428	1,140,713	20,101	4,435,992	75,656	4,342,891	74,300
Birla Sun Life Short Term Floater Institutional Growth	552,594	6,760	552,594	6,798	-	-	-	-
Birla Sun Life Short Term Fund - IP – Growth	-	-	48,562	536	48,562	531	-	-
Birla Sun Life Short Term Opportunities Fund - IP – Growth	-	-	-	-	1,554,139	15,590	1,554,139	15,758
Birla Sun Life Cash Manager - IP – Growth	-	-	-	-	-	-	954,040	14,041
Canara Robeco Liquid - Super IP – Growth	-	-	-	-	4,533	50	4,533	50
Canara Robeco Treasury Advantage Fund - Super IP - Growth	-	-	-	-	3,655	50	3,655	50
DSP Blackrock Liquidity Fund - IP – Growth	2,637	3,670	2,637	3,676	-	-	-	-
DWS Credit Opportunities Cash Fund - 30D – Growth	-	-	-	-	8,913	100	8,913	101
DWS Insta Cash Plus Fund - IP – Growth	-	-	-	-	57,949	810	57,949	810
DWS Insta Cash Plus Fund - Super IP – Growth	-	-	-	-	625,451	7,297	625,451	7,299
DWS Ultra Short-Term Fund - IP – Growth	-	-	-	-	494,683	5,247	494,683	5,252
HDFC Cash Management Fund - Savings Plan – Growth	94,295	1,853	94,295	1,853	1,222,786	23,096	1,222,786	23,100
HDFC Cash Management Fund - Treasury Advantage - WP - Growth	12,044	250	12,044	250	639,718	12,628	639,718	12,675
HDFC F R I F - STF - WP – Growth	61,892	1,000	61,892	1,001	627,300	9,658	627,300	9,691
HDFC Liquid Fund - Premium Plan – Growth	26,193	495	26,193	495	-	-	-	-
HDFC Liquid Fund - Premium Plus Plan – Growth	51,897	975	51,897	975	-	-	-	-
HDFC Quarterly Interval Fund - Plan C - Whole Sale Plan - Growth	-	-	24,995	253	24,996	250	-	-
ICICI Prudential Flexible Income Plan - Premium – Growth	50,504	8,696	50,504	8,707	724,180	21,739	724,180	21,805
ICICI Prudential FRF - Plan D – Growth	3,117	430	3,117	430	-	-	-	-
ICICI Prudential Liquid - Inst Plus – Growth	1,086	250	1,086	250	11,273	250	11,273	250
ICICI Prudential Liquid - Super IP – Growth	132,244	18,360	132,244	18,370	1,299,604	29,016	1,338,104	29,527
ICICI Prudential Ultra Short Term Plan - Sup Prem - Growth	-	-	96,793	1,002	194,225	2,000	97,431	1,007
IDFC Cash Fund - Plan C - Super IP – Growth	1,017,744	11,808	958,199	11,105	1,579,571	17,438	1,579,571	17,440
IDFC Money Manager - Treasury Plan - Plan B – Growth	-	-	-	-	64,755	932	64,755	933
IDFC Money Manager - Treasury Plan - Plan C – Growth	-	-	-	-	1,638,725	17,622	1,638,725	17,638
IDFC Money Manager - Treasury Plan - Plan C - Growth (Re-Launched)	383,282	4,247	383,282	4,251	-	-	-	-
Kotak Flexi Debt Fund - IP – Growth	-	-	-	-	177,074	1,950	177,074	1,952
Kotak Floater - LT – Growth	607,793	8,934	607,793	8,954	1,202,005	17,236	1,202,005	17,284
Kotak Liquid - Inst Premium Plan – Growth	-	-	-	-	971,560	17,838	971,560	17,840

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Scheme	During the year ended March 31, 2011				During the year ended March 31, 2010			
	Qty in '000	₹ in Mn	Qty in '000	₹ in Mn	Qty in '000	₹ in Mn	Qty in '000	₹ in Mn
	Units Purchased	Purchase Value	Units Sold	Sale Value	Units Purchased	Purchase Value	Units Sold	Sale Value
Kotak Liquid - IP - Growth	-	-	-	-	1,246	22	1,246	22
Kotak Liquid - IPP - Growth	1,154,085	21,790	1,154,085	21,801	19,659	360	19,659	360
Kotak Quarterly Interval Plan Series 2 - Growth	-	-	-	-	-	-	21,993	257
Kotak Quarterly Interval Plan Series 6 - Growth	-	-	87,249	1,014	87,249	1,000	-	-
LIC MF Liquid Fund - Growth	-	-	-	-	-	-	15,554	251
Reliance Liquid Fund - Cash Plan - Growth	75,536	1,190	75,536	1,199	-	-	-	-
Reliance Liquid Fund - TP - IP - Growth	354,093	8,069	354,093	8,072	804,775	17,671	804,775	17,675
Reliance Liquidity Fund - Growth	588,119	8,278	588,119	8,284	918,103	12,488	918,103	12,491
Reliance Medium Term Fund - Growth	262,393	5,037	262,393	5,046	410,895	7,701	410,895	7,711
Reliance Money Manager Fund - IP - Growth	2,181	2,748	2,181	2,761	11,441	14,050	11,441	14,089
Religare Liquid Fund - Super IP - Growth	59,649	1,459	59,649	1,461	341,767	4,260	341,767	4,260
Religare Ultra Short Term Fund - IP - Growth	-	-	-	-	341,763	4,260	341,763	4,266
SBI Magnum Insta Cash - Cash Plan	14,914	309	14,914	309	-	-	-	-
SBI Magnum Insta Cash - Cash Plan - Growth	206,941	4,370	206,941	4,373	-	-	-	-
SBI Premier Liquid Fund - IP - Growth	50,735	750	50,735	750	-	-	-	-
SBI Premier Liquid Fund - Super IP - Growth	170,568	2,530	170,568	2,532	-	-	-	-
SBI SHDF - Ultra Short Term - IP - Growth	80,913	1,000	80,913	1,002	-	-	-	-
Templeton India TMA - Super IP - Growth	3,649	5,187	3,649	5,193	-	-	-	-
UTI Fixed Income Interval Fund - Monthly Interval Series I Growth	-	-	-	-	-	-	88,048	1,007
UTI Fixed Income Interval Fund - Series II - Quarterly Interval Plan V - Institutional Growth Plan	-	-	50,005	507	50,005	500	-	-
UTI Floating Rate Fund - STP - IP - Growth	241	250	241	251	1,140	1,175	1,140	1,177
UTI Liquid Fund - Cash Plan - IP - Growth	3,429	5,281	3,429	5,284	4,267	6,305	4,267	6,308
UTI Money Market - Growth	-	-	-	-	219,651	5,460	219,651	5,463
UTI Money Market - IP - Growth	1,908	2,015	1,908	2,016	120,365	16,695	120,365	16,697
UTI Treasury Advantage Fund - IP - Growth	2,000	2,502	2,000	2,505	14,863	18,033	14,863	18,061
Grand Total	16,197,052	296,974	16,498,078	299,245	30,028,550	515,608	30,549,962	525,757

b) As at 31st March, 2011 the closing balance in mutual fund units are as follows:

Particulars	As at March 31, 2011		As at March 31, 2010	
	Qty in '000 Closing Units	₹ in Mn Closing Value	Qty in '000 Closing Units	₹ in Mn Closing Value
Birla Sun Life Cash Plus - Institutional Premium Plan - Growth	551,261	8,650	16,985	250
Birla Sun Life Floating Rate Short Term Plan - IP - Growth	-	-	494,028	6,024
Birla Sun Life Savings Fund - IP - Growth	-	-	93,216	1,629
Birla Sun Life Short Term Fund - IP - Growth	-	-	48,562	531
HDFC Quarterly Interval Fund - Plan C - Whole Sale Plan - Growth	-	-	24,995	250
ICICI Prudential Ultra Short Term Plan - Sup Prem - Growth	-	-	96,793	1,000
IDFC Cash Fund - Plan C - Super IP - Growth	59,545	710	-	-
Kotak Quarterly Interval Plan Series 6 - Growth	-	-	87,249	1,000
UTI - Fixed Income Interval Fund - Series II - Quarterly Interval Plan V - Institutional Growth Plan	-	-	50,005	500
Total	610,806	9,360	911,833	11,184

13. As per the requirement of Section 22 of The Micro, Small and Medium Enterprises Development Act, 2006 following information are disclosed:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year included in sundry creditors.	32.91	9.46
(ii) The interest due on above.	Nil	Nil
The total of (i) & (ii)	32.91	9.46
b) The amount of interest paid by the buyer in terms of section 16 of the Act.	Nil	Nil
c) The amount of the payment made to the supplier beyond the appointed day during the accounting year	Nil	Nil
d) The amounts of interest accrued and remaining unpaid at the end of financial year	Nil	Nil
e) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under this Act.	Nil	Nil

14. During the year, under ESOS 2006, 2,524,500 options have been granted as 'Tranche IV' to the eligible employees as on 24th January 2011. Each option when exercised would be converted into one equity share of ₹ 10/- each, fully paid up, of the Company. The options will vest in 4 equal annual installments after one year of the grant. The maximum period of exercise is 5 years from the date of vesting.

The compensation costs of stock options granted to employees have been accounted by the Company using the intrinsic value method.

Summary of Stock Options

Particulars	No. of Stock Options	
	March 31, 2011	March 31, 2010
Options outstanding at beginning of the year	27,119,449	22,952,500
Options granted during the year	2,524,500	6,918,750
Options forfeited/lapsed during the year	1,693,311	2,162,687
Options exercised during the year	3,433,713	589,114
Options outstanding at end of the year	24,516,925	27,119,449
Weighted average exercise price of outstanding options (₹)	47.65	44.84

Personnel expenditure includes ₹ 150.34 Mn (Previous year ₹ 282.91 Mn) being the amortisation of intrinsic value for the year ending 31st March, 2011.

Had the compensation cost for the Company's stock based compensation plan been determined as per fair value approach (calculated using Black & Scholes Option Pricing Model), the Company's net income would be lower by ₹ 229.74 Mn (Previous year ₹ 284.85 Mn) and earnings per share as reported would be lower as indicated below:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Net profit after tax but before exceptional items	8,445.97	10,536.55
Add: Total stock-based employee compensation expense determined under intrinsic value base method	150.34	282.91
Less: Total stock-based employee compensation expense determined under fair value base method	380.08	567.76
Adjusted net profit	8,216.23	10,251.70
Basic earnings per share (in ₹)		
- As reported	2.56	3.39
- Adjusted	2.49	3.30
Diluted earnings per share (in ₹)		
- As reported	2.55	3.38
- Adjusted	2.48	3.29

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The fair value of each option is estimated on the date of grant / re-pricing based on the following assumptions:

Particulars	On the date of grant				On the date of re-pricing	
	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche I	Tranche II
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil
Expected life	6 yrs 6 months	6 yrs 6 months	6 yrs 6 months	6 yrs 6 months	4 yrs 6 months	5 yrs 9 months
Risk free interest rate (%)	7.78	7.50	7.36	8.04 - 8.14	7.36	7.36
Volatility (%)	40.00	45.80	54.54	50.45	54.54	54.54

15. Details of foreign currency exposures:

a) Hedged by a derivative instrument:

Particulars	Amount in Mn	
	As at March 31, 2011	As at March 31, 2010
Foreign Currency Loan*		
Foreign currency loan in USD [^]	327.31	48.00
Vendor finance in USD	18.86	49.79
Foreign currency loan in JPY	17,727.73	17,727.73
Sundry Creditors		
Sundry creditors in USD	17.75	24.09
Interest accrued but not due on foreign currency loans in USD	0.47	-
The Equivalent INR of Foreign Currency Loans & Creditors	23,216.00	11,989.94

*Fully hedged for interest and principal repayments.

[^] Includes USD 68 Mn (Previous year USD 18 Mn) fully hedged for principal repayments only.

b) Not hedged by a derivative instrument or otherwise:

Particulars	Amount in Mn	
	As at March 31, 2011	As at March 31, 2010
Foreign Currency Loan:		
Foreign currency loan in USD	296.06	198.67
Vendor finance in USD	0.03	43.12
The Equivalent INR of Foreign Currency Loan	13,222.04	10,914.10
Sundry Creditors:		
Sundry creditors in USD	128.31	93.03
Interest accrued but not due on foreign currency loans in USD	0.25	0.64
Sundry creditors in EURO	0.02	0.01
The Equivalent INR of Sundry Creditors & Interest Accrued in Foreign Currency	5,741.32	4,228.68
Sundry Debtors:		
Sundry debtors in USD	8.20	15.91
Sundry debtors in EURO	0.16	0.07
The Equivalent INR of Sundry Debtors in Foreign Currency	375.89	722.53

16. Employee Benefits:

- a) **Defined Benefit Plan:** The Company provides for its liability towards gratuity as per the actuarial valuation. The present value of the accrued gratuity minus fund value is provided in the books of accounts.

