

# STAYING FOCUSED DELIVERING PERFORMANCE



ANNUAL REPORT  
2013 - 2014

**IDEA CELLULAR LIMITED**



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Mr. Aditya Birla  
We live by his values.  
Integrity, Commitment, Passion, Seamlessness and Speed.

# The Chairman's Letter to Shareholders



Dear Shareholder,

## The Global Scenario

Worldwide 2014 portends to be much more encouraging than 2013, with the forces driving the global economic recovery firmly entrenched. The IMF projects that global economic growth will rise from 3% in 2013 to 3.6% in 2014, and to 3.9% in 2015. This is largely due to a turn for the better in the developed economies - estimated to grow 2.25% in 2014, a full percentage point more than in 2013. US GDP growth for 2014 is projected at 2.8%, and in the Euro area at 1.2%, while China's economy is expected to grow at 7.5%. GDP growth in the emerging markets and developing economies is slated to increase from 4.7% in 2013 to 4.9% in 2014, as these regions step up exports to the developed markets. Continued fiscal easing, loose monetary policy in developed economies and stable commodity prices should boost the global recovery. The nervousness in the financial markets, particularly related to stability of the southern European economies, has abated considerably. Furthermore, we must be prepared for unforeseen geopolitical developments which may have disruptive ripple effects on the global economy.

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*Your Company, capitalizing on the policy momentum and continuing strong tailwinds of consumer demand, maintained its status as 'India's fastest growing large mobile operator'. It delivered another year of robust performance across all business segments. Competitively, your Company improved its mobile sector 'Revenue Market Share' (RMS) during April-December 2013 to 16.1%, one of the highest Y-o-Y improvement of 1.3% in RMS.*

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## The Indian Economy – moving on to a stable footing

The outlook for the Indian economy has turned distinctly positive. The increasing traction of the global economic revival and plans to restore vim to India's economy through a slew of timely measures by the new Government by addressing fiscal imbalances and fast-forwarding investment activity should play out positively in the coming year. The RBI's deft moves to stabilize the Rupee, enabled it to recover from a low of around ₹ 68/\$ to under ₹ 60/\$. The current account deficit for the year has been contained at around 2.5% of GDP. Some progress has been achieved on clearing the backlog of large projects whose approvals had been held up. GDP growth is predicted at around 5.5% in 2014-15.

However industrial production needs to accelerate with the IIP declining 0.1% year-on-year in the first 11 months of 2013-14, vis-a-vis 0.9% growth in the same period last year. Inflation also remains a concern, with the wholesale and consumer price indices in March 2014 up 5.7% and 8.3% respectively year-on-year. Continuing inflationary pressures have been a constraint in reducing interest rates. In the medium term, the economy stands to benefit, if the Goods and Services Tax is rolled out. Further initiatives and reforms in areas such as land acquisition, allocation of natural resources, and taxation would help greatly to boost investor confidence and accelerate investment activity. Overall, the stage seems set for India to shift to a higher growth trajectory.

These developments on the global and the domestic front have a telling effect on your Company's growth and end-results.

## Telecom Sector

With hyper-competition easing and the Indian wireless sector overcoming its uncertain phase last year, the telecom industry was far more resilient. It moved firmly

towards a rational market structure leading to improved price realization.

Implementing the Government's vision articulated in the new National Telecom Policy (NTP 2012), the mobile sector transitioned from the restrictive administered spectrum allocation regime of 2002-08 to spectrum sale only through open market auction mechanism. Though the spectrum reserve prices were kept artificially high, far beyond global benchmarks, the recent free market auction has provided the much needed capacity relief to the operators. The industry successfully bid for 434.7 MHz of 1800 band, 46.0 MHz of 900 band and 30.0 MHz of 800 band of spectrum during the auction held in November 2012, March 2013 and February 2014.

Your Company, capitalizing on the policy momentum and continuing strong tailwinds of consumer demand, maintained its status as 'India's fastest growing large mobile operator'. It delivered another year of robust performance across all business segments. Competitively, your Company improved its mobile sector 'Revenue Market Share' (RMS) during April-December 2013 to 16.1%, one of the highest Y-o-Y improvement of 1.3% in RMS. Similarly, in terms of subscriber share, on a rolling 12 months basis, till February 2014, your company added 18 million VLR customers capturing 26.3% share of incremental subscriber market. As of March 2014, Idea's consumer base has risen to 136 million providing the Company a solid foundation to improve its financial KPIs, as subscribers' mobile usage expands beyond voice. The latest GSMA Intelligence report, places Idea as the world's '6th largest single country telecom operator' in terms of subscriber base, handling voice traffic of over 1.7 billion minutes every day in Q4 FY13-14.

During the Financial Year 2013-14, your Company posted a strong annual revenue growth of 18.1%, clocking gross revenue of ₹ 265,189 million. The EBITDA grew exponentially by 38.8% to ₹ 83,337 million, with a 4.7% steep EBITDA margin improvement to 31.4%.

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*During the Financial Year 2013-14, your Company posted a strong annual revenue growth of 18.1%, clocking gross revenue of ₹ 265,189 million. The EBITDA grew exponentially by 38.8% to ₹ 83,337 million, with a 4.7% steep EBITDA margin improvement to 31.4%. The high EBITDA growth translated into an unprecedented 94.7% annual growth of PAT at ₹ 19,678 million.*

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*To meet the burgeoning voice and data demand, your Company participated in the recent (February 2014) spectrum auction and acquired an additional 65.2 MHz. With this spectrum acquisition, your Company has extended its 3G spectrum footprint to Delhi service area. It now owns 3G spectrum in 12 service areas translating to 80% of its current revenue. Your Company also acquired spectrum capability to provide High Speed 4G LTE mobile broadband services in 8 service areas - 58% of your company's current revenue.*

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The high EBITDA growth translated into an unprecedented 94.7% annual growth of PAT at ₹ 19,678 million. Cash Profits also increased by 41.3% to ₹ 70,369 million. Your company achieved its highest ever financial performance driven on three pillars, namely, annual 18 million new customer additions, 7.3% improvement in gross realized rate and 3.3% increase in mobile data contribution to service revenue.

Early trends indicate that the mobile broadband era has arrived in India. With over 900 million mobile users in the country and the expected higher consumer internet adoption, India is all set to catapult to among the Top 3 mobile broadband markets in the world. Your company is well positioned to play a key role in the emerging broadband market and is steadily transforming itself to capture higher mobile data share by acquiring additional spectrum, upgrading technology to 3G and 4G as well as building talent capability of its employees and partners as customers adapt to the emerging online lifestyle. In this financial year, your Company more than doubled its annual mobile data traffic (2G & 3G) on its network to 79.4 billion MB and influenced nearly 18.6% of its customer base to access internet from their mobile.

To meet the burgeoning voice and data demand, your Company participated in the recent (February 2014) spectrum auction and acquired an additional 65.2 MHz. With this spectrum acquisition, your Company has extended its 3G spectrum footprint to Delhi service area. It now owns 3G spectrum in 12 service areas translating to 80% of its current revenue. Your Company also acquired spectrum capability to provide High Speed 4G LTE mobile broadband services in 8 service areas - 58% of your company's current revenue. Since 2010, your company has successfully won an additional 157.7 MHz of spectrum from open market auctions, expanding its spectrum portfolio to 259.5 MHz in 900, 1800 & 2100 MHz spectrum bands, similar in quantum to other leading Indian mobile operators.

As of March 2014, your Company has 104,778 2G GSM sites and 21,381 3G High Speed Data sites, with an addition of 18,925 (2G+3G) sites during the year. Idea owns over 82,000 km of Fiber, to support the growing voice and data demand of Idea customers. Your Company now covers over 350,000 towns and villages, nearly doubling its brand presence in the country over the last 3 years. On a standalone basis, the cumulative investment of your Company has now risen to ₹ 567 billion, including ₹ 182 billion primarily for the spectrum acquired in auction.

With the strong financial performance of your Company this year, your Board has recommended an increased dividend of 4%. I am enthused by the confidence and faith reposed by over 250,000 institutional & retail investors. We remain committed to sprint flat out operationally to exceed our shareholder expectations.

## Outlook

With the resurgence in the Indian economy, the mobile sector is poised to make a shift to higher growth trajectory, as even now, India is amongst the world's lowest telecom penetrated countries below 65% penetration, while existing customers increase their mobility spends to access internet from their mobile. Your Company, with optimum network investment, increased spectrum portfolio, market place agility, customer centricity, high brand salience, rising free cash flows and a strong balance sheet, is on course towards performance led leadership. As competition intensity declines, overcapacity phase comes to an inevitable end and new investments start yielding returns, your company is optimistic of further consolidating its standing in the Indian wireless market.

## To our teams

In the face of continuing external challenges, our teams across geographies have stayed focused and delivered performance. I thank all of our employees for their

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*“Despite the tectonic shifts witnessed globally and in India, at the Group level we have managed to sustain our revenues at USD 40 billion. Much credit must go to the talent resident in our 1,20,000 committed workforce, spanning 36 countries and 42 nationalities.”*

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tenacity and commitment to sustain top line and bottom line growth year after year.

### The Aditya Birla Group in perspective

Despite the tectonic shifts witnessed globally and in India, at the Group level we have managed to sustain our revenues at USD 40 billion. Much credit must go to the talent resident in our 1,20,000 committed workforce, spanning 36 countries and 42 nationalities.

I would like to reiterate that we place big bets on our people. Let me elaborate on this aspect in some detail.

As a high performance driven, meritocratic Group, we are constantly focusing on building our talent pool to support our business vision. To this end, substantive initiatives taken earlier have since materialized. These include focused endeavours to build a robust talent pipeline, building the employer brand of our Group beyond India, and achieving the distinction of becoming the most aspirational employer for manufacturing professionals also, besides augmenting talent on the technical side. Furthermore to support our long-term strategies, our business structures have been significantly bolstered.

Our reputation as an employer of choice is again something we are incredibly proud of. We are recognized as an employer that offers a World of Opportunities and is concerned about the professional growth of its people. We continue to fast track our talent - from our management cadre comprising of 38,200 colleagues, 13% have been promoted, 20% have changed roles and 12% have moved location during the year.

Gyanodaya, our in-house world-class university, continues to be an important mainstay of our progress. Leveraging resources across geographies and partnering with leading global faculty, institutions and corporates, it ensure that our leadership and talent pool stays contemporary and is always in the learning mode.

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*“Our reputation as an employer of choice is again something we are incredibly proud of. We are recognized as an employer that offers a World of Opportunities and is concerned about the professional growth of its people.”*

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To be a learning and growing organization is an ongoing endeavour.

### Ranked No. 1 in the Nielsen Corporate Image Monitor

I am pleased to share with you that for the second year running our Group has been ranked **No. 1 in the Nielsen Corporate Image Monitor 2013-14**. Across the six pillars of corporate performance – products and services, vision and leadership, workplace environment, financial performance, operating style and social responsibility, Aditya Birla Group “emerges as the pace setter, way ahead of 40 corporates. Nielsen’s Corporate Image Monitor measures the reputation of the 40 leading companies in India across sectors and serves as an important indicator of the strength of the corporate brand”, they state. The companies were covered in the survey, using the Economic Times 500 and the Business Today 500 ranking of listed companies.

Nielsen is among the most renowned global market research companies, headquartered in New York and operating in 60 countries.

### In sum

With the best of talent in our midst, our strong Balance Sheets, robust cash flows, the eye on the customer and unrelenting focus on delivering shareholder value, we are confident of the future. The year ahead I believe will be the one when we consolidate and reinforce what we have achieved in recent years. And see the fruition of the several projects and initiatives in each of the businesses that are currently underway.

Yours sincerely,



Kumar Mangalam Birla

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*“I am pleased to share with you that for the second year running our Group has been ranked No. 1 in the Nielsen Corporate Image Monitor 2013-14. Aditya Birla Group emerges as the pace setter, way ahead of 40 corporates.”*

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# Board of Directors



Mrs. Rajashree Birla  
Non-Executive Director



Mr. Himanshu Kapania  
Managing Director



Mr. Sanjeev Aga  
Non-Executive Director



Mr. Kumar Mangalam Birla  
Non-Executive Chairman



Mr. Biswajit A. Subramanian  
Non-Executive Director



Dr. Rakesh Jain  
Non-Executive Director



Dr. Shridhir Sariputta Hansa Wijayasuriya  
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



Mrs. Madhabi Puri Buch  
Independent Director

# Corporate Information

## **Managing Director**

Mr. Himanshu Kapania

## **Chief Financial Officer**

Mr. Akshaya Moondra

## **Company Secretary**

Mr. Pankaj Kapdeo

## **Statutory Auditors**

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

## **Cost Auditors**

Sanjay Gupta & Associates  
Cost Accountants  
C-4E/135, Janakpuri  
New Delhi - 110 058

## **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>

## **Corporate Identity Number (CIN)**

L32100GJ1996PLC030976

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ADITYA BIRLA GROUP

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\*Conditions apply

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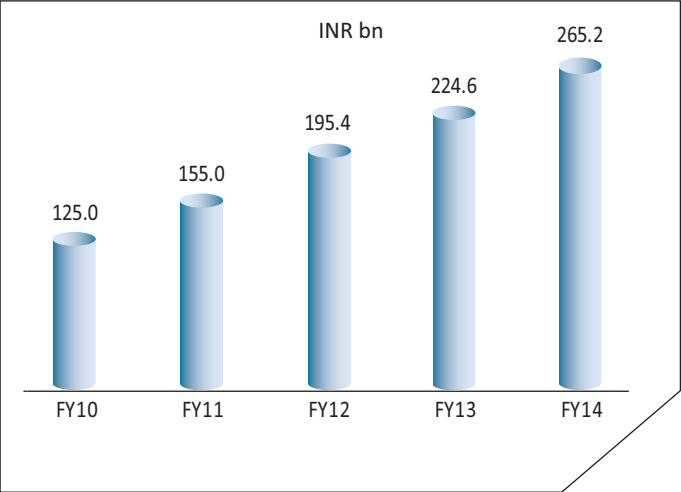
**An idea can change your life**



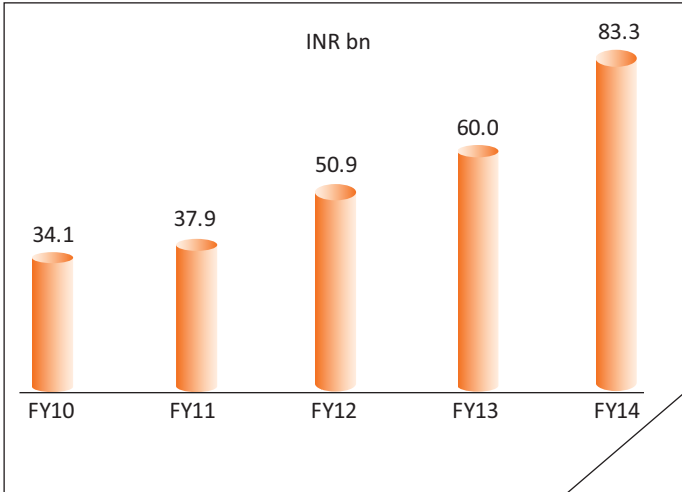
ADITYA BIRLA GROUP

# Performance Highlights (Consolidated)

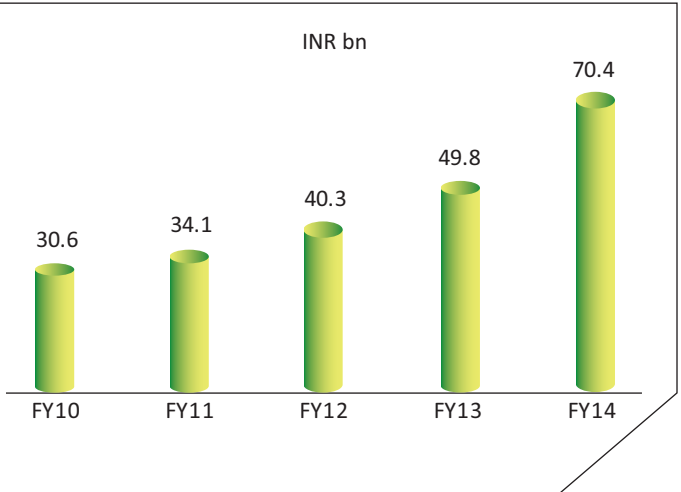
Robust Growth in Top Line



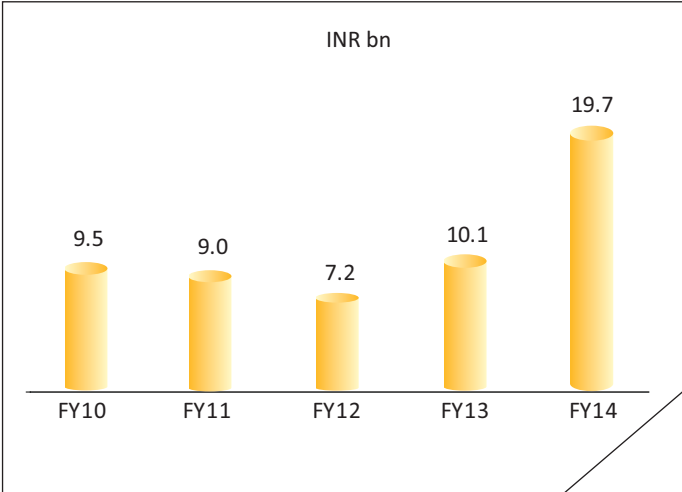
Robust Growth in EBITDA



Robust Growth in Cash Profits

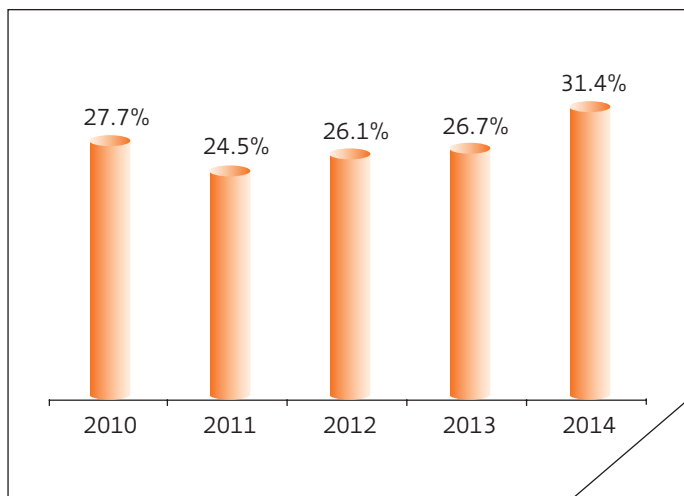


Net Profits



# Performance Highlights (Consolidated)

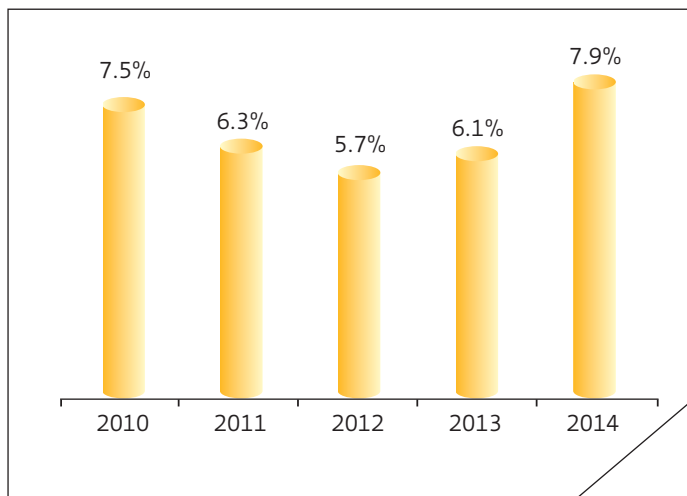
EBIDTA (%)



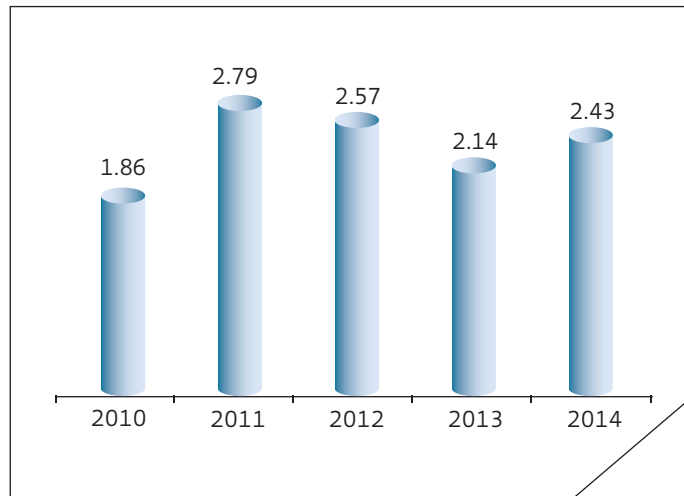
Debt Equity



ROCE (%)



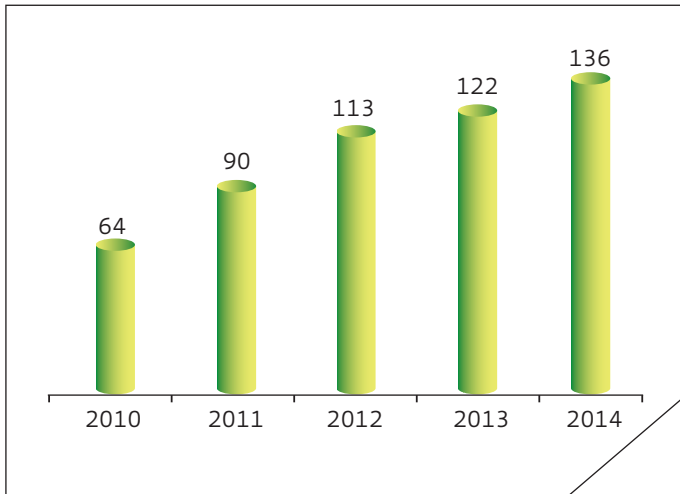
Net Debt to EBITDA



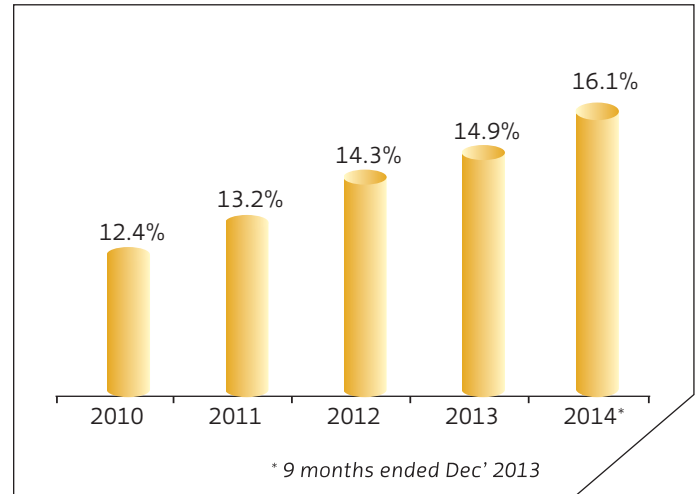


# Key Performance Indicators

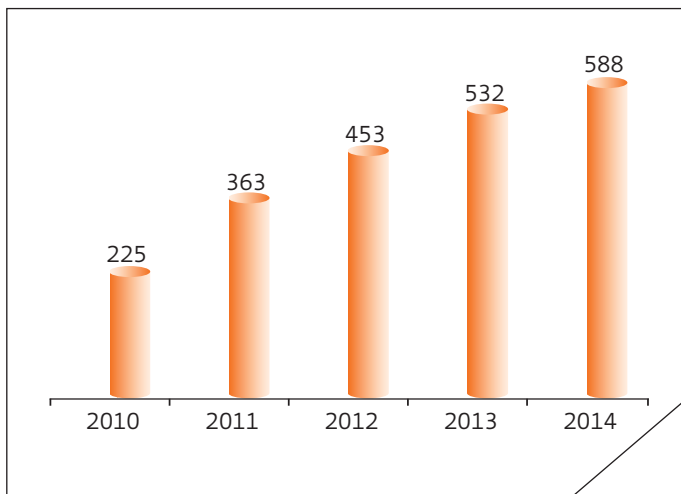
EoP Subscribers (Mn.)



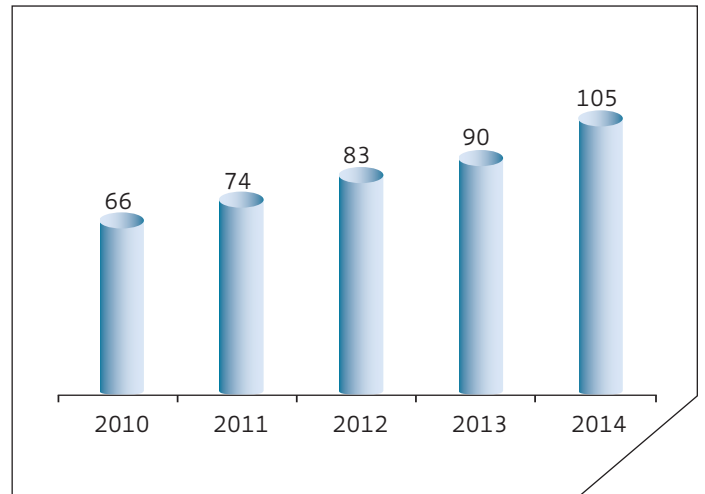
Revenue Market Share (%)



MoU (Bn.)



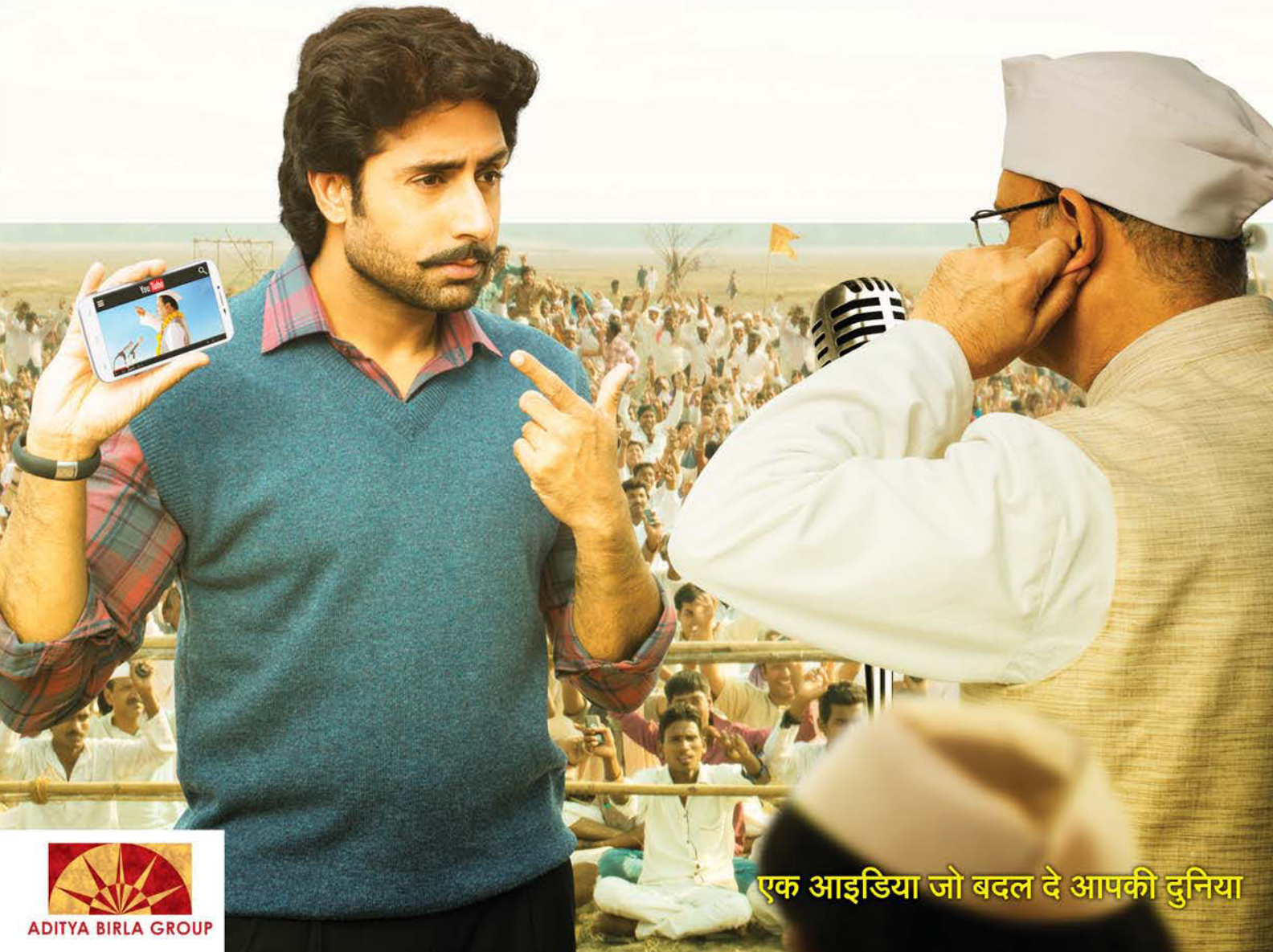
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# चुनाव के वक़्त, नो उल्लू बनाविंग

आइडिया इंटरनेट ऑल इंडिया

**!idea**



ADITYA BIRLA GROUP

एक आइडिया जो बदल दे आपकी दुनिया

## Directors' Report

Dear Shareholders,

We have pleasure in presenting the Nineteenth Annual Report, together with the audited financial statements of the Company for the Financial Year ended March 31, 2014.

### Company Overview

Your Company is the third largest mobile telecommunications operator in the country, with pan India operations offering voice, data and other value added services (VAS). Your Company provides GSM-based mobile telecommunications services in all 22 service areas in India, and 3G services in 20 service areas. The Company offers 3G services in 10 service areas pursuant to spectrum allocated to the Company and provides 3G services in 10 additional service areas through intra-circle roaming arrangements with other mobile telecommunication service providers.

### Financial Results

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The standalone and consolidated financial highlights of your Company for the Financial Year ended March 31, 2014 are summarised below:

Particular	₹ Mn			
	Standalone		Consolidated	
	2013-14	2012-13	2013-14	2012-13
Income from Services	261,104	220,434	264,320	224,075
Other Income	691	435	869	502
Total Revenue	261,795	220,869	265,189	224,577
Operating Expenses	188,562	169,304	181,852	164,531
EBITDA	73,233	51,565	83,337	60,046
Depreciation and Amortisation	40,932	30,544	45,194	34,778
EBIT	32,301	21,021	38,143	25,268
Interest and Financing charges	6,248	8,135	7,700	9,495
EBT	26,053	12,886	30,443	15,773
Taxes	9,160	4,703	10,765	5,664
Profit after Tax	16,893	8,183	19,678	10,109

### Operations Review

Your Company continued its enviable track record of growing faster than the industry with service revenue growth of 18.4% on a standalone basis. The total subscriber base of your Company as on March 31, 2014 was 135.8 Mn, representing an increase of 11.7% over the previous year.

As per TRAI reports, for the nine months ended December 31, 2013, your Company had a Revenue Market

Share of approximately 16.1% of the Indian mobile telecommunication service industry, one of the highest YoY improvement of 1.3%. Your Company's subscriber market share stood at 14.8% as of February 28, 2014 compared to 14.0% as of March 31, 2013. The percentage of active subscriber base to total subscriber base is highest in the industry.

Your Company continues to invest in network infrastructure both on 2G and 3G front. During the year Company added 14,684 2G sites, taking the 2G site count to 104,778 as of March 31, 2014. 2G services are now available in more than 340,000 towns and villages. On 3G front Company has added 4,241 sites increasing its 3G site count to 21,381. Your Company has also expanded its Optical Fibre Cable transmission network to 82,000 km compared to 74,000 km a year ago.

In the recent spectrum auction held in February 2014, your Company won 5 MHz spectrum in the 900 MHz band for the Delhi Service Area which is intended to be utilised for offering 3G services. The Company also won 60.2 Mhz spectrum in the 1800 MHz band, which includes 45 MHz contiguous spectrum capable of being used for providing 4G High Speed broadband LTE services in eight service areas. The remaining 15.2 MHz spectrum won in other select service areas would be used to cater to the expansion of its existing services in these service areas.

Your Company's total minutes of usage on the network for the Financial Year 2013-14 were 587.8 billion minutes.

On a standalone basis, your Company clocked revenue of ₹ 261,795 Mn, a growth of 18.5% over the previous year, primarily driven by 10.5% growth in total minutes of use, 112.4% growth in data volume and also increased rate realization as compared to previous year. The EBITDA also increased to ₹ 73,233 Mn, representing a growth of 42.0% over the previous year.

The Profit after Tax stood at ₹ 16,893 Mn, a rise of 106.4% as compared to the previous year, led by an increase in EBITDA and lower finance & treasury charges partially offset by higher depreciation and amortization charge during the year.

On a consolidated basis, the total revenues were ₹ 265,189 Mn, a growth of 18.1% over the previous year. The EBITDA at ₹ 83,337 Mn, reflects a growth of 38.8% as compared to the previous year. The consolidated Profit after Tax stood at ₹ 19,678 Mn, up by 94.7% compared to the previous year.

### Dividend

Your Directors are pleased to recommend a dividend of ₹ 0.40 per equity share of ₹ 10/- each (4% of face value) for the year ended March 31, 2014. Based on the outstanding

## Directors' Report

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paid-up share capital as at the year end, the total dividend payout will amount to ₹ 1,554 Mn inclusive of ₹ 226 Mn of dividend distribution tax. This payment is subject to your approval at the ensuing Annual General Meeting of the Company.

### Transfer to Reserves

Your Company has not transferred any amount to General Reserve out of profits available for appropriation. However, in line with statutory requirements, your Company has transferred ₹ 145 Mn to Debenture Redemption Reserve.

### Share Capital

During the year, your Company issued and allotted 5,309,995 Equity Shares of ₹ 10/- each, fully paid-up, to the option grantees pursuant to the exercise of stock options by eligible employees under the Employee Stock Option Scheme, 2006 (ESOS-2006).

Consequently, the issued, subscribed and paid-up equity share capital of your Company as on March 31, 2014 stood at ₹ 33,196,317,610, comprising of 3,319,631,761 equity shares of ₹ 10/- each.

### Capital Expenditure

Your Company continues to expand the telecommunication infrastructure through the increase in 2G and 3G sites, fibre cable transmission network (our own and through arrangements with other companies). At standalone level, the capital expenditure (including capital advances) incurred during the year was ₹ 43,117 Mn and at consolidated level, the same was ₹ 46,049 Mn.

In addition to this, your Company participated in the Government conducted global spectrum auction held in February, 2014 and committed ₹ 104,242 Mn, which includes ₹ 37,048 Mn towards 5 MHz spectrum in the 900 MHz band and ₹ 67,194 Mn towards 60.2 MHz spectrum in 1800 MHz band.

### Significant Developments:

- ***Auction of 900 MHz and 1800 MHz spectrum in February 2014***

In February, 2014, the Department of Telecommunications (DoT) auctioned spectrum in 900 MHz band for three Metro Service Areas and in 1800 MHz band for all 22 Service Areas. In the 900 MHz band, the entire 46 MHz spectrum in the Metro Service Area was sold for an aggregate price of ₹ 235,896 Mn as against a reserve price of ₹ 127,580 Mn. Similarly, in the 1800 MHz band, bids were received for 307.2 MHz out of 385.2 MHz quantum of spectrum auctioned across all 22 service areas, which were sold for an aggregate price of ₹ 375,726 Mn as against a reserve price of ₹ 196,050 Mn.

Your Company also enthusiastically participated in the above auction and won 5 MHz of spectrum in the 900 MHz band for the Delhi Metro Service Area and an

aggregate of 60.2 MHz of spectrum in 1800 MHz band in 11 service areas at a total cost of ₹ 104,242 Mn. The payment terms included on upfront payment of ₹ 31,436 Mn and the balance payable in 10 annual installments after a moratorium of 2 years, with interest of 10% p.a. inbuilt in the annual installment. The upfront payment was financed from internal accruals and the Government deferred payment obligation is reflected as debt in the Balance Sheet.

- ***One Time Spectrum Charge***

The Department of Telecommunications (DoT) had issued demand notices of ₹ 21,135 Mn towards levy of one time spectrum charge. The demand includes a retrospective charge of ₹ 3,691 Mn for holding GSM spectrum beyond 6.2 MHz for the period from July 1, 2008 to December 31, 2012 and also a prospective charge of ₹ 17,444 Mn for GSM spectrum held beyond 4.4 MHz for the period from January 1, 2013 till the expiry of the period of the respective licenses. In the opinion of the Company, the above demands, inter-alia, amount to alteration of financial terms of the licenses issued in the past. Your Company has, therefore, filed a petition before the Hon'ble High Court of Bombay, which directed DoT not to take any coercive action until the next date of hearing. The matter is pending for final hearing.

- ***Signing of Unified License(s) for services areas where licenses were quashed by Supreme Court Judgement of February, 2012***

The Department of Telecommunications (DoT) conducted an auction for the 1800 MHz spectrum in November, 2012 as directed by the Hon'ble Supreme Court's judgement dated February 2, 2012, which had quashed the licenses and spectrum granted to telecom operators on or after January 10, 2008 pursuant to two press releases issued on January 10, 2008. As your Company was impacted by the said judgement in seven service areas, your Company participated in the spectrum auction held in November 2012 and was successful in winning back the spectrum for all these impacted service areas at a bid amount of ₹ 19,848.8 Mn. The DoT then also set-off ₹ 6,845.9 Mn paid earlier by your Company as entry fee for licenses granted in 2008. The Company chose the deferred payment option facility for the remaining amount as per the deferred payment option available as part of the auction terms.

Post several meetings and discussions, the DoT signed the Unified License for seven quashed service areas in October, 2013. Thereafter, in November, 2013, your Company was allocated the spectrum won in November, 2012 auction. The Company has also taken necessary endorsements for continuing the usage of telecom resources already in use since 2008 viz. MSC

codes, SP codes, EMF approvals etc. Our request for validation of microwave spectrum and SACFA approvals is being processed by DoT.

- ***Transfer of licenses for Punjab and Karnataka service areas to the Company***

In the pending legal matter of transfer of licenses for service areas of Punjab & Karnataka, DoT has transferred these licenses in the name of the Company as directed by Hon'ble Supreme Court pursuant to its order dated January 29, 2014, upon submission of an undertaking. These licences were registered in the name of erstwhile Spice Communications Limited (Spice), which had merged with the Company pursuant to amalgamation order passed by the Hon'ble High Court(s) of Gujarat and Delhi.

In this connection, earlier on November 29, 2013, DoT had issued a demand of ₹ 6,000 Mn for alleged violations of license terms & conditions and merger & acquisition guidelines in connection with amalgamation of Spice and agreeing to take on record the transfer of licenses provided the company pays this demand and other dues, including one time spectrum charge. The Company aggrieved by the said demand, had approached Hon'ble TDSAT as also seeking direction for transfer of licenses. Vide its order dated December 10, 2013, Hon'ble TDSAT had restrained DoT from taking any coercive action in the matter. While the licenses in respect of Punjab and Karnataka service areas have been transferred to the Company pursuant to aforesaid directive given by Hon'ble Supreme Court to DoT upon furnishing of requisite undertaking by the Company to DoT, the matter relating to challenge of aforesaid demand of ₹ 6,000 Mn remains subjudice before Hon'ble TDSAT.