		₹ Mn	
Sr. No.	Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
1	Assumptions		
	Discount rate	8.00%	7.50%
	Expected return on plan assets	7.50%	7.50%
	Salary Escalation	7.00%	6.00%
2	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of the year	255.51	132.69
	Interest cost	22.90	14.82
	Current service cost	55.30	51.21
	Benefits paid	(17.75)	(9.64)
	Liabilities assumed on acquisition	-	26.79
	Actuarial (gain)/loss on obligations	49.40	39.64
	Present value of obligations as at end of the year	365.36	255.51
3	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of the year	144.78	124.55
	Expected return on plan assets	12.27	9.34
	Contributions	34.68	16.25
	Asset acquired on acquisition	-	4.00
	Benefits paid	(17.75)	(9.64)
	Actuarial gain/(loss) on plan assets	4.57	0.28
	Fair value of plan assets at the end of the year	178.55	144.78
	Funded status	186.81	110.73
	Actual return on plan assets	17.60	9.62
4	Actuarial Gain/Loss recognised		
	Actuarial gain/(loss) for the year - Obligation	(49.40)	(39.64)
	Actuarial (gain)/loss for the year - Plan Assets	(4.57)	(0.28)
	Total (gain)/loss for the year	44.83	39.35
	Actuarial (gain)/loss recognised in the year	44.83	39.35
5	The amounts to be recognised in the Balance Sheet		
	Present value of obligations as at the end of year	365.36	255.51
	Fair value of plan assets as at the end of the year	178.55	144.78
	Funded status	186.81	110.73
	Net asset/(liability) recognised in Balance Sheet	(186.81)	(110.73)
6	Expenses recognised in statement of Profit & Loss		
	Current service cost	55.30	51.21
	Interest cost	22.90	14.82
	Expected return on plan assets	(12.27)	(9.34)
	Net actuarial (gain)/loss recognised in the year	44.83	28.41
	Expenses recognised in statement of Profit & Loss	110.76	85.10
7	Investment details of Plan Assets (% allocation)		
	Insurer managed funds*	100%	100%

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₹ Mn

Sr. No.	Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009	For the year ended March 31, 2008	For the year ended March 31, 2007
8	Experience Adjustments					
	Defined benefit obligation	365.36	255.51	132.69	84.92	81.97
	Plan assets	178.55	144.78	124.55	80.33	61.80
	Surplus/ (deficit)	(186.81)	(110.73)	(8.14)	(4.59)	(20.17)
	Experience adjustments on plan liabilities	25.07	57.02	14.11	-	-
	Experience adjustments on plan assets	5.33	0.28	-	-	-

* The funds are managed by LIC and LIC does not provide breakup of plan assets by investment type.

Experience adjustments have been disclosed for the year ended 31st March 2008 onwards for which information is available on Accounting Standard 15 (Revised 2005) "Employee Benefits".

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

- b) **Defined Contribution Plan:** During the year, the Company has recognised the following amounts in the Profit and Loss Account:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Employers' Contribution to Provident & Pension Fund	211.35	164.70
Employers' Contribution to Superannuation Fund	40.68	32.57

17. Segment Reporting

1. Primary Segment:

The Company operates in two business segments:

- Mobility Services: providing GSM based mobile and related telephony services.
- Long Distance (LD): providing national and international long distance services.

2. Secondary Segment:

The Company caters only to the needs of Indian market representing a singular economic environment with similar risks and rewards and hence there are no reportable geographical segments.

Primary Business Information (Business Segments) for the year ended 31st March, 2011:

₹ Mn

Particulars	Business Segments		Elimination	Total
	Mobility	LD		
Revenue				
External Revenue	153,475.92	414.05	-	153,889.97
Inter-segment Revenue	1,126.44	19,939.85	(21,066.29)	-
Total Revenue	154,602.36	20,353.90	(21,066.29)	153,889.97
Segment Result	2,006.95	9,543.61	-	11,550.56
Interest & Financing Charges (Net)	-	-	-	2,487.35
Profit before Tax	-	-	-	9,063.21
Provision for Tax (Net)	-	-	-	617.24
Profit after Tax	-	-	-	8,445.97
Other Information				
Segment Assets	268,015.99	34,287.76	(57,490.82)	244,812.93
Unallocated Corporate Assets	-	-	-	41,467.61
Total Assets	268,015.99	34,287.76	(57,490.82)	286,280.54
Segment Liabilities	192,842.29	24,751.90	(57,490.82)	160,103.37
Unallocated Corporate Liabilities	-	-	-	2,870.15
Total Liabilities	192,842.29	24,751.90	(57,490.82)	162,973.52
Capital Expenditure	93,401.50	182.08	-	93,583.58
Depreciation & Amortisation	19,575.77	154.33	-	19,730.10

Primary Business Information (Business Segments) for the year ended 31st March, 2010:

₹ Mn

Particulars	Business Segments		Elimination	Total
	Mobility	LD		
Revenue				
External Revenue	118,908.95	365.71	-	119,274.66
Inter-segment Revenue	533.63	11,782.77	(12,316.40)	-
Total Revenue	119,442.58	12,148.48	(12,316.40)	119,274.66
Segment Result	8,272.35	5,132.02	-	13,404.37
Interest & Financing Charges (Net)	-	-	-	2,063.20
Other Income				346.15
Profit before Tax	-	-	-	11,687.32
Provision for Tax (Net)	-	-	-	1,150.77
Profit after Tax	-	-	-	10,536.55
Other Information				
Segment Assets	180,603.97	16,949.08	(26,987.32)	170,565.73
Unallocated Corporate Assets	-	-	-	49,700.96
Total Assets	180,603.97	16,949.08	(26,987.32)	220,266.69
Segment Liabilities	118,332.53	11,804.85	(26,987.32)	103,150.06
Unallocated Corporate Liabilities	-	-	-	2,544.28
Total Liabilities	118,332.53	11,804.85	(26,987.32)	105,694.34
Capital Expenditure	30,142.40	3.79	-	30,146.19
Depreciation & Amortisation	15,443.76	68.21	-	15,511.97

18. Related Party Transactions

As per Accounting Standard - 18 on "Related Party Disclosures", related parties of the Company are disclosed below:

A. List of Related Parties:

Promoters

- Hindalco Industries Limited (Hindalco)
- Grasim Industries Limited (Grasim)
- Aditya Birla Nuvo Limited (ABNL)
- Birla TMT Holdings Pvt. Limited (Birla TMT)

Subsidiaries

- Swinder Singh Satara & Co. Limited (SSS & Co)
- Aditya Birla Telecom Limited (ABTL)
- Idea Cellular Services Limited (ICSL)
- Idea Cellular Infrastructure Services Limited (ICISL)
- Idea Cellular Towers Infrastructure Limited (ICTIL)
- Idea Mobile Commerce Services Limited (IMCSL) (Formerly known as Carlos Towers Limited)

Joint Venture

- Indus Towers Limited (ITL)
- Spice Communications Limited (SCL) (Upto February 28th, 2010)

Entities having significant Influence

- TMI Mauritius Ltd
- TMI India Ltd (TMI)
- Axiata Group Berhad

Key Management Personnel (KMP)

- Mr. Sanjeev Aga, MD
- Mr. Akshaya Moondra, CFO

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B. Transactions with Related Parties:

₹ Mn

Particulars	Nature of Relationship												TMI	KMP	
	Promoters			Joint Venture		Subsidiaries									
	Hindalco Industries Ltd	Grasim Industries Ltd	Aditya Birla Nuvo Ltd	Indus Towers Ltd	Spice Communications Ltd	ICSL	ICISL	ICTIL	ABTL	SSS & Co.	IMCSL				
Remuneration															90.03 (72.37)
Security deposit given				375.56 (1,321.34)											
Purchase of fixed assets			- (0.33)		- (9.19)		11.36 (12.79)								
Sale of fixed assets	0.03 (-)			3.40 (5.50)	- (15.84)		29.90 (20.40)								
Investments											0.50 (-)				
Purchase of service/goods			- (0.13)	13,251.26 (10,497.72)	- (1,288.76)	535.97 (341.34)	427.91 (410.36)				22.31 (7.15)				
Sale of service/goods	21.42 (12.65)	29.06 (41.15)	7.47 (1.98)		- (604.17)						- (0.23)				
Unsecured loan/ICD taken								71.33 (261.79)							
Unsecured loan/ICD repaid								115.64 (217.53)							
Unsecured loans/ICD given					- (5,951.36)	1,746.10 (2,689.08)	253.64 (-)	15.10 (-)	562.50 (330.23)						
Unsecured loans/ICD repaid by				5,651.20 (-)	- (25.09)	968.54 (823.01)	207.89 (7.54)		432.78 (330.23)						
Interest on unsecured loans given				63.48 (595.49)	- (456.23)										
Pass through and reimbursement of expenses incurred on behalf of				575.54 (996.36)											
Pass through and reimbursement of expenses incurred on Company's behalf by				6,537.22 (5,772.54)			556.03 (336.96)								
Advances given	5.74 (-)							- (710.75)							
Advances repaid by								- (710.75)							
Expense incurred by Company on behalf of	0.41 (0.57)	0.57 (0.85)	0.37 (0.63)		- (210.74)	5.42 (4.44)	50.35 (33.85)		3.37 (2.56)	0.20 (-)					
Expenses incurred on Company's behalf by	0.66 (0.50)	0.00 (0.75)	0.43 (0.01)		- (15.88)		0.28 (1.46)								
Rent paid									2.70 (2.70)						
Issue of shares															- *(1,656.51)

* Shares issued pursuant to amalgamation of Spice Communications Limited
(Figures in bracket are for the year ended March 31, 2010)

C. Outstanding as on March 31, 2011:

Particulars	Nature of Relationship														
	Promoters			Joint Venture		Subsidiaries								TMI	KMP
	Hindalco Industries Ltd	Grasim Industries Ltd	Aditya Birla Nuvo Ltd	Indus Towers Ltd	Spice Communications Ltd	ICSL	ICISL	ICTIL	ABTL	SSS & Co.	IMCSL				
Deposit given				2,251.73 (1,876.69)											
Unsecured loan/advances given				- (5,651.20)			3,457.26 (3,685.88)	45.75 (-)	15.10 (-)	197.22 (88.86)					
Remuneration payable														26.42 (20.87)	
Accounts receivable	7.38 (0.82)	2.31 (1.73)	0.31 (0.51)	31.12 (406.14)							0.20 (-)				
Accounts payable				3,985.98 (4,117.13)		8.34 (7.48)	12.88 (64.16)	- (44.30)							

(Figures in bracket are as of March 31, 2010)

D. Disclosures of amounts at the year end and the maximum amount of loans & advances outstanding during the year:

Name of the Party	Outstanding as at March 31, 2011	Maximum Outstanding during the year 2010-11	Outstanding as at March 31, 2010	Maximum Outstanding during the year 2009-10
Subsidiary:				
Aditya Birla Telecom Limited (ABTL)	15.10	21.25	-	-
Idea Cellular Infrastructure Services Limited (ICISL)	3,457.26	3,877.52	3,685.88	4,122.68
Idea Cellular Towers Infrastructure Limited (ICTIL)	45.75	84.46	-	710.75
Swinder Singh Satara & Co. Ltd (SSS & Co)	197.22	243.34	88.86	191.68
Idea Mobile Commerce Services Limited (IMCSL)	0.20	0.20	-	-
Joint Venture:				
Indus Towers Limited	-	5,651.20	5,651.20	5,918.56

19. Operating Lease: As a Lessee

The Company has entered into non-cancellable operating leases for offices, switches and cell sites for periods ranging from 36 months to 240 months.

The future minimum lease payments in respect of the above are as follows:

Particulars	Not later than one year	Later than one year but not later than five years	Later than five years
Minimum lease payments	12,290.00 (6,025.37)	41,952.54 (20,813.29)	31,755.65 (13,144.91)

(Figures in bracket are as of March 31, 2010)

For the current year, total lease payments amounting to ₹ 22,720.30 Mn (Previous year ₹ 12,210.57 Mn) are included in the rental expenditure head.

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Operating Lease: As a Lessor

The Company has leased under operating lease arrangements certain Optical Fibre Cables (OFC) on Indefeasible Rights of Use ("IRU") basis. The gross block, accumulated depreciation and depreciation expense of the assets given on IRU basis is not separately identifiable and hence not disclosed.

Rental income of ₹ 56.45 Mn (Previous year ₹ 17.85 Mn) in respect of such leases has been recognized in the profit and loss account during the current year.

The future minimum lease receivables in respect of the above are as follows:

Particulars	₹ Mn		
	Not later than one year	Later than one year but not later than five years	Later than five years
Minimum lease receivables	39.39 (28.86)	67.59 (88.36)	0.53 (5.00)

(Figures in bracket are as of March 31, 2010)

20. During the financial year 2007-08, company had entered into a composite IT outsourcing agreement wherein fixed assets and services related to IT has been supplied by the vendor. Such fixed assets received have been accounted for as a finance lease. Correspondingly, such assets are recorded at fair value of these assets at the time of receipt and depreciated on the stated useful life applicable to similar assets of the company.

As at 31st March, 2011, an amount of ₹ 1,195.18 Mn towards the supply of fixed assets during the year stands outstanding and will be paid during financial year 2011-12.

21. Basic & Diluted Earnings Per Share:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Nominal value of Equity Shares (₹)	10/-	10/-
Profit after Tax (₹ Mn)	8,445.97	10,536.55
Profit attributable to equity shareholders (₹ Mn)	8,445.97	10,536.55
Weighted average number of equity shares outstanding during the year	3,300,989,307	3,108,318,276
Basic Earnings Per Share (₹)	2.56	3.39
Dilutive effect on weighted average number of equity shares outstanding during the year	8,230,796	7,281,676
Weighted average number of diluted equity shares	3,309,220,103	3,115,599,952
Diluted Earnings Per Share (₹)	2.55	3.38

22. Deferred Tax:

As of March 31, 2011, the Company has deferred tax liability of ₹ 8,640.74 Mn and deferred tax asset of ₹ 5,770.59 Mn as under:

Particulars	₹ Mn	
	As at March 31, 2011	As at March 31, 2010
Deferred Tax Liability:		
Depreciation of fixed assets	7,702.38	5,856.77
Amortisation of entry & licence fee (Net)	938.36	484.61
Total Deferred Tax Liability	8,640.74	6,341.38
Deferred Tax Asset:		
Provision for doubtful debts	773.72	652.62
Expenses allowable on payment basis	432.11	463.59
Brought forward losses	4,496.98	2,906.14
Others	67.78	62.67
Total Deferred Tax Asset	5,770.59	4,085.02
Net Deferred Tax Liability	2,870.15	2,256.36

23. The movement in the Asset Retirement Obligation is set out as follows:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Opening Balance	455.70	470.89
Additional Provision	-	-
Utilisation	(16.50)	(15.19)
Closing Balance	439.20	455.70

24. Previous year's figures have been regrouped / rearranged wherever necessary to conform to the current year grouping. Figures for the current year are not comparable with that of the previous year due to merger of Spice Communications Limited during the previous year.

For and on behalf of the Board

Gian Prakash Gupta
Director

Arun Thiagarajan
Director

Himanshu Kapania
Managing Director

Akshaya Moondra
Chief Financial Officer

Pankaj Kapdeo
Company Secretary

Place: Mumbai
Date: July 29, 2011

Cash Flow Statement for the year ended March 31, 2011

₹ Mn

	For the year ended March 31, 2011	For the year ended March 31, 2010
A) Cash Flow from Operating Activities		
Net Profit after Tax	8,445.97	10,536.55
Adjustments For		
Depreciation	17,229.95	13,666.07
Amortisation of Intangible Assets	2,500.15	1,845.90
Surplus on Prepayment of Loan	-	(316.94)
Interest and Financing Charges	3,664.54	5,558.36
Profit on Sale of Current Investment	(448.03)	(878.71)
Provision for Bad & Doubtful Debts/Advances	444.41	472.89
Employee Stock Option Cost	150.34	282.91
Provision for Gratuity, Leave Encashment	218.53	73.86
Provision for Deferred Tax	613.79	1,150.77
Provision for Current Tax (Net of MAT Credit entitlement)	3.45	-
Liability no longer required written back	(474.55)	(744.34)
Interest Income	(652.65)	(2,318.19)
(Profit) / Loss on sale of Fixed Assets / Assets Discarded	172.30	30.87
	23,422.23	18,823.45
Operating Profit Before Working Capital Changes	31,868.20	29,360.00
Adjustments for changes in Working Capital		
(Increase)/Decrease in Sundry Debtors	(757.70)	(889.46)
(Increase)/Decrease in Inventories	(55.17)	1.04
(Increase)/Decrease in Other Current Assets	10.69	(148.73)
(Increase)/Decrease in Loans and Advances	9,425.64	(7,708.77)
Increase /(Decrease) in Current Liabilities	6,716.57	1,243.92
	15,340.03	(7,502.00)
Cash Generated from Operations	47,208.23	21,858.00
Tax Paid (including FBT & TDS)	(2,201.25)	(2,006.65)
Net Cash from Operating Activities	45,006.98	19,851.35
B) Cash Flow from Investing Activities		
Purchase of Fixed Assets & Intangible Assets (including CWIP)	(80,179.90)	(33,843.20)
Proceeds from Sale of Fixed Assets	319.83	83.09
Additional Investment in Idea Mobile Commerce Services Limited	(0.50)	-
Sale/ (Purchase) of Other Investments	2,271.72	10,148.70
Interest Received	1,144.50	2,651.99
Net Cash from / (used in) Investing Activities	(76,444.35)	(20,959.42)

Cash Flow Statement for the year ended March 31, 2011

	₹ Mn	
	For the year ended March 31, 2011	For the year ended March 31, 2010
C) Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	138.36	23.41
Proceeds from Long Term Borrowings	37,924.27	3,794.02
Repayment of Long Term Borrowings	(13,919.91)	(7,199.14)
Proceeds from Short Term Loan	28,696.33	-
Repayment of Short Term Loan	(11,959.00)	(15,000.00)
Interest Paid	(7,731.74)	(6,923.99)
Net Cash from / (used in) Financing Activities	33,148.31	(25,305.70)
Net Increase / (Decrease) in Cash and Cash Equivalent	1,710.94	(26,413.77)
Cash and Cash Equivalent at the Beginning	2,804.41	23,444.29
Add: Cash and Cash Equivalents Acquired on Merger of Telecom Business of ABTL	-	5,507.49
Add: Cash and Cash Equivalents Acquired on Merger of Spice Communications Ltd.	-	266.40
Cash and Cash Equivalent at the end	4,515.35	2,804.41

Notes to Cash flow Statement for the Year ended 31st March, 2011

- Cash and Cash Equivalent includes

Cash and Cheques on Hand	136.49	134.13
Balances with Scheduled Banks		
- in Current Accounts	338.18	1,157.18
- in Deposit Accounts	4,040.68	1,513.10
	<u>4,515.35</u>	<u>2,804.41</u>
- The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statement.
- Previous year's figures have been rearranged/regrouped wherever necessary.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

Hemant M. Joshi
Partner
Membership No.: 38019

Gian Prakash Gupta
Director

Arun Thiagarajan
Director

Himanshu Kapania
Managing Director

Place: Mumbai
Date: July 29, 2011

Akshaya Moondra
Chief Financial Officer

Pankaj Kapdeo
Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No.

3	0	9	7	6
---	---	---	---	---

State Code

0	4
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

1	1
---	---

Date Month Year

II Capital raised during the year (Amount in ₹ Thousands)

Public Issue

				N	I	L			
--	--	--	--	---	---	---	--	--	--

Rights Issue

				N	I	L			
--	--	--	--	---	---	---	--	--	--

Bonus Issue

				N	I	L			
--	--	--	--	---	---	---	--	--	--

Private Placement

					3	4	3	4	0
--	--	--	--	--	---	---	---	---	---

III Position of Mobilisation and Deployment of Fund (Amount in ₹ Thousands)

Total Liabilities

2	3	1	7	5	1	7	7	0
---	---	---	---	---	---	---	---	---

Total Assets

2	3	1	7	5	1	7	7	0
---	---	---	---	---	---	---	---	---

Source of Funds

Paid up Capital

	3	3	0	3	2	7	2	0
--	---	---	---	---	---	---	---	---

Reserves and Surplus

	8	9	7	9	6	2	1	0
--	---	---	---	---	---	---	---	---

Secured Loans

	7	7	6	0	0	3	9	0
--	---	---	---	---	---	---	---	---

Unsecured Loans

	2	7	9	7	4	2	1	0
--	---	---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

2	2	7	2	5	6	7	5	0
---	---	---	---	---	---	---	---	---

Investments

	2	5	7	2	8	0	7	0
--	---	---	---	---	---	---	---	---

Net Current Assets/(Liability)

-	2	1	2	3	3	0	5	0
---	---	---	---	---	---	---	---	---

Misc. Expenditure

				N	I	L		
--	--	--	--	---	---	---	--	--

Accumulated Losses

				N	I	L		
--	--	--	--	---	---	---	--	--

IV Performance of Company (Amount in ₹ Thousands)

Turnover

1	5	3	8	8	9	9	7	0
---	---	---	---	---	---	---	---	---

Total Expenditure

1	4	4	8	2	6	7	6	0
---	---	---	---	---	---	---	---	---

+	-
---	---

 Profit/Loss before tax

✓			9	0	6	3	2	1	0
---	--	--	---	---	---	---	---	---	---

+	-
---	---

 Profit/Loss after tax

✓			8	4	4	5	9	7	0
---	--	--	---	---	---	---	---	---	---

(Please tick appropriate box + for profit, - for loss)

Earnings per share in Rs.

				2	.	5	6
--	--	--	--	---	---	---	---

Dividend Rate

0	0
---	---

V Generic names of the three principal products/Services of Company (as per monetary terms)

Items Code No.

N	O	T		A	P	P	L	I	C	A	B	L	E
---	---	---	--	---	---	---	---	---	---	---	---	---	---

(ITC Code)

Product

T	E	L	E	C	O	M		S	E	R	V	I	C	E	S
---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---

Description

For and on behalf of the Board

Gian Prakash Gupta
Director

Arun Thiagarajan
Director

Himanshu Kapania
Managing Director

Akshaya Moondra
Chief Financial Officer

Pankaj Kapdeo
Company Secretary

Place: Mumbai
Date: July 29, 2011

Auditors' Report on the Consolidated Financial Statements

To the Board of Directors of Idea Cellular Limited

1. We have audited the attached Consolidated Balance Sheet of **Idea Cellular Limited** ('the Company'), its subsidiaries and joint venture (the Company, its subsidiaries and joint ventures constitute "the Group") as at March 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto (all together referred to as "the consolidated financial statements"). The Consolidated Financial Statements include joint ventures accounted in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our opinion, we draw attention to note 2 of schedule 22 B to the consolidated financial statements, the Hon'ble High Court of Delhi on July 4, 2011 has reaffirmed its order dated February 5, 2010 sanctioning the Scheme of Amalgamation of Spice Communications Limited (Spice) with the Company. However the judgment transferred & vested into the Department of Telecommunications (DoT), the six telecom licenses granted to erstwhile Spice along with the spectrum (including two operational licenses for Punjab & Karnataka service areas) till the time permission of DoT is granted for transfer thereof upon an application from the Company to that effect.