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

In the pending legal matter of commercial usage of 3G Spectrum in respect of Punjab Service Area, the DoT issued Letter of Intent in February, 2014 and subsequent license amendment enabling launch of Idea 3G commercial services. The DoT earmarked the usage of 3G spectrum in March, 2014. Your Company is in the process of launching 3G services shortly in Punjab service area.

- ***3G Services and Intra-Circle Roaming Arrangements***

Your Company is presently providing 3G services to its customers in 10 service areas (except Punjab) out of the 11 service areas where it holds spectrum in 2100 MHz band. The Company had also entered into intra-circle roaming arrangements with other leading operators in 10 other service areas where we did not win 3G spectrum to provide 3G services to the customers.

The DoT had issued notices to your Company and other operators to stop providing 3G services in the service areas where the operator had not won 3G spectrum, besides levying a penalty of ₹ 500 Mn in each service area. Out of such notices issued to operators, your Company received notices for six service areas. It had challenged the said notices before the Hon'ble High Court of Delhi. The court had granted interim stay subject to restriction that facilities based on 3G ICR arrangement will not be available to any new subscriber. Subsequently, the matter was withdrawn from Delhi High Court and fresh petition was filed at TDSAT. Your Company implemented the directions of Hon'ble Court for all such service areas where 3G services are provided under intra-circle roaming arrangements. The proceedings in TDSAT are complete and the final Judgment is expected shortly. In this connection, the DoT had also filed contempt of court petition before Hon'ble High Court of Delhi against certain Directors and Officials of the Company for alleged violation of interim order passed by the Hon'ble High Court of Delhi, which is pending adjudication.

#### Awards and Recognitions

Your Company's outstanding work in the field of business, advertising and marketing continues to be recognized not only nationally but even at international forums.

- At EFFIES 2013 Idea was recognized as 3<sup>rd</sup> Best Client of the Year with 4 awards as set under:
  - Gold in 'Integrated Advertising Campaign' for Honey-Bunny campaign.
  - Gold in 'Services-Telecom & Related Products' for Telephone Exchange campaign.
  - Silver in 'Services-Telecom & Related Products' for Honey-Bunny campaign.
  - Bronze for Best On-going campaign for *What an idea!* Series of advertising.
- Idea's Pan India coverage campaign 'Honey-Bunny', won a Silver and a Bronze at the APAC EFFIES and also won a Silver at Emvies, 2013.
- Idea won EMMY's Integrated Campaign Awards 2013 for Honey-Bunny campaign.
- Idea has been awarded with the 'Storyboard Brand Campaign of the Year Award' for Honey-Bunny campaign at CNBC TV18 India Business Leader Awards 2013.
- Idea has also won the Citizen Journalist Awards, 2013.
- Idea received the Amity Telecom Excellence Award for 'The Best Rural Services Provider of the Year 2013'.
- Idea received the Amity Leadership Award 2013 in 'Leveraging IT in Telecommunications Sector'.

## Directors' Report

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- Idea Ranked No.1 in the Telecommunications sector as a part of India's Best Company to Work Study in 2013 and 17<sup>th</sup> overall among 550 participating companies.
- Idea has been adjudged as the "Best Place to Work" at the Asia Communication Awards 2013.
- Idea won the 'Most Innovative Service Provider Award' under 'Enterprise category' (for Smart Gas Solution) and 'My Favorite Service Provider Award' at The Economic Times Telecom Awards 2013.

### New Initiatives

During the year under review, your Company together with its subsidiaries made extensive progress on the marketing and customer care front by entering into various alliances, introducing various innovative products and services. Some of these are:-

- Idea has been torch bearer for innovative advertising and customer engagement activities. Idea launched well timed mass media campaigns throughout the year with a mix of thematic and product campaigns. The theme campaign '*no ullu banaoing*' highlights the power of mobile internet on the Idea network and how it can empower users to evade unscrupulous situations and people in India.
- To increase 3G device penetration amongst Idea customers, your Company (through its subsidiary) further strengthened 'Idea Smartphone' brand by launching eight new models in the market in FY 2013-14.
- In the arena of Value Added Services, many innovative services have been launched. Some of these include Unlimited Music streaming & downloading experience with 'Idea Music Hub', premium International mobile games like Gameloft Club, Toll free, access to classified information like Idea Yellow Pages etc.
- Idea launched an online Bollywood destination site this year called 'Idea Popcorn Street' ([www.ideapopcornstreet.com](http://www.ideapopcornstreet.com)), which is the first of its kind branded content site offering Bollywood fans an array of interesting trivia, videos and updates.
- Idea led the industry on various product innovations improving customer experience such as:
  - Launch of 'Choice Recharge', which enables customers to choose any one option from five different options on a single recharge which brings customer convenience.
  - Launch of 'Choice Number', giving a new customer an opportunity to choose his or her number of preference, which was first of its kind initiative in the industry.
  - Launch of 'I-Plan' for the postpaid segment, providing customers the flexibility to choose, create and customize their monthly plan from a bouquet of voice and data packs.

- Idea continued to strengthen its brand by sustaining its association with high impact media properties like 'Kaun Banega Crorepati', 'Idea Filmfare Awards', 'Citizen Journalists Awards', in addition to several regional media properties. The brand continued its association with the Delhi Daredevils team in IPL 7.
- Your Company has successfully rolled out one of the most complex and massive Postpaid Customer Relationship Management (CRM) and Billing Solution stack across 21 circles, which will enable your Company to harness the multiple benefits of a singular comprehensive window to the 360 degree understanding and servicing of a customer; with huge operational efficiencies.
- To enhance customer experience, your Company also launched the "Customer First Program", which involves face to face interactions between your Company's employees and customer plus engagement with customers over various channels of communication. The inputs gathered through these customer interactions and via various channels are then further analyzed and improvements in processes are done for enhancing customer experience.
- Your Company has recently launched "Idea Select Matinees" in identified few circles wherein, loyalty customers get tangible rewards in the form of free movie tickets. Premium loyal customers are also gifted with personalized annual calendars and greeted on their birthdays with exclusive gifts.
- Your Company has a complete program in place for measuring Customer Experience across various segments, geographies and touch-points. Through a pre-determined calendar of multiple surveys encompassing various aspects, your Company is committed to driving customer delight at every step.

### Subsidiaries and Joint Venture

As on March 31, 2014, your Company has 5 subsidiary companies and one joint venture, which are as under:

#### *Subsidiaries*

- Aditya Birla Telecom Limited, holds 16% shareholding in Indus Towers Limited and is engaged in the trading of communication devices.
- 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 Mobile Commerce Services Limited, is engaged in the business of Mobile Banking.
- Idea Telesystems Limited, is engaged in the trading of communication devices.

As required under the Listing Agreement entered into with the Stock Exchanges, consolidated financial statements of the Company and all its subsidiaries is attached. The consolidated financial statements have been prepared in accordance with the relevant accounting standards as prescribed under section 211(3C) of the Companies Act, 1956. The consolidated financial statements disclose the assets, liabilities, income, expenses and other details of the Company and its subsidiaries.

In terms of general exemption granted by the Ministry of Corporate Affairs, Government of India, vide its Circular No. 2/2011 dated February 8, 2011, and in compliance with the conditions enlisted therein, the reports and annual accounts of the aforesaid Subsidiary Companies for the Financial Year ended March 31, 2014 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 of the Company upon request.

#### *Joint Venture*

Indus Towers Limited, in which Aditya Birla Telecom Limited (ABTL), a wholly owned subsidiary of the Company holds 16% stake, continues to be a joint venture with the Bharti Group and Vodafone Group that provides passive infrastructure services in 15 service areas.

#### **Fixed Deposits**

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

#### **Enterprise Risk Management**

Your Company has a well-established Enterprise-wide Risk Management (ERM) framework in place for identification and management of risks. In line with your Company's commitment to deliver sustainable value, this framework aims to provide an integrated and organized approach for evaluating and managing risks.

#### **Corporate Governance**

Your Company is committed to maintain the highest standards of Corporate Governance. Your Company continues to be compliant with the requirements enshrined 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 the Annual Report.

#### **Credit Rating**

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

#### **Employee Stock Option Scheme**

Your Company values its employees and is committed to adopt the best HR practices for rewarding them suitably. In this direction your Company had implemented the Employee Stock Option Scheme, 2006 (ESOS-2006) and made grants to eligible employees under ESOS-2006 from time to time.

Further, the Board of Directors of your Company has approved formulation of a new Employee Stock Option Scheme viz. "Idea Cellular Limited Employee Stock Option Scheme - 2013" ("ESOS-2013") in terms of the SEBI guidelines, which has also been approved by you at the Annual General Meeting held on 16<sup>th</sup> September, 2013. The Board has mandated the existing ESOS Compensation Committee to implement and administer the ESOS-2013. In terms of the ESOS-2013, the ESOS Compensation Committee has granted 1,85,65,428 Options at an exercise price of ₹ 126.45 per option and 81,05,587 Restricted Stock Units (RSU) at an exercise price of ₹ 10/- per RSU. Each Option is convertible into one equity share of the Company upon vesting and would 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 vesting. Further each RSU is convertible into one equity share of the Company upon vesting and all RSUs would vest at the end of 3 years from the date of grant and shall be exercisable within a period of 5 years from the date of vesting.

The relevant disclosure 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, is set out in Annexure 'A' to this Report.

A certificate from M/s. Deloitte Haskins & Sells LLP, Statutory Auditors, with respect to the implementation of the Company's Employees Stock Option Scheme, would be placed before the shareholders at the ensuing Annual General Meeting and a copy of the same will also be available for inspection at the Registered Office of the Company.

#### **Human Resources**

The human resource philosophy and strategy of your Company is to attract and retain the best talent, encourage innovation, and create an engaging and motivating workplace environment. This strategy has strong alignment with your Company's vision to successfully build and sustain your Company's standing as one of India's most admired and valuable corporations despite unrelenting competitive pressures.

Your Company continues its focus on building & developing the leadership pipeline, upgradation of workforce skills, and

## Directors' Report

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being an employer of choice. This was reflected by external recognition through "Best Place to Work" at Asia Communication Awards 2013 and No. 1 in Telecom sector in "India's Best Companies to Work for Study - 2013" conducted by The Economic Times in association with the Great Place to Work Institute.

Your Company's basic objective is to ensure that a robust talent pipeline and a high-performance culture, centered on accountability is in place. Your Company feels this is critical to enable it to retain its competitive edge.

### 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.

### Business Responsibility Report

SEBI, vide its circular CIR/CFD/DIL/8/2012 dated August 13, 2012, mandated the top 100 listed entities based on market capitalization at BSE and NSE, to include Business Responsibility Report as part of the Annual Report describing the initiatives taken by the Companies from Environmental, Social and Governance perspectives. Accordingly, a Business Responsibility Report, as stipulated under Clause 55 of the Listing Agreement is presented in a separate section forming part of the Annual Report.

### Directors

In accordance with the provisions of the Companies Act, 2013, Mr. Kumar Mangalam Birla and Mr. Sanjeev Aga retire from office by rotation, and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting of the Company.

In addition, in line with the provisions contained in Companies Act, 2013, the Board shall also consider re-appointment of Independent Directors for fixed tenure subject to necessary decision to be taken by the Board at a subsequent board meeting.

### 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 (as amended), 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 are to be set out in the Directors' Report, as an addendum thereto. However, in terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts, as set out therein, are being sent to all

members of your 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 your Company.

### Directors' Responsibility Statement

Your Directors affirm that the audited accounts containing the financial statements for the Financial Year 2013-14 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 judgements and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of your 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 your Company and for preventing and detecting fraud and other irregularities; and
- d) the annual accounts have been prepared on a going concern basis.

### Statutory Auditors

The Statutory Auditors of the Company, M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, will retire at the conclusion of the ensuing Annual General Meeting.

The Statutory Auditors have confirmed that their appointment, if made, shall be in accordance with the conditions as prescribed in the Rule 4 of the Companies (Audit and Auditors) Rules, 2014, and that they are not disqualified for appointment within the meaning of Section 139 and 141 of the Companies Act, 2013. The Board proposes their re-appointment.

### Auditors' Report and Notes to Financial Statements

The Board has duly reviewed the Statutory Auditors' Report on the Financial Statements including matter relating to demand of one-time spectrum fee emphasized in the report. As explained in Significant Development section of this



report and also in the Notes to the Financial Statements, the matter remains sub-judice and does not call for any further explanation/clarification under Section 217(3) of the Companies Act, 1956.

## Cost Auditors

The Board on the recommendation of the Audit Committee have appointed M/s Sanjay Gupta & Associates, Cost Accountants, as the Cost Auditors, to conduct the Cost Audit of your Company for the Financial Year ended March 31, 2015. The Cost Audit Report for the Financial Year 2013-14 is yet to be placed before the Board.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, since the remuneration payable to the Cost Auditors is required to be ratified by the Shareholders, the Board recommends the same for the approval by the Shareholders at the ensuing Annual General Meeting.

## Acknowledgement

Your Directors place on record their sincere appreciation to the Department of Telecommunications, Telecom Regulatory Authority of India, the Central Government, the State Governments, all its investors & stakeholders, bankers, technology providers, equipment suppliers, value added service partners and all the business associates for the co-operation and support extended to the Company. Your Directors also wish to place on record their deep appreciation to the employees for their hard work, dedication and commitment. The perseverance and unstinting efforts of the employees have enabled the Company to retain the 'Fastest Growing Indian Telecom Brand' within the sector.

For and on behalf of the Board

Place: Mumbai  
Date: April 28, 2014

Arun Thiagarajan    Himanshu Kapania  
Director                    Managing Director

## Directors' Report

### 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				ESOS -2013	
	Tranche I (December 31, 2007)	Tranche II (July 24, 2008)	Tranche III (December 22, 2009)	Tranche IV (January 24, 2011)	Stock Option (February 11, 2014)	Restricted Stock Units (RSU) (February 11, 2014)
a) Number of Stock Options granted	19,931,000	6,131,250	6,918,750	2,524,500	18,565,428	8,105,587
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	The exercise price was taken as previous day's closing price, immediately preceding the date of grant.  Exercise price - ₹ 126.45 per option	The exercise price is at the face value of ₹ 10 each of the equity shares of your Company.  Exercise price - ₹ 10 per RSU
c) Options vested	15,903,250	5,023,193	5,461,254	1,750,496	NIL	NIL
d) Options exercised	12,778,425	3,348,279	3,358,230	898,149	NIL	NIL
e) The total number of shares arising as a result of exercise of options	12,778,425	3,348,279	3,358,230	898,149	NIL	NIL
f) Options forfeited/ cancelled/ lapsed	4,658,000	1,261,959	1,583,872	246,750	NIL	NIL
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	NIL	NIL
h) Money realized by exercise of options	₹ 502,192,102.50	₹ 152,514,108.45	₹ 193,266,136.50	₹ 61,846,540.14	NIL	NIL
i) Total number of options in force	2,466,825	1,521,012	1,976,648	815,035	NIL	NIL
j) Employee wise details of options granted:						
i) Senior managerial personnel:	Mr. Himanshu Kapania: 267,500	Mr. Himanshu Kapania: 66,875	NIL	NIL	Mr. Himanshu Kapania: 1,893,740	Mr. Himanshu Kapania: 533,333
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	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	NIL	NIL
k) Diluted Earnings Per Share	₹ 5.08					

## Annexure 'A' to the Directors' Report (contd.)

Particulars	ESOS - 2006				ESOS -2013	
	Tranche I (December 31, 2007)	Tranche II (July 24, 2008)	Tranche III (December 22, 2009)	Tranche IV (January 24, 2011)	Stock Option (February 11, 2014)	Restricted Stock Units (RSU) (February 11, 2014)
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.	₹ 93.56 Mn					
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 2013-14 is as presented below :					
	Particulars				₹ Mn	
	Net Profit after Tax but before exceptional items				16,893.06	
	Add: Intrinsic Value compensation cost				43.07	
	Less: Fair Value compensation cost				136.63	
	Adjusted Net Income				16,799.50	
	Earnings Per Share (₹)				Basic	Diluted
	As Reported				5.09	5.08
	As Adjusted				5.06	5.05
m)(i) Weighted - average exercise prices and weighted-average fair values of options whose exercise price equals the market price of the stock	—	—	—	—	Weighted - average exercise price: ₹ 126.45 Weighted - average fair value of options: ₹ 60.51	—
(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	—	—	—	Weighted - average exercise price: ₹ 10 Weighted - average fair value of options: ₹ 118.70
(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:	Black - Scholes Method				Black - Scholes Method	
<b>On the date of Grant</b>						
(i) risk-free interest rate (%)	7.78	7.50	7.36	8.04 - 8.14	8.81-8.95	8.91
(ii) expected life (No. of years)	6 years 6 months	6 years 6 months	6 years 6 months	6 years 6 months	6 years 6 months	5 years 6 months
(iii) expected volatility (%)	40.00	45.80	54.54	50.45	34.13-44.81	43.95
(iv) dividend yield (%)	Nil	Nil	Nil	Nil	0.24	0.24
(v) the price of the underlying share in market at the time of option grant	₹ 139.10	₹ 87.75	₹ 57.05	₹ 68.55	₹ 126.45	₹ 126.45
<b>On the date of Re-pricing</b>						
(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	—	—	—	—
(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
- : Electrical Power from Grid as well as Diesel Generator is being used for operating Company's network. The consumption from these sources are continuously monitored and steps are being taken to reduce the consumption as well as to increase the use of renewable energy sources. Following initiatives are being implemented by Company for reducing energy consumption:
- (i) Low Power consuming Telecom Hardware
  - (ii) Free Cooling Unit
  - (iii) Wind Chimney
  - (iv) Additives in Air Conditioner coolant
- Following solutions are being deployed Commercially for reducing the Diesel Consumption at Sites:
- (i) Solar- DG Hybrid Solutions
  - (ii) Battery – DG Hybrid solutions
  - (iii) Hydrogen Fuel Cell – Grid Hybrid Solutions
  - (iv) Grid – Battery Hybrid Solutions
  - (v) Indoor to Outdoor conversion of sites
- Following solutions are under trial for reducing diesel consumption at Sites:
- (i) High energy density based Lithium Ion Battery
  - (ii) Quick recharge Flow battery
  - (iii) Diesel additives
  - (iv) Variable speed Diesel generators
- 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 and Innovation : The Company owns and operates its telecom network using its own resources. Structured internal trainings are imparted to the team of engineers for their skill development and grooming.