The Company has filed an appeal before the Appellate Bench of Hon'ble High Court of Delhi, challenging the above judgment dated July 4, 2011. The Appellate Bench of Hon'ble High Court of Delhi through interim order has directed DOT to maintain status quo in respect of the two operational licenses for Punjab & Karnataka and not to take any coercive action for remaining four non-operational licenses, till the next date of hearing.
4. We did not audit the financial statements of Indus Towers Limited, joint venture of Aditya Birla Telecom Limited whose financial statements reflect total assets (net) of ₹ 18,891.36 million as at March 31, 2011, total revenue of ₹ 11,137.29 million and net cash outflow amounting to ₹ 43.01 million for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by another auditor whose report have been furnished to us and our opinion in so far as it relates to the amounts included in respect of Indus Towers Limited is based solely on the report of an another auditor.
5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit, and on consideration of the separate audit reports on the individual financial statements of the Company, and the aforesaid subsidiaries and joint ventures, and to the best of our information and according to the explanations given to us and read with our comments in Para 3 above, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
 - b) in case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
 - c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Deloitte Haskins & Sells

Chartered Accountants
(Registration No. 117 366W)

Hemant M. Joshi

Partner
Membership No.: 38019

Place: Mumbai
Date: July 29, 2011

IDEA CELLULAR LIMITED

Consolidated Balance Sheet as at March 31, 2011

		₹ Mn	
	Schedules	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	33,032.72	32,998.38
Outstanding Employee Stock Options		478.09	444.45
Reserves and Surplus	2	89,469.26	85,299.00
		122,980.07	118,741.83
Compulsorily Convertible Preference Shares issued by Subsidiary Company		19.25	19.25
Loan Funds			
Secured	3	91,760.57	73,166.23
Unsecured	4	28,944.38	5,426.79
		120,704.95	78,593.02
Deferred Tax Liability (Net) (Refer note B 16 to Schedule 22)		3,099.33	2,142.02
TOTAL		246,803.60	199,496.12
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block (At Cost)	5	336,976.73	270,585.32
Less: Depreciation and Amortisation		112,127.78	88,906.73
Net Block		224,848.95	181,678.59
Capital Work-in-Progress		36,466.91	5,464.74
		261,315.86	187,143.33
Goodwill on Consolidation		61.20	61.20
Investments	6	10,200.00	11,303.70
Current Assets, Loans and Advances			
Current Assets			
Inventories	7	659.18	536.35
Sundry Debtors	8	4,789.06	4,655.61
Cash and Bank Balances	9	4,577.44	2,899.85
Other Current Assets	10	776.18	2,979.06
Loans and Advances	11	19,756.02	25,559.26
		30,557.88	36,630.13
Less: Current Liabilities and Provisions	12		
Current Liabilities		53,554.81	38,447.12
Provisions		1,776.53	2,232.65
		55,331.34	40,679.77
Net Current Assets		(24,773.46)	(4,049.64)
Profit and Loss Account		-	5,037.53
TOTAL		246,803.60	199,496.12
Significant Accounting Policies and Notes to the Financial Statements	22		
The Schedules referred to above form an integral part of Balance Sheet			

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

Hemant M. Joshi

Partner

Membership No.: 38019

Place: Mumbai

Date: July 29, 2011

For and on behalf of the Board

Gian Prakash Gupta

Director

Akshaya Moondra

Chief Financial Officer

Arun Thiagarajan

Director

Pankaj Kapdeo

Company Secretary

Himanshu Kapania

Managing Director

Consolidated Profit and Loss Account for the year ended March 31, 2011

		₹ Mn	
	Schedules	For the year ended March 31, 2011	For the year ended March 31, 2010
INCOME			
Service Revenue		153,965.51	123,650.40
Sale of Trading Goods		418.47	328.43
Other Income	13	648.18	1,011.39
TOTAL		155,032.16	124,990.22
OPERATING EXPENDITURE			
Cost of Trading Goods Sold	14	412.24	304.79
Personnel Expenditure	15	8,055.51	6,450.71
Network Operating Expenditure	16	40,130.86	31,269.73
License and WPC Charges	17	17,728.00	13,468.13
Roaming & Access Charges	18	24,754.48	18,001.30
Subscriber Acquisition & Servicing Expenditure	19	15,884.53	11,572.75
Advertisement and Business Promotion Expenditure		3,858.16	4,244.78
Administration & Other Expenses	20	6,301.84	5,087.14
		117,125.62	90,399.33
PROFIT BEFORE FINANCE CHARGES, DEPRECIATION, AMORTISATION & TAX		37,906.54	34,590.89
Finance and Treasury Charges (Net)	21	3,964.54	4,005.22
Depreciation	5	21,452.86	18,123.31
Amortisation of Intangible Assets	5	2,520.55	2,025.79
Surplus from Prepayment of Loan		-	(316.94)
PROFIT BEFORE TAX FROM OPERATING ACTIVITIES		9,968.59	10,753.51
Impairment in license value		-	3,585.80
Less: Amount withdrawn from Securities Premium		-	(3,585.80)
Loss on impairment and expenses relating to Spice Amalgamation Scheme		-	831.33
Less: Amount withdrawn from Business Restructuring Reserve		-	(831.33)
PROFIT BEFORE TAX		9,968.59	10,753.51
Provision for Taxation - Current		1,802.41	2,167.22
- Deferred		957.32	1,183.83
- MAT Credit		(1,778.21)	(2,136.93)
PROFIT AFTER TAX		8,987.07	9,539.39
Balance of Loss brought forward from Previous year		(5,037.53)	(5,263.40)
Accumulated Losses on Amalgamation of Spice Communications Limited		-	14,329.83
Withdrawal from General Reserve		-	(4,844.60)
Deferred tax on Amalgamation of Spice Communications Limited		-	(171.71)
BALANCE OF PROFIT / (LOSS) CARRIED FORWARD TO BALANCE SHEET		3,949.54	(5,037.53)
EARNINGS PER SHARE (in ₹) (Refer Note B 15 to Schedule 22)			
Basic		2.72	3.07
Diluted		2.72	3.06
Significant Accounting Policies and Notes to the Financial Statements		22	
The Schedules referred to above form an integral part of Profit & Loss Account			

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

Hemant M. Joshi

Partner

Membership No.: 38019

Place: Mumbai

Date: July 29, 2011

For and on behalf of the Board

Gian Prakash Gupta

Director

Akshaya Moondra

Chief Financial Officer

Arun Thiagarajan

Director

Pankaj Kapdeo

Company Secretary

Himanshu Kapania

Managing Director

Schedules forming part of the Consolidated Accounts

	₹ Mn	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
6,775,000,000 (Previous year 6,775,000,000) Equity Shares of ₹ 10/- each	67,750.00	67,750.00
1,500 (Previous year 1,500) Redeemable Cumulative Non Convertible Preference Shares of ₹ 10 Mn each	15,000.00	15,000.00
	82,750.00	82,750.00
Issued, Subscribed and Paid-up		
Equity Share Capital		
3,303,271,505 (Previous year 3,299,837,792) Equity Shares of ₹ 10/- each fully paid up	33,032.72	32,998.38
Out of the above 199,153,469 Equity Shares are allotted as fully paid up under the Scheme of Amalgamation of Spice Communications Limited without payments being received in cash		
	33,032.72	32,998.38
SCHEDULE 2		
RESERVES AND SURPLUS		
Amalgamation Reserve	-	643.57
Extinguishment as per Spice Amalgamation Scheme	-	(643.57)
	-	-
Capital Reserve	-	1,414.56
Extinguishment as per Spice Amalgamation Scheme	-	(1,414.56)
	-	-
Securities Premium Account		
Opening Balance	85,130.33	104,655.86
Add: Premium on issue of shares under ESOP scheme	220.72	38.30
Add: Addition on Amalgamation of Spice Communications Limited	-	4,942.59
Less: Utilisation/appropriation as per Spice Amalgamation Scheme		
i) to Business Restructuring Reserve	-	(1,000.00)
ii) to Profit and Loss Account	-	(3,585.80)
iii) to General Reserve	-	(19,920.62)
	85,351.05	85,130.33
Reserve for Business Restructuring		
Opening Balance	168.67	-
Add: Transfer from Securities Premium Account	-	1,000.00
Less: Transferred to Profit and Loss Account during the year	-	(831.33)
	168.67	168.67
General Reserve		
Opening Balance	-	-
Transfer from Securities Premium Account	-	19,920.62
Transfer from Reserves (Amalgamation and Capital)	-	2,058.13
Adjustment on Amalgamation of Spice Communications Limited	-	(17,134.15)
Transfer to Profit and Loss Account	-	(4,844.60)
	-	-
Balance in Profit and Loss Account	3,949.54	-
	89,469.26	85,299.00

Schedules forming part of the Consolidated Accounts

	₹ Mn	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE 3		
SECURED LOANS		
Term Loan		
Foreign Currency Loan		
- From Banks	6,695.54	6,525.34
- From Financial Institutions	14,080.68	7,523.62
(Repayable within one year ₹ 2,352.48 Mn, Previous year Nil)		
Rupee Loan		
- From Banks	63,310.73	49,267.09
- From Financial Institutions	3,861.42	3,579.47
- From Others	3,520.00	3,040.00
(Repayable within one year ₹ 8,833.09 Mn, Previous year ₹ 6,952.48 Mn)		
Vehicle Loan	292.20	309.05
(Repayable within one year ₹ 143.15 Mn, Previous year ₹ 151.12 Mn)		
Vendor Finance	-	2,921.66
(Repayable within one year Nil, Previous year ₹ 2,886.84 Mn)		
	91,760.57	73,166.23
SCHEDULE 4		
UNSECURED LOANS		
Term Loan		
Foreign Currency Loan		
- From Banks	10,149.28	3,386.98
(Repayable within one year ₹ 169.35 Mn, Previous year Nil)		
Short Term Loan		
- Rupee Loan from Banks	8,156.77	-
- Buyers Credit in Foreign Currency from Banks	3,789.73	48.74
- Commercial Papers from Banks	5,000.00	-
(Maximum amount outstanding during the year ₹ 15,000.00 Mn)		
- Others	957.43	-
Vendor Finance	891.17	1,991.07
(Repayable within one year ₹ 885.17 Mn, Previous year ₹ 1,141.86 Mn)		
	28,944.38	5,426.79

Schedules forming part of the Consolidated Accounts

SCHEDULE 5 - FIXED ASSETS

A - TANGIBLE ASSETS

Particulars	Gross Block			Depreciation			Net Block		₹ Mn
	As at April 1, 2010	Additions on account of Amalgamation	As at March 31, 2011	As at April 1, 2010	Additions on account of Amalgamation	As at March 31, 2011	Sale/Adjustment during the year	As at March 31, 2011	
Land	151.51	-	95.83	-	-	-	-	95.83	151.51
Leasehold Land	191.94	-	193.34	53.68	-	12.05	-	127.61	138.26
Building	1,445.45	-	1,509.13	348.21	-	73.38	-	1,087.54	1,097.24
Plant & Machinery	227,894.62	-	258,876.37	65,191.62	-	20,839.54	644.47	85,386.69	162,703.00
Furniture & Fixture	1,407.35	-	1,476.60	734.02	-	155.71	4.63	885.10	673.33
Office Equipment	2,171.81	-	2,266.78	1,831.26	-	171.76	18.57	1,984.45	340.55
Vehicles	830.71	-	902.34	462.17	-	200.43	83.84	578.76	368.54
Total Tangible Assets	234,093.39	-	265,320.39	68,620.96	-	21,452.87	751.51	89,322.32	165,472.43
Previous year	178,306.43	13,309.62	234,093.39	45,233.09	5,969.13	18,842.35	1,423.61	68,620.96	165,472.43

Notes:

- Plant & Machinery includes assets held for disposal- Gross Block ₹ 175.98 Mn (Previous year - ₹ 10.23 Mn) and Net Block ₹ 1.16 Mn (Previous year Nil).
 - Plant & Machinery includes Gross Block of assets capitalised under finance lease ₹ 5,194.53 Mn (Previous year ₹ 3,621.85 Mn) and corresponding Accumulated Depreciation being ₹ 3,055.16 Mn (Previous year ₹ 1,689.72 Mn).
 - Exchange gain amounting to ₹ 75.54 Mn (Previous year ₹ 976.87 Mn) de-capitalised as per transitional provisions of notification under AS-11, issued by Ministry of Corporate Affairs.
 - Depreciation charge for the year includes accelerated depreciation of ₹ 613.70 Mn due to change in estimated useful life of certain fixed assets.
- * Includes adjustments aggregating to ₹ 441.51 Mn (Previous year ₹ 234.90 Mn) on account of change in estimate with respect to site restoration cost obligation by Joint Venture of the Company (Refer note B 19 to Schedule 22).

B - INTANGIBLE ASSETS

Particulars	Gross Block			Amortisation			Net Block		₹ Mn
	As at April 1, 2010	Additions on account of Amalgamation	As at March 31, 2011	As at April 1, 2010	Additions on account of Amalgamation	As at March 31, 2011	Sale/Adjustment during the year	As at March 31, 2011	
Entry/License Fees	31,657.37	-	65,318.27	17,700.17	-	1,698.42	-	19,398.59	13,957.20
Computer - Software	3,405.49	-	4,351.26	2,444.68	-	704.48	-	3,149.16	960.81
Bandwidth	1,429.07	-	1,986.81	140.92	-	117.64	0.85	257.71	1,288.15
Total Intangible Assets	36,491.93	-	71,656.34	20,285.77	-	2,520.54	0.85	22,805.46	16,206.16
Previous year	26,927.80	5,140.11	36,491.93	14,737.70	3,525.52	2,031.26	8.71	20,285.77	16,206.16
Grand Total	270,585.32	-	336,976.73	88,906.73	-	23,973.41	752.36	112,127.78	224,848.95

Notes:

- Computer - Software include Gross Block of assets capitalised under finance lease ₹ 1,751.21 Mn (Previous year ₹ 863.86 Mn) and corresponding Accumulated Depreciation being ₹ 758.81 Mn (Previous year ₹ 304.07 Mn).
- The remaining amortisation period of license / spectrum fees as at March 31, 2011 ranges between 5 to 20 years based on the respective Telecom Service License period.

Capital Work in Progress (Net of impairment provision of ₹ 8,430.40 Mn) (Includes capital advances ₹ 461.87 Mn, Previous year ₹ 242.28 Mn)

36,466.91 **5,464.74**

Schedules forming part of the Consolidated Accounts

	₹ Mn	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE 6		
INVESTMENTS		
Current Investment		
Investments in Units of Mutual Funds (Refer note B 7 to Schedule 22)	10,200.00	11,303.70
	10,200.00	11,303.70
SCHEDULE 7		
INVENTORIES		
(At lower of cost or estimated realisable value)		
Trading Goods	137.02	69.36
Sim Cards and Others	522.16	466.99
	659.18	536.35
SCHEDULE 8		
SUNDRY DEBTORS		
Debts outstanding for over six months		
Unsecured - Considered good	237.11	224.07
- Considered doubtful	2,303.62	1,717.46
	2,540.73	1,941.53
Other Debts		
Unsecured - Considered good	4,551.95	4,431.54
- Considered doubtful	98.46	266.42
	4,650.41	4,697.96
Less: Provision for doubtful debts	2,402.08	1,983.88
Total	4,789.06	4,655.61
[Sundry Debtors include certain parties from whom Security Deposits of ₹ 200.64 Mn, (Previous year ₹ 292.99 Mn) have been taken and are lying with the company]		
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash and Cheques on Hand	141.57	152.76
Balances with Scheduled Banks		
- in Current Accounts	390.59	1,173.55
- in Deposit Accounts	4,045.28	1,573.54
[Includes margin money ₹ 39.76 Mn, (Previous year ₹ 263.19 Mn)]	4,577.44	2,899.85

Schedules forming part of the Consolidated Accounts

	₹ Mn	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE 10		
OTHER CURRENT ASSETS		
Unbilled Revenue	768.06	2,479.08
Interest Receivable on Deposits	8.12	499.98
	776.18	2,979.06
SCHEDULE 11		
LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or kind or for value to be received		
- Considered good	7,467.01	8,282.49
- Considered doubtful	585.51	578.98
Less: Provision for doubtful advances	585.51	578.98
	7,467.01	8,282.49
Deposits with Body Corporates	1,509.95	9,439.59
Deposits and Balances with Govt. Authorities	655.24	890.10
Deposit with others	1,967.51	1,776.10
Advance Income Tax	2,546.85	1,339.73
MAT Credit Entitlement	5,609.46	3,831.25
	19,756.02	25,559.26
SCHEDULE 12		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	37,681.84	24,134.38
Book Bank Overdraft	333.79	553.05
Advances from Customers and Unearned Income	8,671.90	7,383.38
Deposits from Customers and Others	1,686.89	3,719.19
Other Liabilities	4,729.35	2,166.42
Interest accrued but not due	451.04	490.70
	53,554.81	38,447.12
Provisions		
Gratuity (Refer note B 10 to Schedule 22)	195.23	116.69
Leave Encashment	693.04	539.37
Asset Retirement Obligation (Refer note B 19 to Schedule 22)	888.20	1,259.03
Provision for Direct Tax	0.06	317.56
	1,776.53	2,232.65
Total	55,331.34	40,679.77

Schedules forming part of the Consolidated Accounts

	₹ Mn	
	For the year ended March 31, 2011	For the year ended March 31, 2010
SCHEDULE 13		
OTHER INCOME		
Liabilities/Provisions no longer required written back	558.73	941.36
Miscellaneous Receipts	89.45	70.03
	648.18	1,011.39
SCHEDULE 14		
COST OF TRADING GOODS SOLD		
Opening Stock	69.36	46.65
Add: Purchases	479.90	327.50
Less: Closing Stock	137.02	69.36
	412.24	304.79
SCHEDULE 15		
PERSONNEL EXPENDITURE		
Salaries and Allowances etc.	7,245.07	5,782.66
Contribution to Provident and Other Funds	428.11	334.84
Staff Welfare	272.49	228.88
Recruitment and Training	109.84	104.33
	8,055.51	6,450.71
SCHEDULE 16		
NETWORK OPERATING EXPENDITURE		
Security Service Charges	1,216.33	1,110.75
Power and Fuel	14,184.89	11,112.49
Repairs and Maintenance - Plant and Machinery	6,066.42	4,654.90
Switching & Cellsites Rent	3,486.81	3,449.25
Lease Line and Connectivity Charges	5,212.10	4,385.98
Network Insurance	59.98	50.36
Passive Infrastructure Charges	9,496.10	6,197.50
Other Network Operating expenses	408.23	308.50
	40,130.86	31,269.73
SCHEDULE 17		
LICENSE AND WPC CHARGES		
License Fees	11,076.44	9,022.86
WPC and Spectrum Charges	6,651.56	4,445.27
	17,728.00	13,468.13
SCHEDULE 18		
ROAMING & ACCESS CHARGES		
Roaming Charges	705.23	628.73
Access Charges	24,049.25	17,372.57
	24,754.48	18,001.30

Schedules forming part of the Consolidated Accounts

	₹ Mn	
	For the year ended March 31, 2011	For the year ended March 31, 2010
SCHEDULE 19		
SUBSCRIBER ACQUISITION & SERVICING EXPENDITURE		
Cost of Sim and Other Cards	1,615.68	1,404.85
Commission and Discount to dealers & recharge expenses	8,858.46	5,635.43
Customer Verification Expenses	1,585.16	834.48
Collection & Telecalling Expenses	3,462.55	3,428.95
Customer Retention & Customer loyalty Expenses	362.68	269.04
	15,884.53	11,572.75
SCHEDULE 20		
ADMINISTRATION & OTHER EXPENSES		
Repairs and Maintenance - Building	47.35	39.18
- Others	2,225.63	1,560.32
Other Insurance	30.95	49.89
Non Network Rent	672.82	623.86
Rates and Taxes	85.24	74.68
Electricity	323.24	271.04
Printing and Stationery	86.46	86.63
Communication Expenses	121.96	147.88
Travelling and Conveyance	730.20	579.33
Provision for bad and doubtful debts / advances	445.86	(1,157.34)
Bad Debts written off	-	1,733.11
Bank Charges	75.77	91.78
Directors Sitting Fees	1.00	1.11
Legal and Professional Charges	540.91	387.59
Audit Fees	37.51	32.33
Loss on Sale of Fixed Assets / Asset disposed off	247.92	42.83
Miscellaneous expenses	629.02	522.92
	6,301.84	5,087.14
SCHEDULE 21		
FINANCE AND TREASURY CHARGES (NET)		
Interest		
- On Fixed Period Loan (Net of ₹ 4,093.13 Mn capitalised, Previous year Nil)	4,651.73	6,590.99
- Others	250.91	90.91
Financing Charges	257.15	132.57
	5,159.79	6,814.47
Less:		
Interest Received	645.14	1,599.31
Profit on Sale of Current Investments	472.73	886.40
Gain / (Loss) on foreign exchange fluctuation (Net)	77.38	323.54
	3,964.54	4,005.22

Schedules forming part of the Consolidated Accounts

SCHEDULE 22

A. SIGNIFICANT ACCOUNTING POLICIES - CONSOLIDATED

1. Basis of Preparation of Financial Statements:

The Consolidated Financial Statements of Idea Cellular Limited ("the Company"), its subsidiary companies and Joint Ventures (together referred to as the "Group") have been prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements" and Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India ("ICAI"). The Consolidated Financial Statements are prepared under historical cost convention on accrual basis. The mandatory applicable accounting standards have been followed in preparation of these financial statements.

2. Principles of Consolidation:

The basis of preparation of the Consolidated Financial Statements is as follows:

The Financial Statements (The Balance Sheet and the Profit and Loss Account) of the Company, its subsidiaries and joint venture have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances, transactions and the resulting unrealised profit or losses.

The Financial Statements of the subsidiaries used in the consolidation are drawn upto March 31, 2011, the same reporting date as that of the Company

The differential with respect to the cost of investments in the subsidiaries over the Company's portion of equity is recognised as Goodwill or Capital Reserve, as the case may be.

The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances except where stated otherwise.

The list of subsidiaries, which are included in this Consolidated Financial Statements along with Company's holding therein, is as under:

Sr. No.	Name of the Company	Voting Power % as at	
		March 31, 2011	March 31, 2010
1	Swinder Singh Satara and Company Limited (SSS)	100.00	100.00
2	Aditya Birla Telecom Limited (ABTL)	100.00	100.00
3	Idea Cellular Services Limited (ICSL)	100.00	100.00
4	Idea Cellular Infrastructure Services Limited (ICISL)	100.00	100.00
5	Idea Cellular Towers Infrastructure Limited* (ICTIL)	100.00	100.00
6	Idea Mobile Commerce Services Limited (IMCSL) [Formerly Carlos Towers Limited]	100.00	100.00

All the above subsidiaries are incorporated in India.

The Joint Venture, which is included in this Consolidated Financial Statements along with Company's holding therein, is as under:

Sr. No.	Name of the Company	Voting Power % as at	
		March 31, 2011	March 31, 2010
1	Indus Towers Limited (Indus)*	16.00	16.00

*entire shareholding is held by Aditya Birla Telecom Limited

3. Fixed Assets:

Fixed assets are stated at cost of acquisition and installation less accumulated depreciation. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use.

Asset retirement obligations are capitalised based on a constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Such costs are depreciated over the remaining useful life of the asset.

4. Expenditure during pre-operative period of licence:

Expenses incurred on project and other charges during construction period are included under pre-operative expenditure (grouped under capital work in progress) and are allocated to the cost of fixed assets on the commencement of commercial operations.

5. Depreciation and Amortisation:

Depreciation on fixed assets is provided on straight line method (except stated otherwise) on the prorata basis of estimated useful economic lives as given below:-

Tangible Assets	Years
Buildings	9 to 30
Network Equipments	10 to 20
Optical Fibre	15
Other Plant and Machineries	3 to 5
Office Equipment	3 to 9
Computers	3 to 5
Furniture and Fixtures	3 to 10
Motor Vehicles	Upto 5
Leasehold improvements	Period of Lease
Leasehold Land	Period of Lease

Intangible Assets:

- i) Cost of Rights, Licences including the fees paid on fixed basis prior to revenue share regime and Spectrum Fee is amortised on commencement of operations over the validity period.
- ii) Software, which is not an integral part of hardware, is treated as intangible asset and is amortised over their useful economic lives as estimated by the management between 3 to 5 years.
- iii) Bandwidth / Fibre taken on Indefeasible Right of Use (IRU) is amortised over the agreement period.

Assets costing upto ₹ 5,000/- are depreciated fully in the month of purchase.

6. Inventories:

Inventories are valued at cost or net realisable value, whichever is lower. Cost is determined on weighted average basis.

7. Foreign Currency Transactions:

Transactions in foreign currency are recorded at the exchange rates prevailing at the dates of the transactions. As per the transitional provisions given in the notification issued by Ministry of Corporate Affairs dated 31st March 2009, the company has opted for the option of adjusting the exchange difference on long term foreign currency monetary items to the cost of the assets acquired out of these foreign currency monetary items. The company has aligned its accounting policy based on this notification.

Exchange difference arising out of fluctuation in exchange rates on settlement / period end is accounted based on the nature of transaction as under:

- 1) Short term foreign currency monetary assets and liabilities: recognised in the Profit and Loss account.
- 2) Long term foreign currency monetary liabilities used for acquisition of fixed assets: adjusted to the cost of the fixed assets and amortised over the remaining useful life of the asset.
- 3) Other Long term foreign currency monetary liabilities: recognised in "Foreign Currency Monetary Item Translation Difference Account" and amortised over the period of liability not exceeding 31st March 2012.

8. Taxation:

- a) **Current Tax:** Provision for current Income tax is made on the taxable income using the applicable tax rates and tax laws.
- b) **Deferred Tax:** Deferred tax arising on account of timing differences and which are capable of reversal in one or more subsequent periods is recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are not recognised unless there is virtual certainty with respect to the reversal of the same in future years.
- c) **Minimum Alternative Tax (MAT) credit:** MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income tax during the specified period.

In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Profit and Loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

9. Retirement Benefits:

Contributions to Provident and Pension funds are funded with the appropriate authorities and charged to the Profit and Loss account.

Contributions to superannuation are funded with the Life Insurance Corporation of India and charged to the Profit and Loss account.

Liability for gratuity as at the period end is provided on the basis of actuarial valuation and funded with Life Insurance Corporation of India.

Provision in accounts for leave benefits to employees is based on actuarial valuation done by projected accrued benefit method at the period end.

10. Revenue Recognition and Receivables:

Revenue on account of telephony services (mobile & long distance) and sale of handsets and related accessories is recognised net of rebates, discount, service tax, etc. on rendering of services and supply of goods respectively. Recharge fees on recharge vouchers is recognised as revenue as and when the recharge voucher is activated by the subscriber.