2. Benefits derived as a result of the above efforts : The cost of implementation of operations network is most optimal due to in-house handling of planning and designing. The speed to market was much better in terms of rural rollout and rollout of 3G sights due to strong in-house competency.
3. Particulars of imported technology in the last five years
- a) Technology imported : No Technology has been imported. However, telecom equipments are imported on a regular basis.
- b) Year of import : The telecom equipments are imported on an 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 : ₹ 3,826.14 Mn  
Outgo : ₹ 18,660.52 Mn

For and on behalf of the Board

Place : Mumbai  
Date : April 28, 2014

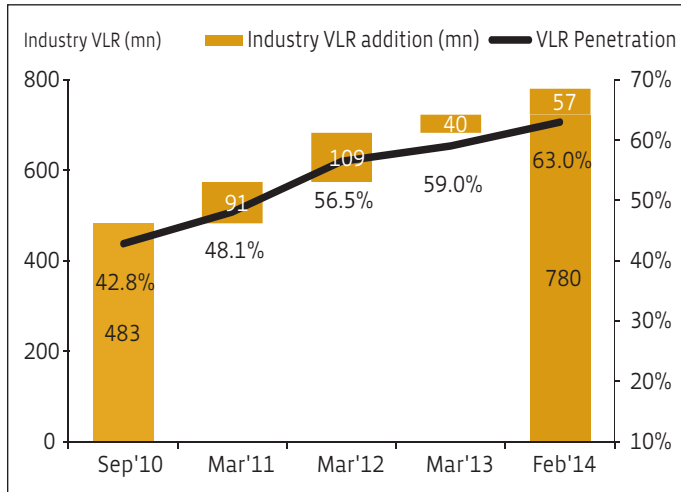
Arun Thiagarajan  
Director

Himanshu Kapania  
Managing Director

# Management Discussion And Analysis Report

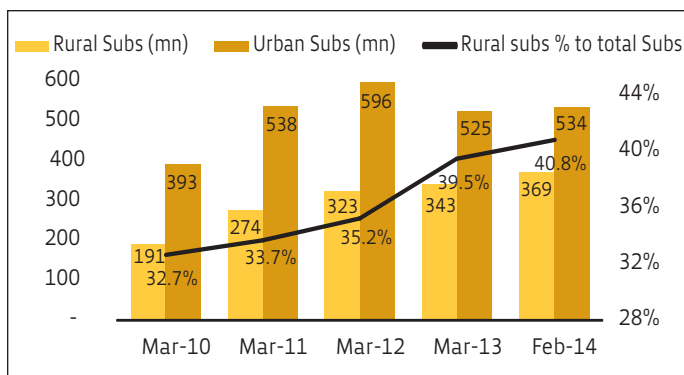
## Indian Wireless Sector

Indian wireless sector added approximately 57 million VLR (active) subscribers in the first 11 months of Financial Year 2013-14, compared to an addition of 40 million VLR subscribers during Financial Year 2012-13. As per TRAI reports, the VLR subscriber base for the industry stood at 780 million and the reported subscriber base stood at 903.3 million as of February 2014, reflecting 72.9% penetration.



VLR subscriber penetration still at around 63% against reported subscriber penetration of around 73%.

Out of the total subscriber addition of 35.6 million in last 11 months, 26.5 million subscribers are added from rural areas, constituting 74.4% of incremental subscriber addition. While the urban penetration of around 140% suggest the maturity of voice segment in these markets, the rural penetration of around 43% indicates the growth potential for the industry.



Incremental subscriber addition is coming largely from rural areas.

Data emerged as high potential opportunity where revenue contribution of data for Idea increased from 6.6% in Q4FY13 to 10.1% in Q4FY14. Strong subscriber growth, increasing data penetration and rational competition led to overall better financial performance during the year.

Number of subscribers who access wireless broadband (>512 kbps) increased to 43.2 million as of February 2014, a data subscriber penetration of 4.8% (of reported subscribers). The strong incumbent operators continued with the expansion of their 3G network to meet the demand of growing data customer base. The gross revenue for the sector, during the Calendar Year 2013, registered 8.5% growth compared to Calendar Year 2012.

The Supreme Court of India directed the Government to put the entire spectrum vacated due to quashing of licenses for auction. Subsequently, in February 2014, government conducted auction for spectrum in 900 MHz band for three Metro Service Areas (spectrum of licenses valid till November 2014 was put to auction) and 1800 MHz band for all Service Areas (in accordance with Supreme Court direction). The auction was concluded after 10 days of bidding, in which eight companies participated. More than 93% of total spectrum sold was acquired by four operators. In the 1800 MHz band segment, bids were made for 307.2 MHz out of 385.2 MHz of spectrum put to auction across all Service Areas, which was sold for an aggregate price of ₹ 375,726 Mn. The entire 46 MHz spectrum in three Metro Service Areas put to auction in the 900 MHz band was sold for an aggregate price of ₹ 235,896 Mn.

## Discussion on Idea's Operational Performance and Consolidated Financial statements

### Mobile Business

Your company provides GSM-based mobile telecommunications services in all 22 Service Areas of India, and 3G services in 20 Service Areas. Company offers 3G services in 10 Service Areas pursuant to spectrum allocated to it. The Company also provides 3G services in 10 additional Service Areas through intra-circle roaming arrangements with other mobile telecommunications service providers.

Your company classifies the 22 service areas into 15 Established Service Areas and 7 New Service Areas, depending on the age of its operations.

Out of 15 established service areas, company holds a leadership position based on revenue market share in 4 service areas (representing around 21% of Industry wireless revenue) and is the 3<sup>rd</sup> largest operator based on combined revenue of these 15 service areas which represents around 80% of Industry wireless revenue. Your Company continues to expand its presence in these 15 service areas to consolidate its strong position and improve its profitability.

15 Established Service Areas				
Service Areas	RMS Q3FY11	RMS Q3FY14	Spectrum Profile	Rank
Kerala	29.9%	36.2%	2G/3G/4G	1
Madhya Pradesh	29.5%	35.0%	2G/3G/4G	1
UP (West)	27.5%	30.1%	2G/3G	1
Maharashtra	28.6%	29.7%	2G/3G/4G	1
Haryana	19.5%	24.7%	2G/3G/4G	2
Punjab	19.6%	21.3%	2G/3G/4G	2
Andhra Pradesh	16.3%	20.4%	2G/3G/4G	2
Gujarat	17.3%	19.1%	2G/3G	2
UP (East)	11.2%	12.5%	2G/3G	3
Rajasthan	8.9%	12.5%	2G	3
Delhi	9.6%	12.0%	2G/3G	3
Bihar	9.0%	11.0%	2G	4
Karnataka	7.8%	10.4%	2G/4G	4
Himachal Pradesh	7.6%	10.0%	2G/3G	4
Mumbai	6.9%	9.4%	2G	5
<b>Total</b>	<b>16.3%</b>	<b>19.2%</b>		<b>3</b>

These 15 service areas account for around 80% of Indian wireless industry revenue and around 95% of Idea Revenue.

We also have capability to offer 4G LTE services in 7 service areas, when the opportunity arises.

Seven operating licenses (representing around 20% of Industry wireless revenue and 5.1% of Company revenues) of the Company which were cancelled by the Supreme Court in February 2012, were re-acquired by the company in November 2012 auction. These 7 service areas, where the commercial operations were started in FY 09-10, are gestating in terms of profitability. Post reduction in competitive intensity, your Company has started investing in these service areas to improve its coverage.

7 New service areas				
Service Areas	RMS Q3FY11	RMS Q3FY14	Spectrum Profile	Rank
West Bengal	2.8%	5.8%	2G	6
Kolkata	2.4%	4.8%	2G	6
Northeast	1.4%	3.7%	2G/4G	6
Jammu & Kashmir	1.4%	4.0%	2G/3G	6
Assam	1.6%	3.1%	2G	6
Orissa	3.2%	4.1%	2G	7
TN (incl. Chennai)	1.3%	3.3%	2G	7
<b>Total</b>	<b>1.9%</b>	<b>4.0%</b>		<b>7</b>

These service areas represent 20% of Indian wireless industry revenue, where Idea has a huge potential to grow.

In February 2014 spectrum auction, the Company won 65.2 MHz spectrum, including 5 MHz spectrum in 900 MHz band for Delhi Service Area and intends to use the same for 3G services. Out of the remaining 60.2 MHz spectrum in 1800 MHz band in

11 Service Areas, 45 MHz spectrum can be used for providing LTE or 4G services and is available in 8 service areas which covers around 58% of company's current revenue. The spectrum won in auction is valid for a period of 20 years from the date of allocation.

#### Long Distance and Other Services

Your Company holds licenses for NLD, ILD and ISP services. Company is making steady investments in its fibre cable transmission network (owned as well as under IRU arrangement with other telecom operators), which is now expanded to 82,000 kms, compared to 74,000 kms a year ago. Your Company has also increased the OFC PoPs to over 2,500 PoPs in major cities and linked highways. The fibre network of company allows company to tap the future potential of wireless broadband as well as optimally serve its current NLD/ ILD/ ISP/Wireless Broadband needs.

Idea NLD currently carries around 98% of its captive NLD minutes. Idea ILD services now handles around 97% of captive ILD outgoing minutes, besides bringing large volume of incoming minutes from top international carriers across the globe. In FY12 Idea launched its ISP services to cater for the captive requirement of its mobile business. It has now commenced offering services to small ISPs and enterprise customers for their wholesale Internet backhaul needs. Idea ISP currently handles more than 97.5% of captive subscriber traffic requirements.

#### Telecom Infrastructure

Your Company expanded its 2G and 3G network aggressively during the year. It has added 14,684 2G sites on its network, highest ever addition by the company in a year, taking the 2G site count to 104,778 as on March 31, 2014. On 3G front company added 4,241 3G cell sites in the 10 service areas where it provides 3G services with its own spectrum and ended the financial year with 21,381 3G sites. Further, Company and its subsidiaries own 9,446 towers with a tenancy of over 1.57.

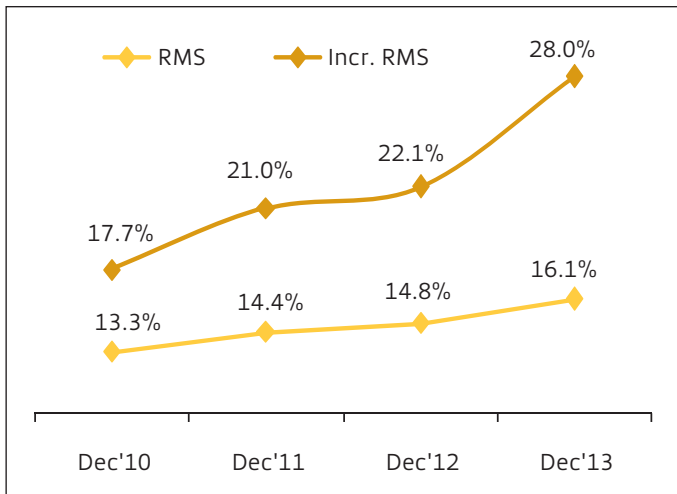
#### 3G services

Your Company, in 2010, won spectrum in 2100 MHz band in 11 service areas to provide 3G services. The high speed broad band offering of your Company is currently available in 20 service areas (including 10 service areas where these services are provided based on roaming arrangements with other operators). The subscribers who are actively using voice and/or data on 3G platform and enjoying wireless broadband services reached to 10.2 Mn as of March 2014, almost double compared to 5.1 Mn subscribers as of March 2013.

#### Revenue Market Share

Revenue Market Share (RMS) is one of the key focus areas for your Company, which improved its Revenue Market Share by around 1.3% to 16.1% for quarter ended December 31, 2013 from 14.8% in quarter ended December 31, 2012, which is the highest increase among all mobile operators in India during such period. During last 12 months the incremental Revenue Market Share for your company stands at 28%.

# Management Discussion And Analysis Report



Your company has consistently improved its revenue market share.

## Quality Subscriber Base

Your Company has always been vigilant in monitoring the quality of its subscriber base. The latest (February 2014) data released by the TRAI for VLR subscribers (active subscribers), reaffirms quality of its subscriber base as among the best in terms of percentage of active subscribers. As of February 2014, your Company has around 101.2% of reported subscribers as VLR subscribers, which is highest in the industry. The VLR EoP subscriber market share at the end of February, 2014 stands at 17.3% as against a reported subscriber EoP market share of 14.8%, and an improvement of 0.8% over last one year (February 2013 16.5%). During 12 months from March 2013 to February 2014, your Company added 17.7 Mn VLR subscribers in overall industry VLR growth of 67.6 Mn, recording share of 26.3% of incremental VLR subscribers.

## Mobile Number Portability

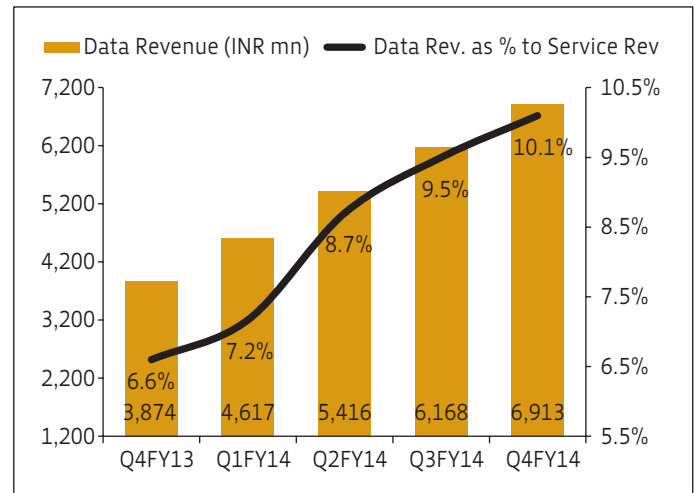
While the number of the subscribers who opted for the Mobile Number Portability (MNP), a facility which allows subscribers to change their service provider while retaining their mobile number (in the same service area) continues to increase, they are not very large in numbers. In a see-saw battle over the last 39 months for supremacy in the MNP space, Idea has maintained a leadership position since June 2011 on overall MNP Net Adds, except for a brief period between October-December 2012. Idea has a net gain of 9.14 Mn MNP subscribers (as on March 31, 2014) from other existing telecom operators with around one out of every four existing mobile subscribers, who chooses to port out from their existing mobile operator preferring to shift to Idea services.

Idea's success on the MNP front clearly shows the strength of its seamless network coverage, low call drop rate, better voice quality, advanced and precise billing systems, customer oriented call centers and innovative/competitive product offerings.

## Non Voice Revenue

The data and other VAS offers a substantial opportunity for additional growth in the Indian mobile telecommunication

industry, as the wired broadband penetration remains at a nascent stage in India. The Company is focused on expanding its non-voice service offering across its service areas. The expansion of 3G network, since launch of 3G services in FY 10-11, coupled with reduction in 3G handset prices and availability of applications, has resulted in improved share of Data revenue in the total revenue. The other VAS revenue for the year was adversely impacted due to change in regulation related to activation of VAS.



Data revenue as a % of service revenue improved from 6.6% to 10.1%, as data revenue registered a growth of 78.4%.

## Power Brand

As a brand, "Idea" stands for its values – "Champion, Elevating and Humane" – and believes that ideas have the power to change lives. Towards this end, it "champions" ideas that offer quirky, yet simple, mobile telephony based solutions to life's problems in a way that's fresh, imaginative and elevating, and which resonate with a very diverse target audience - the Indian masses. Our brand tagline aptly summarizes it – "An idea can change your life!"

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', 'Population' (India busy on Idea 3G), 'Old Idea - New Idea', 'Idea rings all India - Honey Bunny' and 'Telephone Exchange' which have not only won many awards but also millions of hearts.

Idea's advertising over the years has found its way into the popular culture with its catch phrases like "What an idea, Sirjee", "no Idea - get Idea" etc. becoming part of common man's lingo and also has made the entire nation sway to its tune such as the "Honey Bunny" song. At the start of this year, Idea launched its 'mobile internet' campaign with a catchy phrase "no ullu banaoing". The campaign objective was to build relevance of mobile internet leading to trials and also communicate that Idea has a strong internet network across the country.

The campaign specifically portrayed unexpected segments of consumers who are not likely to be Internet savvy (like housewives, senior citizens, rural folk, tier2/tier3 town families) using Mobile Internet to get out of sticky situations and turn



the tables on those who try to pull a fast one on them. Idea busted the myth and showcased that Internet could be accessed on feature phones also. The campaign delivered on brand perception reflecting on business as well as across digital platform.

Idea is the fastest growing leading telecom operator in the world's fastest growing telecom market. It's brand building efforts have been recognized in various forums, both national as well as international.

Not only is Idea winning accolades and awards across various forums, Idea has also gained significantly on Brand Valuation. In the report on Most Valuable Brands by Interbrand, Idea ranked 21st in the year 2013.

## NEW BUSINESSES/INITIATIVES

### *Mobile Banking*

With a view to tap the potential of domestic remittance business, Idea launched its mobile transactions brand 'Idea My Cash' through its wholly owned subsidiary namely Idea Mobile Commerce Services Limited (IMCSL). Idea MyCash runs on a bank led model in partnership with Axis Bank and is currently operational in Delhi, Mumbai, and select districts of UP (East) & Bihar telecom circles catering to the large migrant population that needs access to basic financial remittance services.

IMCSL has also received certificate of authorization from RBI to launch prepaid payment instrument valid for 5 years. We are in the planning phase to launch this service. With the Government encouraging private sector to make basic banking accessible to the unbanked, Idea sees a large potential in this business going forward.

### *WiFi*

Idea has done a pilot launch of Idea WiFi services in 5 cities. With increasing internet usage and digital lifestyle adoption, there is a high demand for data access services and Idea is watching the dynamics of this business closely.

### *Enterprise Business Solutions*

IDEA Enterprise business solutions are a new initiative that offers cutting edge solutions which not only helps to meet communication need of Enterprise but also improve their business productivity. Some of these solutions are:

- **IDEA Smart Gas Solution** is a fully automatic LPG cylinder gas booking solution which has been specifically developed for IOCL and HPCL for LPG gas booking. This solution has immensely helped INDANE and HPANYTIME consumers to book LPG on 24x7 basis and keeps the consumers informed about the LPG cylinder delivery status and brings overall transparency in LPG booking process. This solution got the ET Telecom award in September 2013 for Most Innovative product -Enterprise.
- **Hosted IVR or Cloud Telephony** solution helps Enterprises to automates their business processes and improve

business productivity. Solution is offered on cloud model with no CAPEX investment by Enterprises and work across all operators and handset.

- **Toll Free 1800 number** enables seamless communication of Enterprises with customers. This number can be dialled from across the country and accessible through all operators. The solution is offered to small Enterprises by termination onto mobile SIM and comes with various redirection logics like time of day, geography etc.
- **Work Force Tracking Solution** helps Enterprises to track their work force team including Sales, FOS and servicing team on near real time basis and generate auto SMS and email alarms and alerts in case of route deviation. The solution doesn't need preloaded application and handset agnostic.
- **Audioconference Solution** enables geographically spread enterprises to communicate seamlessly and securely with each other. The solution comes with self care portal, on the fly recording of audio call and various call management features like mute/unmute/drop/lock etc.

### *Idea Smartphones*

Idea is the only mobile operator in the country to offer a vast array of affordable 3G devices which is targeted at upgrading 2G users to 3G. Idea has invested in building the Idea Smartfone 3G handset brand with the strong belief that driving smartphone uptake among the mass mobile consumers would accelerate data business growth. In FY2013-14, your Company through its wholly owned subsidiary namely Idea Telesystems Limited, launched 8 new Idea Smartfone models starting at the affordable price of ₹ 5,000 only. Ranging in screen size from 3.5" to 5.5", all the Idea Smartfone models launched are on the popular Android OS platform with Dual SIM capability. The Idea Smartfone user base on Idea network shows a healthy data usage of about 500-600 MB per month which is a testimony to the fact that affordable devices are indeed a catalyst to the adoption of empowering data services by the mass Indian consumer. Idea is confident that driving the Idea Smartfone brand would make smartphones more accessible to the potential mass data users, accelerating data user penetration in its subscriber base and hence committed to the business.

## STANDALONE FINANCIAL RESULTS

### *Revenues*

Total income for the financial year ended March 31, 2014 increased by 18.5% and stood at ₹ 261,795 Mn from ₹ 220,869 Mn earned in the previous year, primarily due to an increase in service revenues led by 10.5% growth in minutes of usage, increase in data revenue and higher realised rate per minute. Revenue Market Share of the Company increased from 14.9% in previous year to 16.0% for the nine months ended December 31, 2013. Non-voice revenues grew by 28.0% primarily due to growth of 90.1% in Data revenue to ₹ 23,112 Mn in current financial year from ₹ 12,158 Mn in previous year which was partially offset by decrease in other non-voice revenues by

# Management Discussion And Analysis Report

8.5% to ₹ 18,901 Mn in current financial year from ₹ 20,653 Mn in previous year. Revenues from International Long Distance services, forming part of total revenues after inter segment eliminations, increased by 39.4% to ₹ 3,230 Mn.

## Operating Expenses

Total operating expenditure for the financial year ended March 31, 2014 increased by 11.4% to ₹ 188,562 Mn from ₹ 169,304 Mn incurred during the previous year, primarily as a result of increase in network capacity and coverage expansion and higher minutes of usages. Operational efficiencies have reduced the total operating expenses as a percentage of revenue from 76.7% in the previous year to 72.0% in the current financial year.

**Personnel Expenditure:** Personnel expenditure for the financial year ended March 31, 2014 increased by 15.7% to ₹ 11,610 Mn from ₹ 10,038 Mn incurred during the previous year, primarily as a result of an increase in the average number of employees and an increase in salaries. Our total number of employees increased to 10,505 as of March 31, 2014 from 9,726 as of March 31, 2013.

**Network Expense and IT Outsourcing Cost:** Network expense and IT outsourcing cost for the financial year ended March 31, 2014 increased by 17.6% to ₹ 74,745 Mn from ₹ 63,552 Mn incurred during the previous year, primarily as a result of an increase in the expansion of our network coverage and increase in energy prices. Our total 2G and 3G cell sites increased to 104,778 and 21,381 cell sites as of March 31, 2014 from 90,094 and 17,140 cell sites as of March 31, 2013, respectively.

**Licence Fee and WPC Charges:** Licence Fee and WPC charges increased by 18.1% to ₹ 29,238 Mn for the current financial year from ₹ 24,753 Mn incurred during the previous year, corresponding to increase in revenue.

**Roaming and Access Charges:** Roaming and access charges increased by 3.7% to ₹ 41,616 Mn for the current financial year from ₹ 40,145 Mn incurred during the previous year, primarily as a result of an increase in total minutes of usage which was offset by a reduction in SMS interconnect charges which was effective from June 2013.

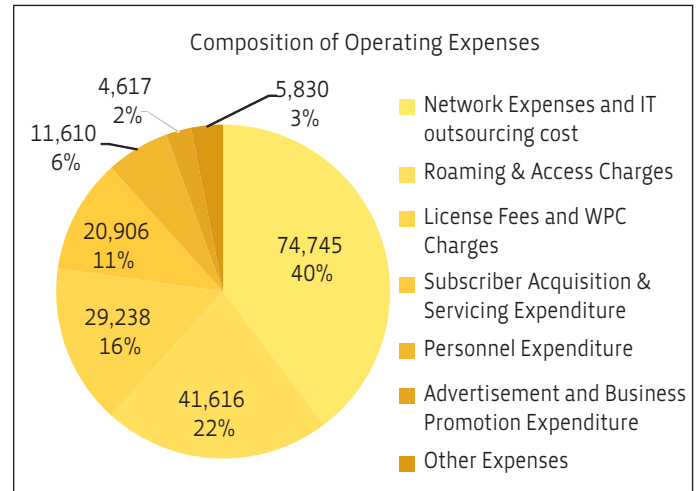
**Subscriber Acquisition and Servicing Expenditure:** Subscriber acquisition and servicing expenditure, decreased by 2.0% to ₹ 20,906 Mn for the current financial year from ₹ 21,324 Mn incurred during the previous year, primarily as a result of decrease in gross subscriber additions.

**Advertisement and Business Promotion Expenditure:** Advertisement and business promotion expenditure marginally increased by 1.8% to ₹ 4,617 Mn for the current financial year from ₹ 4,536 Mn incurred during the previous year, primarily due to higher advertisement campaigns.

**Administration and Other Expenses:** Administration and other expenses increased by 17.6% to ₹ 5,830 Mn for the current

financial year from ₹ 4,956 Mn incurred during the previous year, primarily due to an increase in provision for doubtful debts and increased legal expenses.

The composition of total operating expenses (amount and %age to total operating expenses) is as follows:



## Profit before Finance charges, Depreciation, Amortisation and Taxes

High revenue growth has resulted in Profit before Finance charges, Depreciation, Amortisation and Taxes to increase from ₹ 51,565 Mn for the previous year to ₹ 73,233 Mn for the current financial year. The operating profit margin for the year under review increased to 28.0% compared to 23.3% for the previous year.

## Depreciation, Amortisation and Finance Charges

Depreciation and Amortisation expenses increased by 34.0% to ₹ 40,932 Mn for the current financial year as against ₹ 30,544 Mn for the previous year, primarily due to gross block additions and revision in the estimated useful life of certain of our fixed assets. Net Finance Charges for the current financial year reduced from ₹ 8,135 Mn to ₹ 6,248 Mn, largely due to higher treasury income coupled with lower interest cost.

## Profits and Taxes

For the year ended March 31, 2014, Profit before Tax increased by 102.2% and stood at ₹ 26,053 Mn, against ₹ 12,886 Mn for the previous year. Cash Profit increased by 44.9% over previous year and stood at ₹ 62,948 Mn.

The tax charge stood at ₹ 9,160 Mn. Net Profit for the current year was higher by 106.5% at ₹ 16,893 Mn.

## Capital Expenditure

The Company successfully bid for 5 MHz spectrum in the 900 MHz band in Delhi service area and 60.2 MHz spectrum in the 1800 MHz band in 11 service areas in the auction held in February 2014 for a total amount of ₹ 104,242 Mn.

In addition to the above, during the year under review the Company incurred a capital expenditure (including capital advances) of ₹ 43,117 Mn.

#### *Balance Sheet*

During the current financial year, the paid-up equity share capital of the Company increased by ₹ 53 Mn, due to issuance of 5,309,995 equity shares to the employees pursuant to exercise of stock options granted under Employee Stock Option Scheme, 2006. The reserves of the Company increased from ₹ 107,056 Mn to ₹ 122,647 Mn primarily due to current year's profits, premium on issue of shares under ESOS, 2006, which was partially offset by proposed dividend for the current financial year and dividend distribution tax on same. The total shareholders' funds stood at ₹ 155,844 Mn as at March 31, 2014.

Total loans outstanding as at March 31, 2014 were ₹ 193,616 Mn, an increase of ₹ 64,135 Mn, mainly on account of deferred payment liability towards the purchase of spectrum under auction. Deferred Tax liability as at March 31, 2014 stood at ₹ 15,310 Mn. Other Liabilities and provisions increased from ₹ 64,355 Mn to ₹ 75,113 Mn.

The Gross Block and Net Block [including Capital Work in Progress (CWIP)] stood at ₹ 566,592 Mn and ₹ 374,042 Mn respectively as at March 31, 2014. As on March 31, 2014, Investment in subsidiaries stood at ₹ 16,412 Mn. Other assets decreased from ₹ 60,070 Mn to ₹ 49,429 Mn.

#### *Cash Flow Statement*

During the year under review, the Company generated ₹ 75,311 Mn from operating activities, which was primarily used for capital expenditure ₹ 65,326 Mn (including payment towards spectrum ₹ 31,436 Mn), net repayment of borrowings ₹ 14,651 Mn and payment of interest and financing charges ₹ 6,260 Mn. Consequently Cash and cash equivalents as on March 31, 2014 decreased by ₹ 9,500 Mn and stood at ₹ 908 Mn.

### CONSOLIDATED FINANCIAL RESULTS

#### *Revenues*

Total income for the financial year ended March 31, 2014 increased by 18.1% and stood at ₹ 265,189 Mn from ₹ 224,577 Mn earned in the previous year, primarily due to an increase in service revenues led by a 10.5% growth in minutes of usage, increase in data revenue and higher realised rate per minute. Sale of Trading Goods decreased by 15.6% to ₹ 2,248 Mn in the current financial year from ₹ 2,665 Mn in the previous year, primarily due to reduction in number of data cards sold during the year. Revenues from International Long Distance services, forming part of total revenues after inter segment eliminations, increased by 39.4% to ₹ 3,230 Mn and revenues from Passive Infrastructure services increased by 8.3% to ₹ 1,127 Mn.

#### *Operating Expenses*

Total operating expenditure increased by 10.5% to ₹ 181,852 Mn for the current financial year from ₹ 164,531 Mn incurred

during the previous year, primarily as a result of increase in network capacity and coverage expansion and higher minutes of usages. Operational efficiencies have reduced the total operating expenses as a percentage of revenue from 73.3% in the previous year to 68.6% during the year under review.

**Cost of Trading Goods:** Cost of trading goods decreased by 16.9% to ₹ 1,927 Mn for the current financial year from ₹ 2,318 Mn for the previous year. This decrease was primarily as a result of reduction in the number of data cards sold during the year.

**Personnel Expenditure:** Personnel expenditure for the financial year ended March 31, 2014 increased by 16.9% to ₹ 13,121 Mn from ₹ 11,225 Mn incurred during the previous year, primarily as a result of an increase in the average number of employees and an increase in salaries. Our total number of employees (excluding employees of Indus Towers Limited) increased to 14,988 as of March 31, 2014 from 13,645 as of March 31, 2013.

**Network Expense and IT Outsourcing Cost:** Network expense and IT outsourcing cost for the financial year ended March 31, 2014 increased by 17.4% to ₹ 64,990 Mn from ₹ 55,361 Mn incurred during the previous year, primarily as a result of an increase in the expansion of network coverage and increase in energy prices. The total 2G and 3G cell sites increased to 104,778 and 21,381 cell sites as of March 31, 2014 from 90,094 and 17,140 cell sites as of March 31, 2013, respectively.

**Licence Fee and WPC Charges:** Licence Fee and WPC charges increased by 18.1% to ₹ 29,238 Mn for the current financial year from ₹ 24,753 Mn incurred during the previous year, corresponding to increase in revenue.

**Roaming and Access Charges:** Roaming and access charges increased by 3.7% to ₹ 41,616 Mn for the current financial year from ₹ 40,145 Mn incurred during the previous year, primarily as a result of an increase in total minutes of usage which was offset by a reduction in SMS interconnect charges which was effective from June 2013.

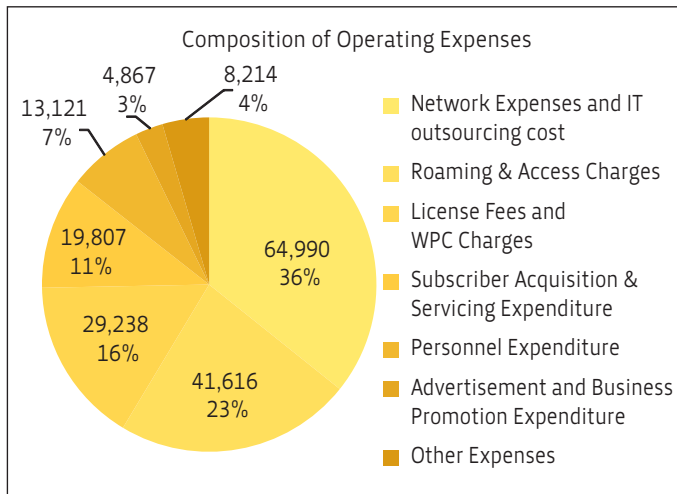
**Subscriber Acquisition and Servicing Expenditure:** Subscriber acquisition and servicing expenditure, decreased by 3.2% to ₹ 19,807 Mn for the current financial year from ₹ 20,467 Mn incurred during the previous year, primarily as a result of a decrease in gross subscriber additions.

**Advertisement and Business Promotion Expenditure:** Advertisement and business promotion expenditure increased by 3.1% to ₹ 4,867 Mn for the current financial year from ₹ 4,720 Mn incurred during the previous year, primarily due to higher advertisement campaigns.

**Administration and Other Expenses:** Administration and other expenses increased by 13.4% to ₹ 6,287 Mn for the current financial year from ₹ 5,542 Mn incurred during the previous year, primarily due to an increase in provision for doubtful debts and increased legal expenses.

# Management Discussion And Analysis Report

The composition of total operating expenses (amount and percentage to total operating expenses) is as follows:



## Profit before Finance charges, Depreciation, Amortisation and Taxes

High revenue growth has resulted in Profit before Finance charges, Depreciation, Amortisation and Taxes to increase from ₹ 60,045 Mn for the previous year to ₹ 83,337 Mn for the current financial year. The operating profit margin for the year under review increased to 31.4% compared to 26.7% for the previous year.

## Depreciation, Amortisation and Finance Charges

Depreciation and Amortisation expenses increased by 30.0% to ₹ 45,194 Mn for the current financial year as against ₹ 34,778 Mn for the previous year, primarily due to gross block additions and revision in the estimated useful life of certain of our fixed assets. Net Finance Charges for the current financial year reduced from ₹ 9,495 Mn to ₹ 7,700 Mn, largely due to higher treasury income coupled with lower interest cost.

## Profits and Taxes

For the year ended March 31, 2014, Profit before Tax increased by 93.0% and stood at ₹ 30,443 Mn, against ₹ 15,773 Mn for the previous year. Cash Profit increased by 41.3% over previous year and stood at ₹ 70,369 Mn.

The tax charge stood at ₹ 10,764 Mn. Net Profit for the current year was higher by 94.7% at ₹ 19,678 Mn.

## Capital Expenditure

The Company successfully bid for 5 MHz spectrum in the 900 MHz band in Delhi service area and 60.2 MHz spectrum in the 1800 MHz band in 11 service areas in the auction held in February 2014 for a total amount of ₹ 104,242 Mn.

In addition to the above, during the year under review the capital expenditure (including capital advances) incurred was ₹ 46,049 Mn.

## Balance Sheet

During the current financial year, the paid-up equity share capital of the Company increased by ₹ 53 Mn, due to issuance of 5,309,995 equity shares to the employees pursuant to exercise of stock options granted under Employee Stock Option Scheme, 2006. The reserves increased from ₹ 109,890 Mn to ₹ 132,054 Mn, primarily due to current year's profits, reserve created by Indus Towers Limited (net of utilisation) on merger of ICTIL and certain other companies with Indus (Refer Note 32 to the consolidated financials), premium on issue of shares under ESOS, 2006, which was partially offset by proposed dividend for the current year, dividend distribution tax on same and dividend distribution tax paid by Indus. The total shareholders' funds stood at ₹ 165,250 Mn as at March 31, 2014.

Total loans outstanding as at March 31, 2014 were ₹ 206,349 Mn, an increase of ₹ 65,911 Mn, mainly on account of deferred payment liability towards the purchase of spectrum under auction. Deferred Tax liability as at March 31, 2014 stood at ₹ 18,133 Mn. Other Liabilities and provisions increased from ₹ 69,110 Mn to ₹ 75,823 Mn.

The Gross Block and Net Block [including Capital Work in Progress (CWIP)] stood at ₹ 626,390 Mn and ₹ 410,153 Mn respectively as at March 31, 2014. Other Assets decreased from ₹ 63,431 Mn to ₹ 55,422 Mn.

## Cash Flow Statement

During the year under review, the Group generated ₹ 82,192 Mn from operating activities, which was primarily used for capital expenditure ₹ 68,421 Mn (including payment towards spectrum ₹ 31,436 Mn), net repayment of borrowings ₹ 15,936 Mn and payment of interest and financing charges ₹ 7,682 Mn. Consequently cash and cash equivalents as on March 31, 2014 decreased by ₹ 8,115 Mn and stood at ₹ 3,543 Mn.

## Human Resources

The human resource philosophy and strategy of your Company has been designed to attract and retain the best talent, creating workplace environment that keeps employees engaged, motivated and encourages innovation. This talent has, through strong alignment with your Company's vision, successfully built and sustained your Company's standing as one of India's most admired and valuable corporations despite unrelenting competitive pressures. Your Company has fostered a culture that rewards continuous learning, collaboration and development, making it future ready with respect to the challenges posed by ever-changing market realities. Employees are your Company's most valuable assets and your Company's processes are designed to empower employees and support creative approaches in order to create enduring value. Your Company's unflagging commitment to investing in talent development ensures performance and achievement of the highest order. The employee strength on rolls stood at 10,505 as on March 31, 2014.

## Responsible Growth and Sustainability

Driven by its socially conscious parent Group, your Company stays committed to the cause of giving back to the environment

and society. Your Company sees its association with social causes as a part of its core purpose and the same is projected through both business activities and employee contributions. To further strengthen this journey your Company has appointed a Sustainability specialist in the roll and finalized a Sustainability Roadmap for Idea.

### Social Responsibility

Your Company's advertising has earlier tried to explore mobility based solutions to the challenges faced by society through campaigns based on 'World without Caste', 'Going beyond the Language Barrier', 'Education for All' and 'Use Mobile, Save Paper'. Idea's network covers over 308,000 villages and towns to bring into its ambit a large share of rural mobility subscribers. Your Company has consciously expanded its network coverage and invested in the strife ridden Naxalite belts of Chhattisgarh, Jharkhand, Maharashtra and Andhra Pradesh as well as into tribal and economically depressed regions of other states to promote inclusiveness and to make available to those citizens of our country the advantages of mobile communication. To promote localization of manufacture, which in turn would generate employment, we encouraged a SIM Card supplier to move his factory setup from outside the country to set it up in Bangalore. Your Company has also worked with global companies and has encouraged them to develop local vendors for imported equipments like antennas.

Through the year several blood donation camps were organized by its offices across cities in India as well as specific visits to houses and schools for underprivileged were organized on the occasion of Women's Day, etc. During the Joy of Giving week, employees donated a total of around ₹ 17.6 Lacs in cash and 280 cartons of clothes and other items for the lesser privileged.

Your Company is sure that its growth paradigm will be built on Porter's 'Shared Value' model.

### Environmental Sustainability

Your Company continues to drive the efforts towards environmental sustainability by reducing carbon footprint and energy consumption.

Carbon emission reporting is done twice in a year and the emission reduction initiatives are continuing by deploying more Solar Hybrid and Deep discharge/Fast Recharge Battery Hybrid solutions at the Sites. Your Company was awarded a grant of USD 1 Mn by United States Trade Development Agency (USTDA) for carrying out a Pilot Project on "Clean Energy for Telecom Sites". Your Company is in the process of entering into Power Purchase Agreements with Renewable Power generating agencies to promote the use of renewable energy for Network operations.

EMF radiation emanating from mobile cell-sites has made much news in the recent times, unfortunately for the wrong reasons. In this regard, one will note that the norms laid down for permissible radiation by the Department of Telecommunication (DoT) of the Government of India are 10 times more stringent than the widely accepted global norms for EMF radiation. All

cellsites of your Company operate within these DoT laid stringent radiation norms and new sites go on-air only on meeting the prevailing radiation norms.

Your Company has in the past reduced the size of its SIM-card pack twice to come to the current 'pico SIMs' and thereby reducing plastic usage by more than 70%. There is a formal documented policy in place for Electronic Waste Disposal. This policy not only takes care of but also tries to exceed all government norms for disposal of electronic waste like PCBs, batteries, telecom equipment.

All these contribute towards reduction in emissions and are an effort towards 'Going Green'.

### Risk Management

The Risk Management framework of your company which ensures regular review by management to proactively identify the emerging risks, to do risk evaluation and risk prioritization along with development of risk mitigation plans and action taken. The framework requires that the Audit Committee be periodically informed about risk minimization procedures adopted by your Company. These processes are also periodically reviewed by management. The various risks, including the risks associated with the economy, regulation, competition, foreign exchange, interest rate etc., are documented, monitored and managed efficiently.

### Internal Control Systems

Your Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. The internal controls cover operations, financial reporting, compliance with applicable laws and regulations, safeguarding assets from unauthorised use and ensure compliance of corporate policies. All internal controls are reviewed periodically by the internal auditors, and are subject to management reviews with significant audit observations and follow up actions reported to Audit Committee. The Audit Committee actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them in accordance with the changes in the business dynamics, if required.

### Regulatory

Major regulatory developments for the period are:

1. TRAI Regulation on SMS termination and the 11<sup>th</sup> Amendment to The Telecom Commercial Communications Customer Preference Regulations (May 24, 2013)

TRAI released "The Short Message Services (SMS) Termination Charges Regulations, 2013" and "Telecom Commercial Communications Customer Preference (Eleventh Amendment) Regulations, 2013", which inter-alia, mandated that every Originating Access Provider shall pay to the Terminating Access Provider a cost-based termination charge of ₹ 0.02 (paise two only) for each SMS terminated by it on the network of Terminating Access Provider and that every Originating Access Provider shall

## Management Discussion And Analysis Report

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pay to the Terminating Access Provider a “Transactional SMS charge” of ₹ 0.05 (paise five only) for each transactional SMS terminated by it on the network of the Terminating Access Provider. The Termination Charges for international incoming SMS shall remain under forbearance. The Regulation emphasizes the need for cost based charges and lays the basis for control of spam SMSs.

### 2. TRAI 55<sup>th</sup> amendment to the TTO '99 ( June 17, 2013)

The TRAI amendment allowed Roaming packs through special tariff vouchers and combo vouchers. Further, the TRAI mandated roaming tariff plans vide this amendment and revised the ceilings for roaming calls, voice and SMS. While the amendment revise the ceiling downwards but it provides us with the flexibility in customizing tariffs for our roaming subscribers.

### 3. TRAI Amendment on VAS activation / deactivation ( July 10, 2013)

The Industry had earlier opposed the TRAI directive dated July 4, 2013 that mandated seeking explicit consent from the customer within 24 hours, whatsoever the mode of activation and instead suggested an alternative solution comprising double confirmation. The TRAI accepted the Industry’s proposal with some additional modifications and additionally mandated setting up a common Short Code 155223 (*all requests for de-activation to be completed in 4 hours*) for de-activation. The amendment has negative impact on growth of VAS services and involved capex to bring VAS management under our direct control, but would help in reducing the customer issues regarding activation of CAS services without explicit consent.

### 4. DoT Guidelines for Issue of Clearance for Installation of Mobile Towers (August 1, 2013)

DoT issued the broad guidelines for issue of clearance for installation of mobile phone towers. The guidelines laid down detailed procedure for installation of towers and reiterated that telecom towers were to be given infrastructure status by Government of India. Hence, all benefits, as applicable to infrastructure industry, were to be extended by State Governments including provisioning of electricity connection to BTS site on priority. The guidelines also specified that consent of state-level Term Cells was to be sought before a base station was sealed or electricity to a site was disconnected, since mobile communication is an “essential service”.

### 5. New Unified License (UL) ( August 19, 2013)

National Telecom Policy – 2012 recognized that it was imperative to move towards convergence between various services, networks, platforms, technologies and hence DoT’s push towards “One Nation - One License”. DoT introduced the Unified License on August 19, 2013. The License offers an incentive to migrate to the Unified Licensing regime by offering a rebate in the entry fee on a pro-rata basis. The rebate is offered for international long distance and access

service licenses for the number of years remaining in the license tenure and is limited to a maximum of ₹ 15 crore. It is open for existing Licensees of any Telecom service to migrate to Unified License well before the due date of expiry of existing license. All the Telecom Service Providers who wish to expand the scope of their license/service to include any additional service or any licensed area/Service Area, shall have to migrate all of its existing licenses to Unified License regime.

Further, on expiry of any of their current license, the Telecom Service Providers shall have to migrate all its licenses to Unified License (UL) regime at the time of renewal/extension of license and obtain spectrum separately, which is delinked from Unified License, if required. In case of Merger & Acquisition being sought by Licensee with a Telecom service Provider who has not migrated to UL, the merged entity shall migrate to UL and both/all licensees involved in the merger and acquisition activity shall give an undertaking to this effect prior to merger and acquisition activity. The Company has already signed the Unified License for seven service areas.

### 6. DoT license amendment on Centralized Monitoring system (October 11, 2013)

The amendment mandates the setting up of CMS for lawful interception and monitoring of communications. For implementation of the same, the licensee’s lawful interception system needs to be connected to the CMS at regional monitoring system through interception store and forward system server placed at Licensee premises. The Company is taking necessary steps for implementation of this amendment.

### 7. DoT license amendment on spectrum caps (November 26, 2013)

The amendment mandates that the total spectrum held by the licensee shall not exceed 25% of the spectrum assigned, by way of auction or otherwise, in the concerned service area or spectrum cap of 50% in a band for access services. The spectrum assigned is GSM/CDMA/3G/BWA band shall be counted for this purpose. The Company is compliant to this amendment.

### 8. FDI Limits in Telecom ( Department of Industrial Policy and Promotion Press Note No. 6 (2013 series) - DoT amendment to CMTS/UASL/UL(AS)/UL/ NLD/ILD license regarding 100% Foreign Direct Investment (FDI) (December 3, 2013)

The amendment allows for 100% FDI in all telecom services including Telecom Infrastructure Providers Category-I, viz. Basic, Cellular, United Access Services, Unified License (Access Services), Unified License, National/International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS), all types of ISP licenses, Voice Mail/Audiotex/UMS, Resale of IPLC, Mobile Number Portability Services, Infrastructure Provider Category-I

(providing dark fibre, right of way, duct space, tower) except Other Service Providers.

The FDI up to 100% with 49% on the automatic route and beyond 49% on the government route subject to observance of licensing and security conditions by licensee as well as investors as notified by the Department of Telecommunications from time to time, except "Other Service Providers", which are allowed 100% FDI on the automatic route.

The amendment also mandates that remote access to network would be provided only for approved locations abroad through approved locations in India. The Company has taken necessary steps in this regard.

#### 9. Finalization of Spectrum Usage Charges (SUC) for spectrum in 1800 MHz and 900 MHz bands (January 31, 2014)

The Union Cabinet approved the rates of SUC for spectrum in 1800 MHz and 900 MHz bands. The spectrum charged in the auction of February 2014 will be charged at 5% of the AGR. In cases of combination of existing spectrum in this band and spectrum acquired through the auction, the weighted average will apply to all the spectrum held by the operator in the 1800 MHz and 900 MHz band. The licensees who do not acquire spectrum in this auction shall continue to pay SUC according to the existing slab rate. In respect of the BWA spectrum acquired through auction in 2010, SUC will continue to be charged, as per present practice, and the operator would be required to report the revenue earned from BWA spectrum separately. Cabinet noted that as a matter of policy, it is desirable to move to a flat rate SUC and adoption of a weighted average would provide a path for such transition.

#### 10. DoT Mergers and Amalgamations Policy (February 19, 2014)

New M&A policy released on February 19, 2014. DoT to revert on M&A proposal within 30 days. Substantial equity situation permitted for one year and even beyond. Transfer/merger of licenses shall be allowed where market share for access services in respective service area of the resultant entity is upto 50%. If beyond 50%, then resultant entity to reduce market share to 50%. For determining the aforesaid market share, market share of both subscriber base and AGR of licensee in the relevant market shall be considered. The policy allows for holding of 2 blocks of 3G spectrum in a service area, not permitted earlier. The total spectrum held by the resultant entity shall not exceed 25% of the total spectrum assigned for access services and 50% of the spectrum assigned in a given band. In respect of 800 MHz band, the ceiling is 10 MHz

The new policy recognizes and seeks to address lacuna in earlier policy such as time period within which the DoT has to revert (within 30 days) and that the recognition that substantial equity transition can take one year or beyond. However, the Key dampener of the policy is that if a transferor company holds a part of spectrum, which (4.4 MHz/2.5MHz) has been assigned against the entry fee paid, the resultant merged entity, shall pay to the

Government, the differential between the entry fee and the market determined price of spectrum on a pro-rata basis for the remaining period.

#### Opportunities, Risks, Concerns and Threats

Spectrum auction(s) in November 2012 and February 2014 have changed the competitive landscape for Indian wireless industry. While November 2012 spectrum auction resulted in halting of the hyper-competitive phase, February 2014 spectrum auction demonstrated the need of spectrum, both for voice and data.

Post spectrum auction in November 2012, a majority of operators, who started their operation during 2009-10, were forced to reduce their operations to selected service areas or exited from Indian wireless market, as the spectrum price was increased multifold. This has resulted in halting of hyper-competitive phase and allowed realisation to improve for most of the remaining operators. As operators have reduced promotions and discounts the voice minutes growth has slowed. However, the rural subscriber penetration of around 43% (based on reported subscribers) indicates growth opportunities offered by the voice business.

The nascent fixed line penetration and growing data demand on both 2G and 3G platform, clearly reflects that wireless technology will remain the preferred choice for subscribers using data. During February 2014 spectrum auction, incumbent operators acquired spectrum, in addition to spectrum renewal, to support future data growth. The Company believes that data offers substantial opportunity in coming years and the current spectrum portfolio of your company places it in a strong competitive position.

The regulatory environment continues to remain uncertain, complex and litigation prone while spectrum cost had increased for the industry. Your Company has several ongoing litigations and any adverse determination of these remains a risk. Your Company believes in sound Corporate Governance Practices and believes that these litigations would be settled in due course to the best interest of all stakeholders.

The seven initial licenses of your Company followed by two other licenses, all with an initial spectrum allocated in 900 MHz band, are due for extension in December 2015 and April 2016 respectively. Apart from these nine licenses, another lot of six licenses with spectrum in 1800 MHz band are due for extension between FY 2022 to FY 2027. The Company runs a risk of extension at unfavorable terms and higher debt burden. The Company is hopeful that the continuation of services on a level playing field and protection of investment will be ensured by the Government in the interest of all stakeholders like subscribers, employees and shareholders.

Your Company works with various local, state and central agencies for specific permissions to operate its mobile licenses and is required to meet various regulatory/policy guidelines of the DoT and may be subjected to penalties/fines or increased cost of compliance. Your Company takes best effort to adhere to all such requirements.

## Management Discussion And Analysis Report

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The Company's business is dependent on key Network and IT equipment suppliers for management and continuity of its Network, IT and business processes. Further, these networks may be vulnerable to technical failures or any natural calamity. Your Company is in partnership with global leaders in Network equipment and IT services and enjoys very long standing healthy relations with all its suppliers. The Company has a robust network & IT security processes and disaster recovery plans.

The telecom sector is characterized by technological changes and competition from new technologies is an inherent threat. However, till date, the Indian telecom sector has not faced any disruptive phase arising out of any technological changes. Your Company, with an assortment of spectrum in 900/1800/2100 MHz has an attractive spectrum footprint to adapt to any future technological changes.

Competition in the Indian telecommunications industry is intense. There may be irrational competition in the sector by new/existing players in future. However, in past, Industry has witnessed large periods of irrational competition and your Company has emerged competitively stronger.

### Outlook

While the regulation and spectrum pricing remain key concern area, the Indian wireless sector continues to offer growth opportunity in both voice and data segments. The wireless market has started getting consolidating among the top three operators as they hold more than 55% of subscribers and more than 69% of revenue. Quality of services offered by operators has become the primary deciding factor for a subscriber at the time of getting a new connection, compared to pricing offered by an operator. The operators who offer better call quality and network coverage, provide faster resolution to consumer complaints and offer innovative products in the market should continue to gain from the growth opportunities offered by the Indian wireless market.

Over past few years, Idea has consolidated its competitive position in all the markets wherever it is positioned among the top 3 operators. Your company is clearly focused to deliver consistent, competitive, responsible and profitable growth.

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### *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.*



## Corporate Governance Report

### Company's Philosophy on Corporate Governance

Corporate Governance is a systematic process driven by the ethical conduct of the business and affairs of an organisation aimed at promoting sustainable business and enhancing shareholders value in the long term. We believe that Corporate Governance is not a destination but a continuous journey for sustainable value creation for all its stakeholders.

The Aditya Birla Group, of which your Company forms a part, has been one of the frontrunners in India to adopt and implement best governance practices. Our governance practices are a product of self desire, reflecting the culture of 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** continuously strives for excellence through adoption of best governance and disclosure practices. Corporate Governance has always been intrinsic to the management of the business and affairs of our Company. We believe that good governance practices stem from the culture and mindset of the organisation. We, at Idea are committed in fostering and sustaining a culture that integrates all components of good governance and demonstrates highest standard of ethical and responsible business conduct.

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, 2014 are as follows:

#### 1. BOARD OF DIRECTORS

An active, informed and independent Board is a pre-requisite

for strong and effective corporate governance. The Board plays a crucial role in overseeing how the management safeguards the interests of shareholders and stakeholders. The Board ensures that the Company has clear goals aligned to the shareholders' value and growth. The Board critically evaluates strategic direction of 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 and Senior Management Personnel in ensuring effective functioning of the Company.

#### Composition of the Board

The Company has a balanced board with optimum combination of Executive and Non-Executive Directors which includes independent professionals, which plays a crucial role in Board process and provides independent judgement on issues of strategy and performance. Presently the Board comprises of 14 members comprising of a Non- Executive Chairman, a Managing Director, Seven Independent Directors and Five Non- Executive Directors. The present strength of the Board reflects the judicious mix of professionalism, competence and sound knowledge which enables the Board to provide effective leadership to the Company.

The members of our Board comprises of eminent professionals from diversified background having rich and varied expertise in the areas of technology, finance, general management and entrepreneurship. The Board periodically evaluates the need for change in its size and composition to ensure that it remains aligned with statutory and business requirements.

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, 2014 and the number of Directorships and Committee position held by them are as under:

Name of Director	Category	No. of Outside Directorship(s) Held <sup>1</sup>		Outside Committee Positions Held <sup>2</sup>	
		Public	Private	Member	Chairman/ Chairperson
Mr. Kumar Mangalam Birla	Non-Executive	9	17	-	-
Mrs. Rajashree Birla	Non-Executive	6	12	1	-
Dr. Rakesh Jain	Non-Executive	6	1	2	-
Mr. Biswajit A. Subramanian	Non-Executive	3	-	-	-
Dr. Shridhir Sariputta Hansa Wijayasuriya	Non-Executive	-	-	-	-
Mr. Sanjeev Aga	Non-Executive	5	-	5	-
Mr. James Maclaurin <sup>3</sup>	Non- Executive	-	-	-	-
Mr. Arun Thiagarajan	Independent	5	2	6	-

## Corporate Governance Report

Name of Director	Category	No. of Outside Directorship(s) Held <sup>1</sup>		Outside Committee Positions Held <sup>2</sup>	
		Public	Private	Member	Chairman/ Chairperson
Mr. Gian Prakash Gupta	Independent	8	2	3	3
Mr. Mohan Gyani	Independent	-	-	-	-
Ms. Tarjani Vakil	Independent	3	2	1	1
Mr. R.C. Bhargava	Independent	7	1	4	4
Mr. P. Murari	Independent	10	-	6	3
Mrs. Madhabi Puri Buch	Independent	1	2	1	-
Mr. Himanshu Kapania	Managing Director	7	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.*
- Represents Membership/Chairmanship of two Committees viz. Audit Committee and Shareholders'/Investors' Grievance Committee of Public Limited Companies.*
- Mr. James Maclaurin was appointed as an Alternate Director to Dr. Shridhir Sariputta Hansa Wijayasuriya with effect from April 25, 2013. He, however, ceased to be the Alternate Director with effect from August 1, 2013.*

### Board Meetings and Procedure

The annual calendar of meetings is broadly determined at the beginning of each year. The Board meets atleast 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 urgent business exigencies, some resolutions are also passed by circulation, as permitted by law, which is confirmed in the subsequent Board Meeting. The Meetings of the Board are generally held in Mumbai. Video Conferencing/Teleconferencing facilities are also made available to enable participation of Directors, in case they cannot be physically present at the Meeting.

The Board Meetings are scheduled well in advance and the notice of such board meeting is given in writing to all the Directors. There is a structured manner in which the agenda items are prepared and presented. The Company Secretary in consultation with the Chairman prepares detailed agenda for the meetings. All the agenda items are backed by comprehensive agenda notes and relevant supporting papers 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 or Committees are free to suggest any item to be included in the agenda, in addition to exercising their right to bring up matters

for discussion at the meeting with permission of the Chairman.

The Chief Financial Officer and other Senior Management Personnel are invited to the Board/Committee 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. The Board is regularly updated on various legal and regulatory developments involving the Company. 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. Senior Management Personnel are invited to provide additional inputs for the items being discussed by the Board as and when necessary. The important decisions taken at the Board/Committee meetings are communicated to the concerned departments promptly.

During the Financial Year 2013-14, four meetings of the Board were held on April 25, 2013, August 1, 2013, October 24, 2013 and January 27, 2014.

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

Name of Director	No. of Board Meetings held during the tenure		Attended Last AGM (Yes/No)
	Held	Attended	
Mr. Kumar Mangalam Birla	4	1	Yes
Mrs. Rajashree Birla	4	2	No
Dr. Rakesh Jain	4	3	No
Mr. Biswajit A. Subramanian	4	3	No
Dr. Shridhir Sariputta Hansa Wijayasuriya	4	4	Yes
Mr. Arun Thiagarajan	4	4	Yes
Mr. Gian Prakash Gupta	4	4	No
Mr. Mohan Gyani	4	1	No
Ms. Tarjani Vakil	4	2	Yes
Mr. R.C. Bhargava	4	3	No
Mr. P. Murari	4	2	No
Mr. Sanjeev Aga	4	4	No
Mr. Himanshu Kapania	4	4	Yes
Mrs. Madhabi Puri Buch	4	4	No
Mr. James Maclaurin	0	0	No

#### 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](http://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 Committees play a vital role in improving Board effectiveness in areas where more focused, specialized and extensive discussions are required. Some of the Board functions are performed through specially constituted Board Committees comprising of Executive and Non-Executive/Independent Directors. During the year, the Board formed a Corporate Social Responsibility (CSR) Committee. The Board's Committees include Audit Committee, Remuneration Committee, Shareholders'/Investors' Grievance Committee, ESOS Compensation Committee, Finance Committee, CSR Committee and Securities Allotment Committee. All the Committees have well established terms of reference/charter. 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 Company has an Audit Committee at the Board level with power and role that are in accordance with Clause 49 of the Listing Agreement and the Companies Act, 1956. The Audit Committee oversees 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 Company has appropriate internal control systems for business processes, covering operations, financial reporting and compliance with applicable laws and regulations. Regular internal audits and management reviews ensure that the responsibilities are executed effectively. The Audit Committee actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them, as appropriate.

The Committee also oversees the performance of the internal and statutory auditors and also recommends their appointment and remuneration to the Board. The minutes of the Audit Committee forms part of the Board Agenda. The Chairman of the Audit Committee Meeting briefs the Board on the discussions held during Audit Committee Meeting.

The Company also reviews Enterprise Risk Management Framework which provides for identification of risks, risk evaluation and development of risk mitigation plans. The Audit Committee is periodically informed about the risk assessment, impact of the risk on the business and mitigation plans.

#### Terms of reference

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

- 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;
- 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;
- 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 judgement 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

## Corporate Governance Report

management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large; and

- Matters required to be included in the Directors' Responsibility Statement, in terms of Section 217(2AA) of the Companies Act, 1956.
- 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.

### Composition, Meetings and Attendance

The Audit Committee of the Board comprises 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 the 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 2013-14, six meetings of the Audit Committee were held on April 25, 2013, May 13, 2013, August 1, 2013, October 24, 2013, January 10, 2014 and January 27, 2014.

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	6	6
Mr. Arun Thiagarajan	Independent	6	6
Ms. Tarjani Vakil	Independent	6	5
Dr. Shridhir Sariputta Hansa Wijayasuriya	Non-Executive	6	3

### 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. The Committee is entrusted with the responsibility of evaluating and approving the remuneration packages and policies for Directors and senior officials of the Company.