Revenue from provision of passive infrastructure services is recognised on accrual basis (net of reimbursements) as per the contractual terms with the recipients.

Unbilled receivables, represent revenues recognised from the bill cycle date to the end of each month. These are billed in subsequent periods as per the terms of the billing plans.

Debts (net of security deposits outstanding there against) due from subscribers, which remain unpaid for more than 90 days from the date of bill and/or other debts which are otherwise considered doubtful, are provided for.

Provision for doubtful debts on account of Interconnect Usage Charges (IUC), Roaming Charges and passive infrastructure sharing from other telecom operators is made for dues outstanding more than 180 days from the date of billing other than cases when an amount is payable to that operator or in specific case when management is of the view that the amount is recoverable.

11. Investments:

Current investments are stated at lower of cost or fair value in respect of each separate investment.

Long-term investments are stated at cost less provision for diminution in value other than temporary, if any.

12. Borrowing Cost:

Interest and other costs incurred in connection with the borrowing of the funds are charged to revenue on accrual

basis except those borrowing costs which are directly attributable to the acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use. Such costs are capitalized with the fixed assets.

13. Licence Fees – Revenue Share:

With effect from 1st August, 1999 the variable licence fee computed at prescribed rates of revenue share is being charged to the Profit and Loss account in the period in which the related revenue arises. Revenue for this purpose comprises adjusted gross revenue as per the license agreement of the license area to which the license pertains.

14. Use of Estimate:

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between actual results and estimates are recognised in the periods in which the results are known / materialise.

15. Leases:

- a) **Operating:** Lease of assets under which significant risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expense in the Profit and Loss account, on a straight-line or other systematic basis over the lease term.
- b) **Finance:** Leased assets acquired on which significant risk and reward of ownership effectively transferred to the Company are capitalised at lower of fair value or the amounts paid under such lease arrangements. Such assets are amortised over the period of lease or estimated life of such assets whichever is less.

16. Earnings Per Share:

The earnings considered in ascertaining the Group's EPS comprises the net profit after tax, after reducing dividend on Cumulative Preference Shares for the period

(irrespective of whether declared, paid or not), as per Accounting Standard 20 on "Earnings Per Share" issued by the Institute of Chartered Accountants of India. 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.

17. Impairment of Assets:

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in accordance for Accounting Standard-28 on "Impairment of Assets", for the amount by which the asset's carrying amount exceeds its recoverable amount as on the carrying date. The recoverable amount is higher of the asset's fair value less costs to sell vis-à-vis value in use. For the purpose of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

18. Provisions & Contingent Liability:

Provisions are recognized when the Company has a present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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.

19. Issue Expenditure:

Expenses incurred in connection with issue of equity shares are adjusted against share premium.

20. Employee Stock Option:

In respect of stock option granted pursuant to the company's Employee Stock Option Scheme, the intrinsic value of the option is treated as discount and accounted as employee compensation cost over the vesting period.

In respect of re-pricing of existing stock option, the incremental intrinsic value of the option is accounted as employee cost over the remaining vesting period.

Schedules forming part of the Consolidated Accounts

SCHEDULE 22

B. NOTES TO ACCOUNTS

1. The Company successfully bid for 11 service areas in the 3G Spectrum auction held by the Department of Telecommunications (DoT) during the year for a total cost of ₹ 57,685.90 Mn. Spectrum in the 2100 MHz band has been allotted to the Company for a period of twenty years in the 11 service areas, viz. Maharashtra, Gujarat, Andhra Pradesh, Kerala, Punjab, Haryana, Uttar Pradesh (East), Uttar Pradesh (West), Madhya Pradesh & Chattisgarh, Himachal Pradesh and Jammu & Kashmir.

As of 31st March, 2011, the Company has launched 3G services in select towns in the service areas of Gujarat, Himachal Pradesh, Madhya Pradesh & Chattisgarh, Haryana, Maharashtra and Uttar Pradesh (West). In the service areas of Andhra Pradesh, Kerala and Uttar Pradesh (East), 3G services in select towns have been launched in April, 2011.

In the Punjab service area, the Company has not been given clearance for commercial use of the allotted spectrum band. The Company had approached Hon'ble TDSAT for direction to DoT to allow commercial use of the allotted 3G spectrum band. The Hon'ble TDSAT has directed the Company to approach it again, if required, upon the final disposal of the matters mentioned in point 2 below by the Appellate Bench of Hon'ble High Court of Delhi.

2. The erstwhile Spice Communications Limited (Spice) was amalgamated with the Company effective 1st March, 2010 pursuant to sanction of the Scheme of Amalgamation by Hon'ble High Court of Gujarat and Hon'ble High Court of Delhi. However, upon an application made by DoT on 30th March, 2011 for recall of the order dated 5th February, 2010, sanctioning the above scheme, the Hon'ble High Court of Delhi while pronouncing its judgment on 4th July, 2011, reaffirmed the amalgamation of Spice with the Company. However, the said judgment transferred and vested unto the DoT, the six licenses granted to erstwhile Spice along with the spectrum (including the two operational licenses for Punjab & Karnataka service areas), till the time permission of DoT is granted for transfer thereof upon an application from the Company to that effect.

The Company then filed an appeal, before the Appellate Bench of the Hon'ble High Court of Delhi, challenging the above judgment of 4th July, 2011. Through interim orders, Appellate Bench has directed DoT to :-

- (i) Accept the License Fee from the Company without prejudice, as the Company is continuing to operate the licenses for Punjab & Karnataka service areas granted to erstwhile Spice;
- (ii) Till the next date of hearing, maintain status quo in relation to the aforesaid two operating licenses and no coercive steps in relation to any demand pertaining to the four non operating licenses.

Pending the final disposal of the appeal, the consequential financial impact, if any, cannot be ascertained.

3. Idea Cellular Towers Infrastructure Limited, a wholly owned subsidiary of the Company, has filed a scheme of arrangement with an appointed date of 1st April, 2009 for merger with Indus Towers Limited before the Hon'ble High Court of Delhi. Effects of the scheme on the consolidated financial statements will be given in the accounting period in which the scheme is sanctioned and made effective.

4. Contingent Liabilities

- a) Due to the DoT's alleged contention that the acquisition of erstwhile Spice Communication Limited and its subsequent amalgamation with the company violates certain license conditions/guidelines, the company has received the following demands / notices :

- (i) Demand notices dated 24th February, 2011 and 1st June, 2011 of ₹ 500 Mn each in respect of UAS licenses for Punjab and Karnataka service areas respectively held by erstwhile Spice Communications Limited.

Demand notices dated 1st June, 2011 of ₹ 500 Mn each in respect of CMTS licenses of Delhi, Andhra Pradesh, Haryana and Maharashtra service areas held by the company.

The above demands have been challenged by the Company before the Hon'ble TDSAT. In respect of demand notice dated 24th February, 2011, stay has been granted. In respect of demand notices dated 1st June, 2011, the order on Company's interim prayer seeking stay on demand has been reserved and DoT has been directed not to take any coercive action till then.

- (ii) Show cause notices for termination of six UAS licenses issued in 2008, which have not been rolled out;
 - a. Dated 24th February, 2011 and dated 1st June, 2011 for violation of license conditions in respect of Punjab & Karnataka service areas respectively granted to the Company.
 - b. Dated 1st June, 2011 for violation of license conditions in respect of Delhi, Maharashtra, Haryana and Andhra Pradesh service areas granted to erstwhile Spice Communications Limited, which have not been rolled out.

- c. Dated 11th May, 2011 for termination due to non fulfillment of rollout obligations in respect of UAS license for Karnataka service area granted to Company and for Andhra Pradesh service area granted to erstwhile Spice Communications Limited.

The Company had challenged the show cause notice dated 24th February, 2011 above before Hon'ble TDSAT. The same has been disposed off by Hon'ble TDSAT, terming it as premature with a liberty to approach the Hon'ble TDSAT afresh, in case the company is aggrieved by any final orders of DoT in this matter.

With respect to show cause notices dated 1st June, 2011 & 11th May, 2011, the Company is in the process of addressing these suitably within the given timelines.

- (iii) Demands for liquidated damages amounting to ₹ 276.50 Mn for non fulfillment of roll out obligations in respect of UAS licenses issued in 2008 to the Company for Punjab and Karnataka service areas and to the erstwhile Spice Communications Limited for the service areas of Maharashtra, Haryana and Andhra Pradesh.

The company has filed appropriate petitions before the Hon'ble TDSAT for quashing these demands. Vide interim orders dated 8th June, 2011, the Hon'ble TDSAT has directed the Company to deposit 60% of the amount within a week for securing interest of both the parties without prejudice to their respective rights and contentions, which the Company has since complied with.

- b) During the financial year 2006-07, the WPC wing of DoT had raised demands towards monthly compounded interest and penalty on WPC charges for the period upto financial year 2002-03 in respect of the telecom service areas of the erstwhile Idea Mobile Communications Limited, BTA Cellcom Limited and Spice Communications Limited amounting to ₹ 844.88 Mn, which were deposited under protest and reflected as advances. Following the favourable decision of TDSAT on petition No. 123 of 2008, these amounts have been adjusted against subsequent spectrum dues. Subsequently, DoT has filed an appeal against this order in the Supreme Court.
- c) Other Matters not provided for:

Particulars	₹ Mn	
	As on March 31, 2011	As on March 31, 2010
Income Tax matters not acknowledged as debts (see i below)	765.09	727.84
Sales Tax matters not acknowledged as debts (see ii below)	3,505.38	2,306.21
Service Tax matters not acknowledged as debts (see iii below)	3,906.72	2,441.34
Entry Tax and Custom matters not acknowledged as debts (see iv below)	353.91	115.22
Other claims not acknowledged as debts	2,346.79	3,468.82

i. Income Tax matters:

The appeals which are pending before various Appellate Authorities includes mainly the appeals filed by the company against the demands raised by various income tax authorities on account of non deduction of tax on discount allowed to prepaid distributors, non deduction of tax on roaming charges etc.

ii. Sales Tax:

The Sales Tax demands as at 31st March, 2011 mainly relates to the demands raised by the VAT/Sales Tax authorities at few states on SIM cards, prepaid cards and recharge coupons, airtime revenue etc. on which the Company has already paid Service Tax.

iii. Service Tax:

The service tax demands as at 31st March, 2011 mainly relates to the following matters:

- Interpretation issues arising out of Rule 6(3) of the Cenvat Credit Rules, 2004
- Denial of Cenvat Credit related to Towers & Shelters
- Disallowance of Cenvat Credit on input services viewed as not related to output service.

iv. Entry Tax:

In certain states entry tax is being demanded on receipt of material from outside the state. However, the Company has challenged the constitutional validity of the levy.

IDEA CELLULAR LIMITED

v. Other claims not acknowledged as debts:

Mainly include matters appealed by BSNL in Hon'ble Supreme Court, commitments under EPCG, miscellaneous disputed matters with DoT and other consumer court cases.

- d) Estimated amount of contracts (net of advance) remaining to be executed on capital account and not provided for.

Particulars	₹ Mn	
	As on March 31, 2011	As on March 31, 2010
Estimated amount of contracts (net of advance)	21,960.22	11,845.01

5. The Company has a Contingent obligation to buy compulsorily convertible preference shares issued by ABTL, from the holder at the original issue price of ₹ 20,982.50 Mn

6. Details of guarantees given:

Particulars	₹ Mn	
	As on March 31, 2011	As on March 31, 2010
Bank guarantees given	16,307.21	20,183.82

7. As on 31st March, 2011 the closing balance in units are as follows:

Particulars	As on March 31, 2011		As on March 31, 2010	
	Qty in '000	₹ in Mn	Qty in '000	₹ in Mn
	Units	Value	Units	Value
Birla Sun Life Cash plus - Installment Premium - Growth	12,746	200	1,087	16
Birla Sun Life Floating Rate Short Term Plan - IP - Growth	-	-	494,028	6,023
Birla Sun Life Saving Fund - Installment - Growth	-	-	1,373	24
Birla Sun Life Savings Fund - IP - Growth	-	-	93,216	1,630
Birla Sun Life Short Term Fund - IP - Growth	-	-	48,562	531
Birla Sun Life Cash Plus - Institutional Premium Plan - Growth	551,261	8,650	16,985	250
HDFC Cash Management Saving Plan	1,953	40	-	-
HDFC Quarterly Interval Fund - Plan C - Whole Sale Plan - Growth	-	-	24,996	250
ICICI Prudential Institutional Liquid Plan - Super IP Growth	1,104	160	-	-
ICICI Prudential Interval Fund - Monthly Interval Plan - I Institutional Growth	3,797	40	-	-
ICICI Prudential Ultra Short Term Plan - Sup Prem - Growth	-	-	96,794	1,000
IDFC Cash Fund	10,064	120	-	-
IDFC Cash Fund - Plan C - Super IP - Growth	59,545	710	-	-
IDFC Fixed Maturity - Monthly Series - 29 Growth	4,000	40	-	-
Kotak Floater - Long-term - Growth	-	-	1,643	24
Kotak Liquid (Installment Premium) - Growth	2,012	40	857	16
Kotak Quarterly Interval Plan Series 6 - Growth	-	-	87,249	1,000
Reliance Liquid Fund Cash Plan Growth Option	7,552	120	-	-
Reliance Monthly Interval Fund - Series I- Institutional Growth Option	3,018	40	-	-
UTI- Fixed Income Interval Fund - Series II - Quarterly Interval Plan V - Institutional Growth Plan	-	-	50,005	500
UTI Liquid Cash Plan	25	40	-	-
UTI Liquid Cash Plan Institutional	-	-	11	16
UTI Treasury advantage fund - Institutional- Growth	-	-	19	24
Total	657,077	10,200	916,825	11,304

8. During the year, under ESOS 2006, 25,24,500 options have been granted as 'Tranche IV' to the eligible employees as on 24th January 2011. Each option when exercised would be converted into one equity share of ₹ 10/- each, fully paid up, of the

Company. The options will vest in 4 equal annual installments after one year of the grant. The maximum period of exercise is 5 years from the date of vesting.