#### Terms of reference

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

- a. Review of remuneration payable to the Directors and senior officials of the Company;
- b. Reviewing and advising the Board over the remuneration policies of the Company generally; and
- c. 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 the Secretary to the Committee. As on March 31, 2014, the Committee comprised of Mr. Arun Thiagarajan, Ms. Tarjani Vakil and Mr. Gian Prakash Gupta.

During the Financial Year 2013-14, one meeting of the Remuneration Committee was held on January 27, 2014 and the same was attended by all the members.

#### Remuneration of Directors

##### (i) Remuneration of 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. A fair portion of the remuneration of the Managing Director is linked to the Company's performance, thereby creating a strong alignment of interest with shareholders.

Details of the Managerial Remuneration paid to the Managing Director during Financial Year 2013-14 is as under:

Executive Director	Relationship with other Directors	Business relationship with the Company, if any	Remuneration during 2013-14			
			All elements of remuneration package i.e. salary, allowances and other benefits etc.	Fixed component & performance linked incentives, along with performance criteria	Service Contract, notice period, severance fee	Stock Option details, if any
Mr. Himanshu Kapania	None	Managing Director	₹ 62.73 Mn	₹ 30.57 Mn See Note(a)	See Note(b)	See Note(c)

- (a) Mr. Himanshu Kapania was paid a sum of ₹ 30.57 Mn towards performance incentive, linked to achievement of targets, over and above ₹ 62.73 Mn paid as remuneration.
- (b) The appointment of Mr. Himanshu Kapania is for a period of five years effective from April 1, 2011. The appointment is subject to termination by three months notice on either side. No severance fees is payable to the Managing Director. The remuneration paid to Mr. Himanshu Kapania for Financial Year 2013-14 is as per the terms approved by the Shareholders at the Extraordinary General Meeting held on December 26, 2013.
- (c) In terms of your Company's Employee Stock Option Scheme, 2006 (ESOS-2006), Mr. Himanshu Kapania has been granted 267,500 stock options (Tranche I) on December 31, 2007, exercisable at an exercise price of ₹ 39.30 per option and 66,875 stock options (Tranche II) on July 24, 2008, exercisable at an exercise price of ₹ 45.55 per option. Each Option is convertible into one Equity Share of the Company upon vesting. These Options vest in 4 equal annual installments after one year of the grant and are exercisable within a period of 5 years from the date of vesting. Mr. Himanshu Kapania has exercised all the stock options under ESOS-2006.

Further, on February 11, 2014, under the terms of your Company's Employee Stock Option Scheme, 2013 (ESOS-2013), Mr. Himanshu Kapania has been granted 1,893,740 stock options (Options) exercisable at an exercise price of ₹ 126.45 per Option and 533,333 Restricted Stock Units (RSU) exercisable at an exercise price of ₹ 10/- per RSU. Each Option and each RSU when exercised is convertible into one Equity Share of the Company. These Options would vest in 4 equal annual installments after one year of the grant and the RSUs will vest after 3 years from the date of grant. The Options and RSUs shall be exercisable within a period of 5 years from the date of vesting.

#### (ii) Remuneration to Non-Executive Directors

The Non-Executive Directors are paid remuneration by way of sitting fees for attending the Board Meetings and Committee Meetings. The sitting fees, as determined by the Board is ₹ 20,000 for each meeting of the Board and Committee Meeting. 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, 2014 are as under:

Name of Non-Executive Director	Sitting Fees (₹)
Mr. Kumar Mangalam Birla	40,000
Mrs. Rajashree Birla	40,000
Dr. Rakesh Jain	100,000
Mr. Biswajit A. Subramanian	60,000
Dr. Shridhir Sariputta Hansa Wijayasuriya	120,000
Mr. James Maclaurin	0
Mr. Arun Thiagarajan	280,000
Mr. Gian Prakash Gupta	220,000
Mr. Mohan Gyani	20,000
Ms. Tarjani Vakil	220,000
Mr. R.C. Bhargava	40,000
Mr. P. Murari	40,000
Mrs. Madhabi Puri Buch	80,000
Mr. Sanjeev Aga	140,000

# Corporate Governance Report

## (iii) Details of Shareholding of Directors

The details of shareholding of Directors as on March 31, 2014 are as under:

Name of Director	No. of Equity Shares <sup>#</sup>
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	200,000
Mr. Himanshu Kapania	314,375

*# Shares held singly or as a first shareholder are only considered.*

### Stock Options to Non-Executive Directors:

Mr. Sanjeev Aga, former Managing Director of the Company had been granted 1,712,000 stock options under Tranche I and 428,000 stock options under Tranche II of the Employee Stock Option Scheme, 2006 (ESOS-2006) while in the employment of the Company.

Mr. Aga has exercised all the stock options granted to him under ESOS-2006 upto March 31, 2014.

Apart from Mr. Aga, no other Non-Executive director has been granted stock options.

## 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, 2014, the Committee comprises of three members namely, Dr. Rakesh Jain, Mr. Sanjeev Aga and Mr. Himanshu Kapania. The Company Secretary acts as a Secretary to the Committee. During the Financial Year 2013-14, the Shareholders'/Investors' Grievance Committee met once on February 21, 2014 which was attended by all the Members.

### Compliance Officer

Mr. Pankaj Kapdeo, Company Secretary, also 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: +91-9594004000  
Fax: +91-22-26527080  
Email: [shs@idea.adityabirla.com](mailto:shs@idea.adityabirla.com)

### Investor Grievances Redressal Status

During the Financial Year 2013-14, the complaints and queries received from the shareholders were general in nature and were mainly pertaining to non-receipt of Dividend, non-receipt of annual reports, request for subsidiary annual accounts etc. All the complaints were resolved to the satisfaction of the investors.

The status of Investors' Complaints as on March 31, 2014, is as follows:

No. of complaints as on April 1, 2013	0
No. of complaints received during the Financial Year 2013-14	369
No. of complaints resolved upto March 31, 2014	369
No. of complaints pending as on March 31, 2014	0

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

## D. ESOS 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 Board of Directors of your Company have approved the formulation of a new Employee Stock Option Scheme, 2013 (ESOS - 2013) in terms of the SEBI Guidelines and mandated the existing ESOS Compensation Committee to implement and administer the ESOS - 2013. At the Annual General Meeting of the Company held on September 16, 2013, shareholders approved the formulation of ESOS - 2013. Accordingly, the Committee formulated the Scheme and vide its circular resolution dated February 11, 2014 granted 1,85,65,428 Stock Options at an exercise price of ₹ 126.45 per stock option exercisable into the same number of equity shares of ₹ 10/- each and 81,05,587 Restricted Stock Units at an exercise price of ₹ 10/- each to the eligible employees of your Company.

The ESOS Compensation Committee comprises of three Non-Executive Directors, of whom two members are Independent Directors. During the Financial Year 2013-14, three meetings of the Committee were held on April 25, 2013, October 24, 2013, January 27, 2014.

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	1
Ms. Tarjani Vakil	Independent	3	3
Mr. Arun Thiagarajan	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, 2014, the Committee comprises of Mr. Himanshu Kapania, Dr. Rakesh Jain and Mr. Sanjeev Aga.

During the Financial Year 2013-14, two meetings of the Finance Committee were held on February 4, 2014 and March 26, 2014.

The composition of the Finance 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. Sanjeev Aga	Non-Executive	2	2
Dr. Rakesh Jain	Non-Executive	2	1
Mr. Himanshu Kapania	Managing Director	2	2

#### F. Securities Allotment Committee

The Securities Allotment Committee is empowered to make allotment of all kinds of securities that may be issued by the Company, from time to time. As on March 31, 2014, the Committee comprises of Mr. Himanshu Kapania, Dr. Rakesh Jain, Mr. Sanjeev Aga and also Mr. G.P. Gupta, who was co-opted as a member to the Committee in August, 2013.

During the Financial Year 2013-14, no meetings of the Committee were held.

#### G. Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility Committee (CSR Committee) was constituted to monitor and implement the Company's CSR Policy. The prime responsibility of the Committee is to assist the Board in integrating its social and environmental objectives with its business strategies. The Committee seeks to formulate and monitor implementation of CSR policy and sustainability practices. As on March 31, 2014, the Committee comprises of

Mrs. Rajashree Birla, Mr. P. Murari and Mr. Himanshu Kapania. The Company Secretary acts as the Secretary to the Committee.

During the Financial Year 2013-14, 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, 2014, the Company had five 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 Telesystems Limited
5. Idea Mobile Commerce Services Limited

During the year under review, Idea Cellular Towers Infrastructure Limited was merged with Indus Towers Limited with an appointed date of April 1, 2009 pursuant to a scheme of arrangement of merger, which was approved by the Hon'ble High Court of Delhi vide its order dated April 18, 2013. The scheme became effective on June 11, 2013, being the date of filing of the certified copy of the high court order with the RoC.

### 4. DISCLOSURES

#### a. Disclosure on materially significant related party transactions

All the related party transactions are done on arms length basis. The related party transactions are placed before the Audit Committee on a quarterly basis. The details of related party transactions have been disclosed under Note 45 of the financial statements.

#### b. Disclosure of Accounting Treatment

While preparing the financial statements, the Company has followed the Accounting Standards notified under the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs) and the accounting principles generally accepted in India.

#### c. Risk Management

Your Company has a well-established an Enterprise Risk Management (ERM) framework to identify and manage risks associated with the Company, which is monitored on a continuous basis. The Audit Committee reviews the efficacy of the risk Management process, the key risks associated with the business of your Company and the measures in place to mitigate the same.

# Corporate Governance Report

**d. 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.

**e. Proceeds from public issues, rights issues, preferential issues etc.**

During the year, the Company did not raise any funds by way of public, rights, preferential issues etc.

**5. MANAGEMENT DISCUSSION AND ANALYSIS**

A detailed report on Management Discussion and Analysis forms part of the Annual 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 19th 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](http://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)
2012-2013	September 16, 2013	12.00 noon	Cambay Spa and Resort, Plot No. X-22/23 GIDC Electronic Estate, Sector 25, Gandhinagar -382 044, Gujarat.	1. Issue of Securities under Employee Stock Option Scheme 2. Extension of benefits of the Employee Stock Option Scheme to the employees of holding/ subsidiary Company(ies) 3. Raising of Funds through issuance of equity shares.
2011-2012	June 18, 2012	12.00 noon	Cambay Spa and Resort, Plot No. X-22/23 GIDC Electronic Estate, Sector 25, Gandhinagar -382 044, Gujarat.	None
2010-2011	September 28, 2011	12.00 noon	Cambay Spa and Resort, Plot No. X-22/23 GIDC Electronic Estate, Sector 25, Gandhinagar -382 044, Gujarat.	None

**Extra-ordinary General Meeting**

During the Financial Year 2013-14, one Extra-ordinary General Meeting was held on 26<sup>th</sup> December, 2013. The matters transacted at the said Extra-ordinary General Meeting are as under:

- (i) Increase in aggregate investment limit of Foreign Institutional Investors
- (ii) Increase in Remuneration of the Managing Director

**Postal Ballot**

There was no Special Resolution passed through Postal Ballot during the Financial Year 2013- 2014.



## 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, 2013	92	17,648
Number of shareholders who approached to the Issuer/Registrar for transfer of shares from suspense account during the Financial Year 2013-14	7	1,793
Number of shareholders to whom shares were transferred from suspense account during the Financial Year 2013-14	7	1,793
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, 2014	85	15,855

## 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.

Financial reporting for the quarter ending December 31, 2014 : End January, 2015

## 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).

Financial reporting for the year ending March 31, 2015 : End April, 2015  
Annual General Meeting for the year ended March 31, 2015 : August/September, 2015

## 9. COMPLIANCE

The Company is compliant with the requirements as prescribed in Clause 49 of the Listing Agreement. A Certificate from the Statutory Auditors of the Company, 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.

3. Book Closure Date : September 20, 2014 to September 26, 2014 (both days inclusive)  
4. Dividend : ₹ 0.40 per share of ₹ 10/- each (i.e. 4%)  
5. Dividend Payment Date : On or after September 26, 2014  
6. Registered Office : Suman Tower, Plot No. 18, Sector - 11, Gandhinagar - 382 011, Gujarat, India. Tel: +91-79-66714000 Fax: +91-79-23232251

## GENERAL SHAREHOLDERS' INFORMATION

## 1. Annual General Meeting

Day and Date : Friday, 26<sup>th</sup> September, 2014  
Time : 12:30 P.M.  
Venue : Cambay Spa and Resort, Plot No. X-22/23, GIDC Electronic Estate, Sector 25, Gandhinagar - 382 044, Gujarat.

7. Plant Locations : The Company being a service provider, has no plant locations.

## 2. Financial Calendar for 2014-15 (Tentative)

Financial reporting for the quarter ending June 30, 2014 : End July, 2014  
Financial reporting for the quarter ending September 30, 2014 : End October, 2014

## 8. 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 annual listing fee for the Financial Year 2014-15 has been paid to the above Stock Exchanges.*

# Corporate Governance Report

## 9. Stock Codes

	Stock Code	Reuters	Bloomberg
Bombay Stock Exchange	532822	IDEA.BO	IDEA IN
National Stock Exchange	IDEA	IDEA.NS	NIDEA IN
ISIN No. of Equity Shares	INE669E01016		

## 10. Stock 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 2013-14 are as under:

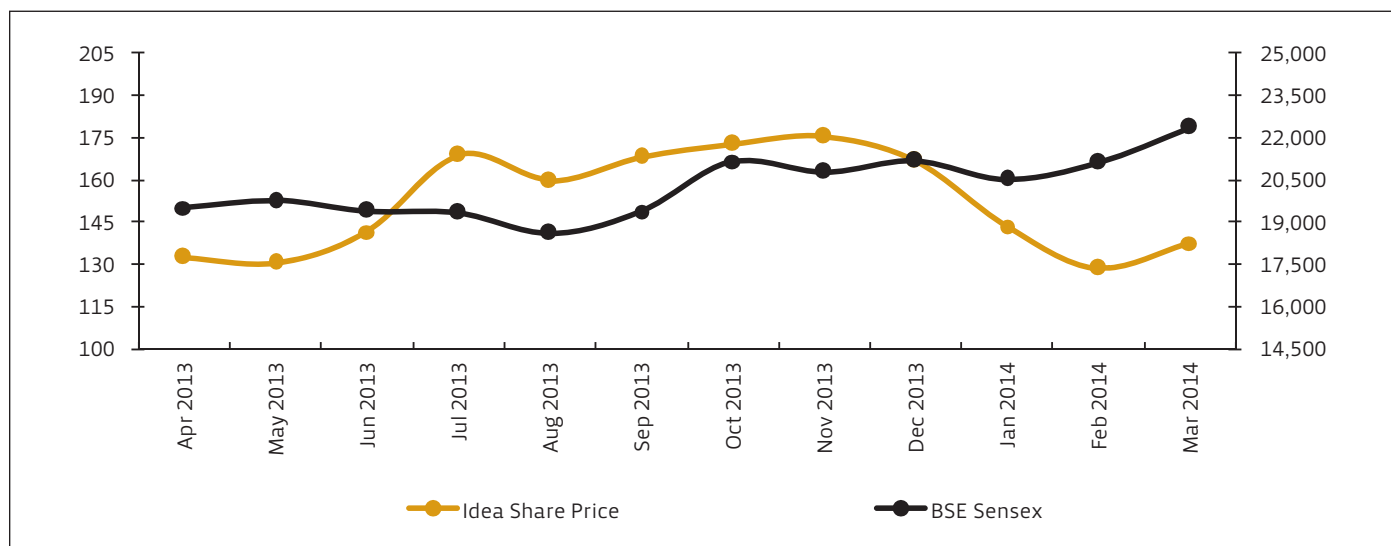
Month	Bombay Stock Exchange Limited				National Stock Exchange of India Limited			
	High (in ₹)	Low (in ₹)	Close (in ₹)	Avg. Vol. (in Nos.)	High (in ₹)	Low (in ₹)	Close (in ₹)	Avg. Vol. (in Nos.)
April, 2013	133.50	101.10	132.60	9,54,710	133.85	101.10	132.75	44,54,119
May, 2013	138.20	124.85	130.45	6,17,363	138.60	124.70	131.05	34,86,760
June, 2013	150.65	124.40	141.40	3,87,782	150.70	124.30	141.50	56,76,444
July, 2013	170.75	134.10	169.00	4,98,306	170.70	134.15	168.95	57,98,257
August, 2013	177.00	142.00	159.80	5,96,521	177.30	141.80	159.90	70,85,197
September, 2013	175.95	148.40	168.25	4,36,846	176.00	148.55	168.25	52,44,205
October, 2013	188.35	165.80	172.75	5,47,857	188.40	165.75	172.75	50,56,954
November, 2013	179.50	157.15	175.45	519,454	179.50	157.05	175.45	5,547,157
December, 2013	183.65	164.60	166.85	5,89,119	183.70	164.55	166.90	32,07,514
January, 2014	170.20	135.60	143.45	6,36,517	170.20	135.50	143.50	60,71,449
February, 2014	153.30	125.10	128.65	8,39,589	153.10	125.10	128.90	66,96,551
March, 2014	143.65	128.85	137.50	3,23,077	143.85	129.00	137.45	48,18,445

Source: BSE and NSE Website

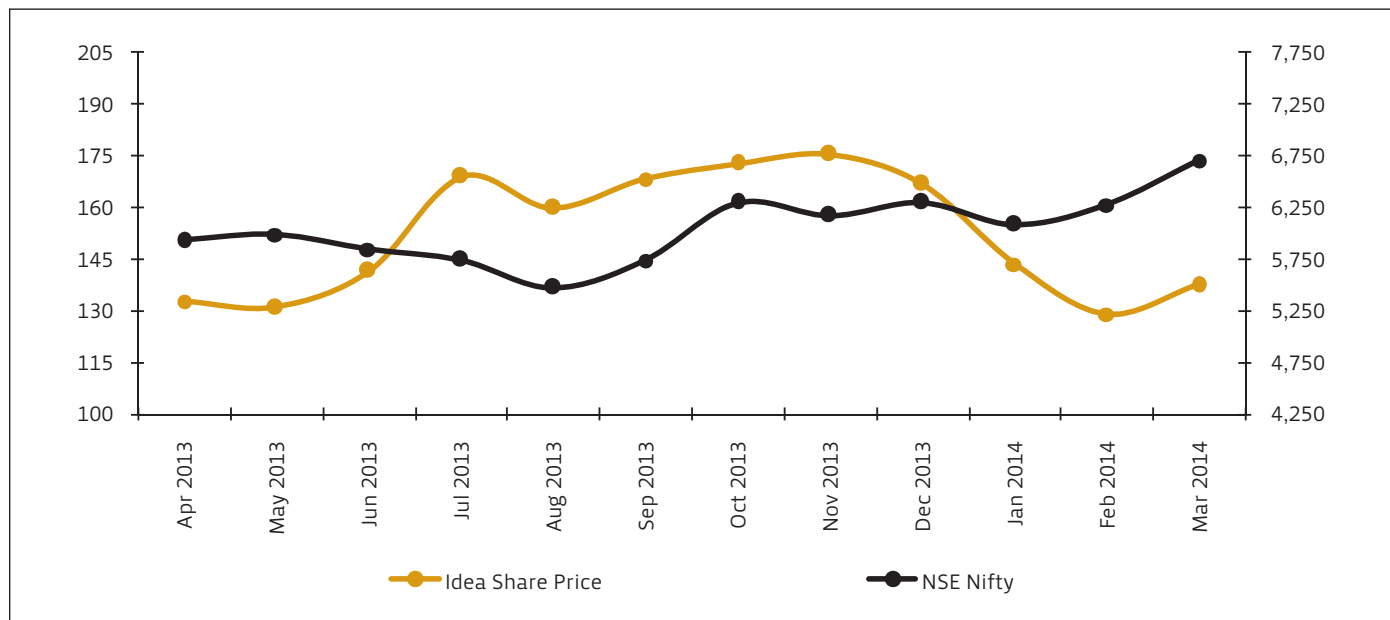
## 11. Stock Performance

The performance of the Company's share price vis-à-vis the broad based BSE and NSE indices during the year 2013-14 is as under:

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



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



## 12. 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 working 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. During the year under review, one request for physical transfer was received and the same was duly processed within the specified timelines.

## 13. Distribution of Shareholding

The distribution of shareholding of the Company as on March 31, 2014 is as follows:

Number of Equity Shares held	Number of Shareholders	% to total Shareholders	No. of Shares held	% to total Shareholding
Upto 5000	235,692	94.95	29,847,162	0.90
5000 - 10000	7,129	2.87	5,509,191	0.17
10001 - 20000	2,667	1.07	3,956,083	0.12
20001 - 30000	817	0.33	2,100,050	0.06
30001 - 40000	306	0.12	1,094,565	0.03
40001 - 50000	318	0.13	1,519,035	0.05
50001 - 100000	446	0.18	3,292,649	0.10
100001 & above	865	0.35	3,272,313,026	98.57
<b>Total</b>	<b>248,240</b>	<b>100.00</b>	<b>3,319,631,761</b>	<b>100.00</b>

## 14. Shareholding Pattern

The shareholding pattern of the Company as on March 31, 2014 is as follows:

Category	No. of Shares	% Shareholding
Promoter and Promoter Group	1,520,679,047	45.81
Foreign Institutional Investors	647,506,093	19.51
Non-Resident Indians / Overseas Corporate Bodies	991,738,209	29.87
Mutual Funds, Financial Institutions, Banks and Insurance Companies	80,089,040	2.41
Domestic Bodies Corporate	23,188,350	0.70
Resident Indians and Others	56,431,022	1.70
<b>Total</b>	<b>3,319,631,761</b>	<b>100.00</b>

## 15. Dematerialisation of Shares and Liquidity

The Shares of the Company are compulsorily tradable in dematerialized form through both the Depository Systems in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). A total number of 3319,615,153 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, 2014.

## 16. Outstanding GDRs/ADRs etc.

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

## 17. 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

## 18. Name and Address of Trustees for the Debentureholders

M/s IDBI Trusteeship Services Limited  
Asian Building, Ground Floor,  
17, R. Kamani Building,  
Ballard Estate,  
Mumbai – 400 001  
Tel: +91-22-4080 7000  
Fax: +91-22-6631 1776

## 19. 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  
Company Secretary  
Idea Cellular Limited  
“Windsor”, 5th Floor,  
Off CST Road,  
Near Vidya Nagari,  
Kalina, Santacruz (East),  
Mumbai – 400 098  
Tel: +91-9594004000  
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 the compliance with the Code of Conduct for the year ended March 31, 2014.

Place : Mumbai  
Date : April 28, 2014

Himanshu Kapania  
Managing Director

## CEO/CFO Certification

To,  
The Board of Directors  
Idea Cellular Limited  
Mumbai

We, Himanshu Kapania, Managing Director and Murthy GVAS, President (Finance & Accounts) 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 statements of the Company for the year ended March 31, 2014 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, 2014, 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 in the internal control over financial reporting during the year;
  - ii) Significant changes 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 : April 28, 2014

Himanshu Kapania  
Managing Director

Murthy GVAS  
President (Finance & Accounts)

## 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 31<sup>st</sup> March 2014, 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 LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

Khurshed Pastakia  
Partner  
(Membership No. 31544)

Place : Mumbai  
Date : April 28, 2014

## Business Responsibility Report

### About this Report

The Securities and Exchange Board of India (SEBI) has mandated top 100 listed entities based on market capitalization on the BSE and NSE, to include Business Responsibility Report as part of the Annual Report describing the initiatives taken by the Companies from Environmental, Social and Governance perspectives.

This Business Responsibility Report, as stipulated under Clause 55 of the Listing Agreement provides general information about the Company and its business responsibility as required by SEBI.

The following five sections cover disclosures as per the SEBI suggested BRR framework.

### Section A: General Information about the Company

Sr. No.	Description	Information
1	Corporate Identity Number	L32100GJ1996PLC030976
2	Name of the Company	Idea Cellular Limited
3	Registered address	Suman Tower, Plot No. 18, Sector 11, Gandhinagar - 382 011, Gujarat
4	Website	www.ideacellular.com
5	Email Id	shs@idea.adityabirla.com
6	Financial Year reported	April 1, 2013 to March 31, 2014
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Telecommunications services Group: 9984 Class: 99841 Sub-class: 998413
8	List three key products/services that the Company manufactures/provides (as in balance sheet)	Idea Cellular Limited (Idea) is one of the leading national telecommunication service providers in India. The Company is engaged in the business of mobility and long distance services.
9	Total number of locations where business activity is undertaken by the Company	
	i. Number of International Locations (provide details of major 5)	None
	ii. Number of National Locations	Company has its business activities and operations spread across the country.
10	Markets served by the Company - Local/State/National/International	The Company serves the Indian markets.

### Section B: Financial Details of the Company

Sr. No.	Description	Information
1	Paid-up capital (INR)	The paid-up equity capital of the Company as on March 31, 2014 is ₹ 33,196,317,610 comprising of 3,319,631,761 Equity Shares of ₹ 10/- each.
2	Total Turnover (INR)	₹ 261,795 Mn
3	Total Profit After Taxes (INR)	₹ 16,893 Mn
4	Total spending on Corporate Social Responsibility (CSR) as percentage of Profit After Tax (%)	As part of the Aditya Birla Group (ABG), Idea actively contributes to the reporting period. Infrastructure development, health care, sustainable livelihood, education are some of the focus areas for CSR activities.
5	List of activities in which expenditure in 4 above has been incurred	

# Business Responsibility Report

## Section C: Other Details

Sr. No.	Description	Information
1	Does the Company have any Subsidiary Company/Companies?	Yes. The Company has five subsidiaries, the details of which have been provided in the Directors' Report.
2	Do the Subsidiary Company/Companies participate in the BR initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	The Company encourages its entire value chain to participate in the Business Responsibility (BR) initiatives of the Company on a wide range of social and environmental issues. Currently, less than 30% of its other entities participate in the BR initiatives of the Company and Idea strives to encourage more and more entities to participate in future.

## Section D: BR Information

### 1. Details of Director/Directors responsible for BR:

#### a) Details of the Director/Directors responsible for implementation of the BR policy/policies

DIN Number	03387441
Name	Mr. Himanshu Kapania
Designation	Managing Director

#### b) Details of the BR Head:

Sr. No.	Description	Information
1	DIN Number (if applicable)	Not Applicable
2	Name	Mr. Pankaj Kapdeo
3	Designation	Company Secretary
4	Telephone number	9594004000
5	Email-id	shs@idea.adityabirla.com

The National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility, as listed below:

- P1 – Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
- P2 – Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- P3 – Businesses should promote the well-being of all employees.
- P4 – Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- P5 – Businesses should respect and promote human rights.
- P6 – Businesses should respect, protect, and make efforts to restore the environment.
- P7 – Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- P8 – Businesses should support inclusive growth and equitable development.
- P9 – Businesses should engage with and provide value to their customers and consumers in a responsible manner.



## 2. Principle-wise (as per NVGs) BR policy/policies (Reply in Y/N)

Sr. No.	Questions	Business Ethics	Product Life Responsibility	Employee Well-being	Stakeholders Engagement	Human Rights	Environment	Policy Advocacy	Inclusive Growth	Customer Value
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have policy/policies for	Y <sup>1</sup>	Y <sup>2</sup>	Y <sup>3,4</sup>	Y <sup>3</sup>	Y <sup>5</sup>	Y <sup>2</sup>	—	Y <sup>6</sup>	Y <sup>3</sup>
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	—	Y	Y
3.	Does the policy conform to any national/international standards? If yes, specify? (50 words)	Yes. The policies conform to aspects of the nine principles of the NVGs for Business Responsibilities								
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/ Owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	—	Y	Y
5.	Does the company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?	<p><b>Executive Committee comprising of the Managing Director and other senior officials</b></p> <ul style="list-style-type: none"> <li>Ideate &amp; oversee sustainability governance across the company, and own the policies, accelerate progress and streamline the successful adoption of new sustainability related processes.</li> </ul> <p><b>Cross Functional Sustainability Committee</b></p> <ul style="list-style-type: none"> <li>Nominees from all functions coordinated by a dedicated Sustainability Officer put the sustainability framework in motion by driving implementation of agreed strategy and policy across the Company.</li> </ul>								
6.	Indicate the link for the policy to be viewed online?	#	-	-	-	-	-	-	-	-
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes. The policies have been communicated to all relevant stakeholders of Idea. Our communication with internal and external stakeholders on such matters is a continuous process.								
8.	Does the company have in-house structure to implement the policy/policies?	<p>There are defined management structures and oversight in place to oversee the implementation of all policies.</p> <ul style="list-style-type: none"> <li>Sustainability Cross Functional Team (CFT) / Committee in place.</li> <li>Executive Committee (EC) chaired by MD, leading from the front.</li> <li>EC Meeting, created CFT Sub Committees on: <ul style="list-style-type: none"> <li>Energy &amp; Emissions;</li> <li>Health &amp; Safety;</li> <li>Waste Management &amp; Supply Chain;</li> <li>Electro Magnetic Field (EMF) Radiation;</li> <li>Incident Management Tracking</li> </ul> </li> </ul>								

# Business Responsibility Report

## 2. Principle-wise (as per NVGs) BR policy/policies (Reply in Y/N)

		<ul style="list-style-type: none"> <li>Chief Technology Officer (CTO), designate Chief Sustainability Officer (CSO) with VP (Networks) : Champion sustainability.</li> <li>Corporate Networks Projects Department assigned responsibility to drive/roll out sustainability in Idea.</li> <li>Sustainability Officer/Subject Matter Expert (SME) appointed in September, 2013.</li> </ul>							
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	-	Y	-	Y	-	-	-
10	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Idea has an internal review mechanism for its key policies. Sustainability Dashboard created with Group level Central Sustainability Cell Office & Reporting to Business Review Council initiated from Q3 FY 2013-14.							

<sup>1</sup># Code of Conduct : [http://www.ideacellular.com/wps/wcm/connect/home/idea/investor\\_relation/code+of+conduct](http://www.ideacellular.com/wps/wcm/connect/home/idea/investor_relation/code+of+conduct)

<sup>2</sup> Safety Health and Environment Policy\*

<sup>3</sup> Policy on Mission, Vision & Values

<sup>4</sup> Policy on Prevention of Sexual Harassment

<sup>5</sup> Human Rights Policy\*

<sup>6</sup> Corporate Social Responsibility Policy\*

\*Safety, Health and Environment Policy Human Rights Policy, and Corporate Social Responsibility Policy were formally adopted in April, 2013.

## 2a. If answer to S.No. against any Principle is 'No', please explain why?

S. No.	Principle	Response
1	Principle 7 – Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	The Company plays a role in advocating on issues pertaining to the telecom sector, through participation in various industry forums, in which the senior management of the Company plays an active role in framing, reviewing, modifying relevant policies (described under Section E). The Company currently does not have a stated policy on policy advocacy. However Idea continues to assess the evolving business and regulatory environment in this regard.

## Section E: Principle-wise Performance

### Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

At Idea, the Vision, Mission and Values adopted by the Aditya Birla Group governs and guides all business activities and stakeholder interactions.

As a Pan India organization operating in diverse markets and cultures, the five core values – Integrity, Commitment, Passion, Seamlessness and Speed bind all employees of Idea. The senior management guides the employees of the Company and its subsidiaries along these values.

Idea is committed to taking decisions that are fair and acting in an honest manner following the highest standards of professionalism. Integrity is a cornerstone for all the Company's dealings, be it with customers, employees, suppliers, partners, shareholders, communities or the government. To maintain checks and balances on these values and policies, Idea has a robust consequence management process in place.

Along with the core values, the Company has adopted a Code of Conduct (Code) for Board Members and Senior Management, in compliance with the provisions of Clause 49 of the Listing Agreements. The Code is derived from three inter-linked fundamental principles of good corporate governance, good corporate citizenship and exemplary personal conduct. All Board Members and Senior Management personnel affirm their compliance to the Code annually.

The Company also has in place a Code of Conduct which requires all employees to transact with each other in a fair and dignified manner and remain diversity sensitive. Integrity in personal conduct, conduct at work, conflict of interest, and interface with the external world are all covered under this code.

Idea demands ethical conduct in business from its vendors. As a part of its policy on Health Safety and Environment, vendors must not engage in bribery, corruption or other unethical practices in order to gain competitive advantage.

At Idea, transparent and timely communication is encouraged to enable positive results and faster decisions. Transparent communication enhances the credibility of the management.

#### SEBI – BRR Questionnaire Responses for Principle 1:

1. *Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to group/joint ventures/suppliers/contractors/NGOs/Others*

The Company has adopted its own Code of Conduct which is based on the Aditya Birla Group Code of Conduct, which addresses the aspects of ethics, bribery and corruption. This is applicable to Group businesses, including the employees of Idea and its subsidiaries. The five core values - Integrity, Commitment, Passion, Seamlessness and Speed have also been adopted across the Aditya Birla Group. In addition, the Company's vendor/supplier contracts include clauses on ethical behavior, bribery and corruption.

2. *How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.*

No complaints were received during the year.

#### Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

Idea believes that integrating sustainability into the core business improves product quality and strengthens trust amongst the customers. The Company looks at sustainability in a way which allows its stakeholders to prosper while taking a proactive approach to managing environmental impact. This belief is reflected in the environmentally and socially responsible practices. Idea has adopted across the lifecycle of its operations, products and services.

Outlined below are some of the key sustainable initiatives adopted/being adopted by Idea:

- **Sustainable Innovation** – Idea has always been focusing on Green sustainable initiatives and have introduced an environment friendly material for Outdoor Signage called "ECO FLEX". This is tested in place of the conventional PVC Flex currently used for retail signage. An independent test report has been submitted by the vendor which confirms that ECO Flex does not have any chlorine and phthalate contents (harmful to environment and humans as they can cause serious carcinogenic health disorders). Moreover, ECO Flex is bio-degradable and can be recycled unlike PVC flex. In FY 2013-14, the company has conducted a successful Pilot in 2 circles (Mumbai & Bangalore) and the initiative is now being rolled-out nationally.

- **Recharge Vouchers** – In FY 2013-14, the ratio of electronic recharges has improved by 3.2% over paper recharges over the year. This has led to reduction in printing of paper coupons and thereby savings of over 7,400 trees on an annual basis.
- **Paper conservation through customer E-billing** - In line with the 'Save Paper, Save Trees' campaign, Idea undertook various initiatives in this year to increase E-billing of postpaid subscribers. Customers were incentivized to opt for an E-bill over physical bill and sustained focused efforts towards this objective led to increase in our E-bill penetration by 7% in FY 2013-14. E-billing now contributes to saving over 12,300 trees on an annual basis.
- **Compliance on EMF radiation** related regulation is another business priority at Idea. The Company has made significant monetary investment in the purchase of EMF monitoring equipment and is compliant with existing Department of Telecommunications (DoT) regulations. The Company is proactive in policy development and public education initiatives led by the Cellular Operators Association of India (COAI) on the issue of EMF. A senior company official also heads the sub-committee on EMF. Idea has strengthened the internal systems and processes to meet EMF compliance guidelines. Resources for meeting compliance have been appointed in all the circles. The company has been working with COAI on the EMF portal as specified by DoT.

#### SEBI – BRR Questionnaire Responses for Principle 2:

1. *List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.*

Following is an example of the Company's product/service features that incorporate the aspect of environmental conservation:

PVC Flex used for printing in the outdoor glows sign box will now get manufactured by using ECO Flex. This material is bio-degradable and can be recycled. It also does not contain chlorine and phthalate contents which are harmful to the environment and human beings. In FY 2013-14, the Company has conducted a successful Pilot in 2 circles (Mumbai & Bangalore) and the initiative is now being rolled-out nationally.

2. *For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional). (i) Reduction during sourcing/production/distribution achieved since previous year throughout the value chain; (ii) Reduction during usage by consumers (energy, water) has been achieved since the previous year.*

# Business Responsibility Report

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With respect to the environmental initiative listed above, the corresponding resource conservation is as follows:

Basis the working provided by the company's vendor, it is expected that almost 918 trees can be saved in a year assuming we switch over to this material on a Pan India basis.

3. *Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.*

Idea has already adopted a variety of environmentally conscious transportation practices, including route optimization, vehicle optimization and co-loading of shipment. Further, the Company seeks vendor commitments to good sustainability practices before registering them on board. In this regard, the Company in FY 2013-14 has revised the code for Idea Suppliers to address sustainable sourcing covering waste management, health and safety, child labour and environment. A copy of the same is also available on the Idea Supplier Portal.

4. *Has the company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?*

Idea is committed to provide skill development and employment to local businesses in rural areas through commissioning of call centres in non-metro towns and recruitment of rural youth for local sales operations under the 'Son of Soil' initiative. A large portion of the procured goods and services are de-centralized to local offices in various states.

5. *Does the company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.*

Recycling and environmentally safe disposal of waste is an integral aspect of the Company's environmental commitment. In this regard, as per the Company's policy on scrap and waste, it is ensured that waste generated is channelized to authorized collection centres or registered dismantler(s) or recycler(s) or is returned to the pick-up or take back services provided by the producers (original manufacturers).

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**Principle 3: Businesses should promote the well-being of all employees**

Idea is a part of the Aditya Birla Group and has a strong focus on values. The Company encourages living the Group values

of Integrity, Passion, Seamlessness, Commitment and Speed. There are clearly articulated norms in the Group Standards with respect to customers, partners, employees, investors, government and communities.

All employees are taken through a structured values workshop on joining the organization. There are also reward and recognition programmes to positively motivate the employees to adhere to the prescribed values. There are Value Councils set up both at Circle and Corporate level to address any violation of the values.

Idea believes that human capital plays a vital role in the firm's ability to compete in the global economy and considers it at the heart of its success. To this end, Idea strives to foster a working environment which is conducive for a productive workforce, and ensures their continued well-being and development. Idea believes that an energetic, intuitive zeal from emotional engagement makes work joyful and inspires every employee to give his/her best to the organizational vision and objectives.

The importance, the Company places on its human resources is evident in the Chairman's belief given below:

*"Without 'people power' even the best of operational and strategic thinking will come to naught"*- Chairman, Idea.

In order to achieve the goals of employee well-being and development, the Company has adopted the following specific policies:

- Whistleblower Policy
- Safety, Occupational Health and Environment Policy
- Human Rights Policy
- Policy to Prevent Sexual Harassment at the Workplace
- Training Policy
- Continuing Education Policy
- Grievance Redressal Mechanism

Idea has been able to maintain a high level of employee motivation along with sustaining growth in an extremely challenging business environment. The scores on employee engagement and internal communication at Idea have improved steadily over the years. The rate of participation of employees in various surveys as well as the satisfaction levels have also improved significantly. As a result of its strong focus on human resources development, Idea enjoys high levels of employee satisfaction and retention.

Health and Safety of employees is a major area of focus for Company's HR. We have several internal and external programmes and tie-ups to ensure good health and safety of our employees. Being Part of the Aditya Birla Group (ABG), Idea has implemented the ABG Code Red Programme. As part of the programme there is a tie up with:

1. International SOS: It provides integrated medical, clinical, and security services to organizations with international operations. Services include planning and preventative programmes, in-country expertise, and emergency response.
2. Apollo Hospitals - Emergency Medical Services.
3. The Company has Code Red volunteers across the Group.

Besides there are regular training programmes, awareness raising e-mailers on health and safety of employees. Idea conducts Safety