The compensation costs of stock options granted to employees have been accounted by the Company using the intrinsic value method.

Summary of Stock Options:

Particulars	No. of Stock Options	
	March 31, 2011	March 31, 2010
Options outstanding at beginning of the year	27,119,449	22,952,500
Options granted during the year	2,524,500	6,918,750
Options forfeited/lapsed during the year	1,693,311	2,162,687
Options exercised during the year	3,433,713	589,114
Options outstanding at end of the year	24,516,925	27,119,449
Weighted average exercise price of outstanding options (₹)	47.65	44.84

Personnel expenditure includes ₹ 150.34 Mn (Previous year ₹ 282.91 Mn) being the amortisation of intrinsic value for the period ending 31st March, 2011.

Had the compensation cost for the Company's stock based compensation plan been determined as per fair value approach (calculated using Black & Scholes Option Pricing Model), the Company's net income would be lower by ₹ 229.74 Mn (Previous year ₹ 284.85 Mn) and earnings per share as reported would be lower as indicated below:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Net profit after tax but before exceptional items	8,987.07	9,539.39
Add: Total stock-based employee compensation expense determined under intrinsic value base method	150.34	282.91
Less: Total stock-based employee compensation expense determined under fair value base method	380.08	567.76
Adjusted Net Profit	8,757.33	9,254.54
Basic earnings per share (in ₹)		
- As reported	2.72	3.07
- Adjusted	2.65	2.98
Diluted earnings per share (in ₹)		
- As reported	2.72	3.06
- Adjusted	2.65	2.97

The fair value of each option is estimated on the date of grant / re-pricing based on the following assumptions:

Particulars	On the date of Grant				On the date of Re-pricing	
	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche I	Tranche II
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil
Expected life	6 yrs 6 months	6 yrs 6 months	6 yrs 6 months	6 yrs 6 months	4 yrs 6 months	5 yrs 9 months
Risk free interest rate (%)	7.78	7.50	7.36	8.04-8.14	7.36	7.36
Volatility (%)	40.00	45.80	54.54	50.45	54.54	54.54

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9. Details of foreign currency exposures:

a) Hedged by a derivative instrument:

Amount in Mn

Particulars	As on March 31, 2011	As on March 31, 2010
Foreign Currency Loan*		
Foreign currency loan in USD [^]	327.60	49.06 [^]
Vendor finance in USD	18.86	49.79
Foreign currency loan in JPY	17,727.73	17,727.73
Sundry Creditors		
Sundry creditors in USD	17.75	24.28
Interest accrued but not due on foreign currency loans in USD	0.47	-
The Equivalent INR of Foreign Currency Loans & Creditors	23,228.74	12,046.52

* Fully hedged for interest and principal repayments.

[^] Includes USD 68.29 Mn(Previous year USD 18 Mn) fully hedged for principal repayments only.

b) Not hedged by a derivative instrument or otherwise:

Amount in Mn

Particulars	As on March 31, 2011	As on March 31, 2010
Foreign Currency Loan:		
Foreign currency loan in USD	296.06	198.67
Vendor finance in USD	0.03	43.12
Equivalent INR	13,222.04	10,914.10
Sundry Creditors:		
in USD	128.31	93.10
Interest accrued on foreign currency loans in USD	0.25	0.64
in EURO	0.02	0.01
Equivalent INR	5,741.32	4,231.64
Sundry Debtors:		
in USD	8.20	15.91
in EURO	0.16	0.07
Equivalent INR	375.89	722.53

10. Employee Benefits:

a) **Defined Benefit Plan:** The Group provides for its liability towards gratuity as per the actuarial valuation. The present value of the accrued gratuity minus fund value is provided in the books of accounts.

i) Changes in benefit obligation for the Company and its Subsidiaries:

₹ Mn

Sr. No.	Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
1	Assumptions		
	Discount rate	8.00%	7.50%
	Expected rate of return on plan assets	7.50%	7.50%
	Salary escalation	5.00% - 7.00%	6.00%
2	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of the year	258.36	133.77
	Interest cost	23.13	14.91
	Current service cost	57.87	52.85
	Benefits paid	(17.75)	(9.65)
	Liabilities assumed on acquisition	-	26.79
	Actuarial (gain)/loss on obligations	48.22	39.69
	Present value of obligations as at end of the year	369.83	258.36
3	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of the year	148.23	124.55
	Expected return on plan assets	12.62	9.47
	Contributions	36.03	19.58
	Assets acquired on acquisition	-	4.00
	Benefits paid	(17.75)	(9.65)
	Actuarial gain/(loss) on plan assets	4.57	0.28
	Fair value of plan assets at end of the year	183.70	148.23
	Funded status	186.12	110.13
	Actual return on plan assets	17.60	9.62
4	Actuarial Gain/Loss recognised		
	Actuarial gain/(loss) for the year –obligation	(48.22)	(39.69)
	Actuarial (gain)/loss for the year - plan assets	(4.57)	(0.28)
	Total (gain)/loss for the year	43.65	39.41
	Actuarial (gain)/loss recognised in the year	43.65	39.41
5	Amounts to be recognised in the Balance Sheet		
	Present value of obligations as at end of the year	369.83	258.36
	Fair value of plan assets as at end of the year	183.70	148.23
	Funded status	186.13	110.13
	Net Asset/(Liability) recognized in the Balance Sheet	(186.13)	(110.13)
6	Expenses recognised in statement of Profit & Loss		
	Current service cost	57.87	52.85
	Interest cost	23.13	14.91
	Expected return on plan assets	(12.62)	9.47
	Net Actuarial (Gain)/Loss recognised in the year	43.65	28.36
	Expenses recognised in statement of Profit & Loss under "Contribution to Provident and other funds"	112.03	86.76
7	Investment Details of Plan Assets (% Allocation)		
	Insurer Managed Funds*	100%	100%

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₹ Mn

Sr. No	Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009	For the year ended March 31, 2008	For the year ended March 31, 2007
8	Experience Adjustments					
	Defined benefit obligation	369.83	258.36	133.77	84.92	81.97
	Plan assets	183.70	148.23	124.55	80.33	61.80
	Surplus / (Deficit)	(186.13)	(110.13)	(9.22)	(4.59)	(20.17)
	Experience adjustments on plan liabilities	26.25	57.02	14.11	-	-
	Experience adjustments on plan assets	5.33	0.28	-	-	-

*The funds are managed by LIC and LIC does not provide breakup of plan assets by investment type.

Experience adjustments have been disclosed for the year ended 31st March 2008 onwards for which information is available on Accounting Standard 15 (Revised 2005) "Employee Benefits".

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

ii) Disclosure of benefit obligation in respect of Company's share in Joint Ventures:

a) Gratuity cost for the year:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Current service cost	3.07	1.92
Interest cost	0.63	0.41
Actuarial losses	0.60	0.21
Total amount recognised in Profit and Loss Account	4.30	2.54

b) Amount recognised in the Balance Sheet:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Opening defined benefit obligation	5.96	4.21
Liability taken over from joint venturers	-	-
Total amount recognised in Profit and Loss Account	4.30	2.54
Benefits paid during the year	(1.16)	(0.79)
Amount recognised in the Balance Sheet	9.10	5.96

c) Experience Adjustments:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Defined benefit obligation	9.10	5.96	4.21
Surplus / (Deficit)	(9.10)	(5.96)	(4.21)
Experience adjustments on plan liabilities	0.74	0.21	-

d) Financial Assumptions:

Particulars	As on March 31, 2011	As on March 31, 2010
Discount rate	7.90%	7.60%
Salary escalation rate	First 3 years-10% and 7% thereafter	First 4 years-10% and 7% thereafter

- b) **Defined Contribution Plan:** During the year, the Company has recognised the following amounts in the Profit and Loss account:

Particulars	₹ Mn	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Employers' contribution to Provident & Pension Fund	237.47	184.76
Employers' contribution to Superannuation Fund	40.85	33.39

11. Segment Reporting**1. Primary Segment:**

The Group operates in three business segments:

- Mobility Services: providing GSM based mobile and related telephony services.
- Long Distance (LD): providing national and international long distance services.
- Passive Infrastructure (PI): providing passive infrastructure services.

2. Secondary Segment:

The Group caters only to the needs of Indian market representing a singular economic environment with similar risks and rewards and hence there are no reportable geographical segments.

Primary Business Information (Business Segments) for the year ended March 31, 2011:

Particulars	Business Segments			Elimination	Total
	Mobility	LD	PI		
Revenue					
External Revenue	153,900.00	414.05	718.11	-	155,032.16
Inter-segment Revenue	1,126.44	19,939.85	11,393.09	(32,459.38)	-
Total Revenue	155,026.44	20,353.90	12,111.20	(32,459.38)	155,032.16
Segment Result	2,007.53	9,543.61	2,381.99	-	13,933.13
Interest & financing charges (Net)	-	-	-	-	3,964.54
Profit before Tax	-	-	-	-	9,968.59
Provision for Tax (Net)	-	-	-	-	981.52
Profit after Tax	-	-	-	-	8,987.07
Other information					
Segment Assets	271,596.36	34,287.76	38,833.93	(66,502.77)	278,215.28
Unallocated Corporate Assets	-	-	-	-	23,919.66
Total Assets	271,596.36	34,287.76	38,833.93	(66,502.77)	302,134.94
Segment Liabilities	192,908.74	24,751.90	24,878.36	(66,502.77)	176,036.23
Unallocated Corporate Liabilities	-	-	-	-	3,099.39
Total Liabilities	192,908.74	24,751.90	24,878.36	(66,502.77)	179,135.62
Capital Expenditure	93,400.51	182.08	5,524.06	-	99,106.65
Depreciation & Amortisation	19,577.04	154.33	4,242.04	-	23,973.41

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Primary Business Information (Business Segments) for the year ended March 31, 2010:

₹ Mn

Particulars	Business Segments			Elimination	Total
	Mobility	LD	PI		
Revenue					
External Revenue	123,251.45	858.89	677.41	-	124,787.76
Inter-segment Revenue	1,146.71	11,872.57	8,838.53	(21,857.81)	-
Total Revenue	124,398.16	12,731.46	9,515.94	(21,857.81)	124,787.76
Segment Result	7,931.54	5,190.89	1,116.90	-	14,239.33
Add: Unallocated Income	-	-	-	-	519.40
Interest & financing charges (Net)	-	-	-	-	4,005.22
Profit before Tax	-	-	-	-	10,753.51
Provision for Tax (Net)	-	-	-	-	1,214.12
Profit after Tax	-	-	-	-	9,539.39
Segment Assets	202,482.33	16,949.08	25,018.04	(37,298.88)	207,150.57
Unallocated Corporate Assets	-	-	-	-	27,987.79
Total Assets	202,482.33	16,949.08	25,018.04	(37,298.88)	235,138.36
Segment Liabilities	131,768.25	11,804.85	12,681.01	(37,298.88)	118,955.23
Unallocated Corporate Liabilities	-	-	-	-	2,459.58
Total Liabilities	131,768.25	11,804.85	12,681.01	(37,298.88)	121,414.81
Capital Expenditure	30,839.03	7.10	7,964.59	-	38,810.72
Depreciation & Amortisation	16,415.21	97.60	3,636.29	-	20,149.10

12. Related Party Transactions

As per Accounting Standard- 18 on "Related Party Disclosures", related parties of the Company are disclosed below:

A. List of Related Parties:

Promoters

- Hindalco Industries Limited (Hindalco)
- Grasim Industries Limited (Grasim)
- Aditya Birla Nuvo Limited (ABNL)
- Birla TMT Holdings Pvt. Limited (Birla TMT)

Entities having significant Influence

- TMI Mauritius Ltd.
- TMI India Ltd. (TMI)
- Axiata Group Berhad

Key Management Personnel

- Mr. Sanjeev Aga, MD
- Mr. Akshaya Moondra, CFO

B. Transactions with Related Parties:

Particulars	Promoters			TMI	KMP
	Hindalco	Grasim	ABNL		
Remuneration					90.03 (72.37)
Purchase of fixed assets			- (0.33)		
Sale of fixed assets	0.03 (-)				
Purchase of service / goods	0.60 (-)		- (0.13)		
Sale of service / goods	21.42 (12.65)	29.06 (41.15)	7.47 (1.98)		
Advances given	5.74 (-)				
Expense incurred by Company on behalf of	0.41 (0.57)	0.57 (0.85)	0.37 (0.63)		
Expenses incurred on Company's behalf by	0.66 (0.50)	0.00 (0.75)	0.43 (0.01)		
Issue of shares			-	(1,656.51*)	

* Shares issued pursuant to amalgamation of Spice Communications Limited
(Figures in bracket are for the year ended March 31, 2010)

C. Outstanding as on March 31, 2011:

Particulars	Promoter			KMP
	Hindalco	Grasim	ABNL	
Remuneration payable				26.42 (20.87)
Accounts receivable	7.38 (0.82)	2.31 (1.73)	0.31 (0.51)	

(Figures in bracket are as of March 31, 2010)

13. The Company has entered into non-cancellable operating leases for offices switches and cell sites for periods ranging from 36 months to 240 months. For the current year, total minimum lease payments amounting to ₹ 24,889.32 Mn (Previous year ₹ 14,800.28 Mn) is charged to Profit & Loss Account.

The future lease payments in respect of the above are as follows:

Particulars	₹ Mn		
	Not later than one year	Later than one year but not later than five years	Later than five years
Minimum lease payments	13,511.33 (7,580.09)	43,379.36 (21,932.29)	35,422.64 (16,818.58)

(Figures in bracket are as of March 31, 2010)

Operating Lease: As a Lessor

The Company has leased under operating lease arrangements certain Optical Fibre Cables (OFC) on Indefeasible Rights of Use ("IRU") basis, the gross block, accumulated depreciation and depreciation expense of the assets given on IRU basis is not separately identifiable and hence not disclosed.

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Rental income of ₹ 56.45 Mn (Previous year ₹ 17.85 Mn) in respect of such leases has been recognized in the profit and loss account during the current year.

Future lease rentals in respect of the above are as follows:

₹ Mn

Particulars	Not later than one year	Later than year but not later than five years	Later than five years
Minimum lease payments	39.39 (28.86)	67.59 (88.36)	0.53 (5.00)

(Figures in bracket are as of March 31, 2010)

14. During the financial year 2007-08, company had entered into a composite IT outsourcing agreement wherein fixed assets and services related to IT has been supplied by the vendor. Such fixed assets received have been accounted for as a finance lease. Correspondingly, such assets are recorded at fair value of these assets at the time of receipt and depreciated on the stated useful life applicable to similar assets of the company.

As at 31st March, 2011, an amount of ₹ 1,195.18 Mn towards the supply of fixed assets during the year stands outstanding and will be paid during financial year 2011-12.

15. Basic & Diluted Earnings Per Share:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Nominal value of Equity Shares (₹)	10/-	10/-
Profit after Tax (₹ Mn)	8,987.07	9,539.39
Profit attributable to equity shareholders (₹ Mn)	8,987.07	9,539.39
Weighted average number of equity shares outstanding during the year	3,300,989,307	3,108,318,276
Basic Earnings Per Share (₹)	2.72	3.07
Dilutive effect on weighted average number of equity Shares outstanding during the year	8,230,797	7,281,676
Weighted average number of diluted equity shares	3,309,220,103	3,115,599,952
Diluted Earnings Per Share (₹)	2.72	3.06

16. Deferred Tax:

As of March 31, 2011, the Company has deferred tax liability of ₹ 9,357.97 Mn and deferred tax asset of ₹ 6,258.64 Mn as under:

₹ Mn

Particulars	As on March 31, 2011	As on March 31, 2010
Deferred Tax Liability:		
Depreciation and Amortisation	9,260.19	6,792.38
Others	97.78	142.21
Total Deferred Tax Liability	9,357.97	6,934.59
Deferred Tax Asset:		
Brought forward loss	4,883.21	3,356.88
Provision for doubtful debts	788.39	674.32
Expenses allowable on payment basis	455.84	590.44
Others	131.20	170.92
Total Deferred Tax Asset	6,258.64	4,792.57
Net Deferred Tax Liability	3,099.33	2,142.02

17. The Company has the following joint ventures as on 31st March, 2011 and its percentage holding is given below:

Name of the Joint Venture	Percentage holding	
	As on March 31, 2011	As on March 31, 2010
Indus Towers Limited (Indus)	16.00%	16.00%

The proportionate share of assets, liabilities, income, expenditure, contingent liabilities and capital commitment of the above joint venture companies included in these consolidated financial statements are given below:

Particulars	₹ Mn	
	As on March 31, 2011	As on March 31, 2010
Assets		
Net Block (including CWIP)	18,276.60	15,794.42
Investment	840.00	120.01
Deferred Tax Assets	-	154.21
Current Assets	5,038.68	5,298.40
Profit and Loss Account	-	377.15
Liabilities		
Reserves & Surplus	231.94	-
Loans	17,979.07	15,481.78
Deferred Tax Liability	159.56	-
Current Liabilities	5,784.52	6,262.22

Particulars	₹ Mn	
	For the year ended March 31, 2011	For the year ended March 31, 2010*
Revenues	11,045.46	13,879.53
Operating Costs	6,401.07	10,172.96
EBIDTA	4,644.39	3,706.57
Finance Cost	1,475.80	1,942.00
Depreciation & Amortisation	2,245.72	2,534.23
PBT	922.87	(769.66)
Taxes	313.77	(10.60)
PAT	609.10	(759.06)
Contingent Liability	422.51	32.84
Capital Commitment	1,460.04	992.15

* Since Spice amalgamated into the company effective 1st March 2010, P&L figures for the year ended 31st March 2010 includes 41.09% of Spice P&L from 1st April 2009 to 28th February 2010.

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18. Information with respect to Subsidiaries as on March 31, 2011:

₹ Mn

Particulars	Aditya Birla Telecom Limited	Idea Cellular Services Limited	Idea Cellular Infrastructure Services Limited	Idea Cellular Towers Infrastructure Limited	Swinder Singh Satara & Co Limited	Idea Mobile Commerce Services Limited
Capital	119.25	0.50	0.50	0.50	0.50	1.00
Reserves	73,188.74	(5.01)	102.43	15,651.77	15.26	(0.34)
Total Assets	16.40	35.25	3,921.14	15,870.63	249.48	0.97
Total Liabilities	15.97	39.76	3,818.21	218.36	233.72	0.31
Investments other than Investments in subsidiary	73,307.56	-	-	-	-	-
Turnover	9.61	541.83	932.19	1,561.48	438.28	-
Profit/(Loss) before Taxation	(0.04)	(1.19)	96.24	(114.45)	2.15	(0.20)
Provision for Taxation	-	1.72	48.38	-	0.41	-
Profit/(Loss) after Taxation	(0.04)	(2.91)	47.86	(114.45)	1.74	(0.20)
Proposed Dividend	-	-	-	-	-	-

19. The Movement in the Asset Retirement Obligation is set out as follows:

₹ Mn

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Opening Balance	1,259.03	1,173.05
Additional Provision	87.19	336.08
Utilisation / Adjustment *	(458.02)	(250.10)
Closing Balance	888.20	1,259.03

* During the year ended 31st March 2011, Joint venture of the company updated its estimate regarding the cost to be incurred for restoration of sites, which resulted in a decrease in the estimated obligation by ₹ 441.51 Mn (Previous year ₹ 234.90 Mn). Had the Joint venture of the company not changed its estimate regarding the cost to be incurred for restoration of sites, the depreciation for the year ended 31st March 2011 would have been higher by ₹ 27.26 Mn (Previous year ₹ 16.37 Mn).

20. Previous year's figures have been regrouped / rearranged wherever necessary to conform to the current year grouping and are not comparable with the current period due to the amalgamation of Spice.

For and on behalf of the Board

Gian Prakash Gupta
Director

Arun Thiagarajan
Director

Himanshu Kapania
Managing Director

Akshaya Moondra
Chief Financial Officer

Pankaj Kapdeo
Company Secretary

Place: Mumbai
Date: July 29, 2011

Consolidated Cash Flow Statement for the year ended March 31, 2011

₹ Mn

	For the year ended March 31, 2011	For the year ended March 31, 2010
A) Cash Flow from Operating Activities		
Net Profit after Tax	8,987.07	9,539.39
Adjustments For		
Depreciation	21,452.86	18,123.31
Amortisation of Intangible assets	2,520.55	2,025.79
Interest Charge	5,159.79	6,814.47
Profit on sale of Current Investment	(472.73)	(886.40)
Provision for Bad & Doubtful Debts/Advances	445.86	575.77
Employee Stock Option Cost	150.34	282.91
Provision for Gratuity and Leave Encashment	232.21	80.83
Provision for Current Tax	1,802.41	2,167.22
MAT Credit entitlement	(1,778.21)	(2,136.93)
Provision for Deferred Tax	957.32	1,183.83
Liability no longer required written back	(558.73)	(941.36)
Interest Income	(645.14)	(1,599.31)
(Profit)/Loss on sale of Fixed Assets/ Assets Discarded	247.92	42.83
	29,514.45	25,732.96
Operating Profit before Working Capital Changes	38,501.52	35,272.35
Adjustments for changes in Working Capital		
(Increase)/Decrease in Sundry Debtors	(579.31)	(1,288.13)
(Increase)/Decrease in Inventories	(122.83)	(3.84)
(Increase)/Decrease in Other Current Assets	1,711.02	(1,380.09)
(Increase)/Decrease in Loans and Advances	9,204.28	(4,555.87)
Increase /(Decrease) in Current Liabilities	5,323.27	(276.41)
	15,536.43	(7,504.34)
Cash Generated from Operations	54,037.95	27,768.01
Tax Paid (including Current Tax & TDS)	(3,327.03)	(2,347.06)
Net Cash from Operating Activities	50,710.92	25,420.95
B) Cash Flow from Investing Activities		
Purchase of Fixed Assets & Intangible Assets (including CWIP)	(85,472.73)	(41,580.25)
Proceeds from Sale of Fixed Assets	271.28	106.48
Sale/ (purchase) of Other Investments (Net)	1,576.43	10,036.06
Interest Received	1,137.00	1,906.18
Net Cash from/(used in) Investing Activities	(82,488.02)	(29,531.53)

Consolidated Cash Flow Statement for the year ended March 31, 2011

₹ Mn

	For the year ended March 31, 2011	For the year ended March 31, 2010
C) Cash Flow from Financing Activities		
Proceeds from issue of Share Capital	138.36	23.41
Proceeds from Long Term borrowings	38,804.29	14,531.00
Repayment of Long Term Borrowings	(13,919.91)	(15,309.77)
Proceeds from Short Term Loan	29,737.02	-
Repayment of Short Term Loan	(12,078.27)	(15,000.00)
Interest Paid	(9,226.80)	(8,255.10)
Net Cash from/(used in) Financing Activities	33,454.69	(24,010.47)
Net Increase/(Decrease) in Cash and Cash Equivalent	1,677.59	(28,121.05)
Cash and Cash Equivalent at the Beginning	2,899.85	30,863.96
Add: Cash and Cash Equivalents on amalgamation of Spice Communications Limited	-	156.94
Cash and Cash Equivalent at the end	4,577.44	2,899.85

Notes to Cash flow Statement for the year ended 31st March 2011

- Cash and Cash Equivalent includes

Cash and Cheques on Hand	141.57	152.76
Balances with Scheduled Banks		
- on Current Accounts	390.59	1,173.55
- on Deposit Accounts	4,045.28	1,573.54
	4,577.44	2,899.85
- The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statement
- Previous year's figures have been rearranged / regrouped wherever necessary.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

Hemant M. Joshi
Partner
Membership No.: 38019

Gian Prakash Gupta
Director

Arun Thiagarajan
Director

Himanshu Kapania
Managing Director

Place: Mumbai
Date: July 29, 2011

Akshaya Moondra
Chief Financial Officer

Pankaj Kapdeo
Company Secretary

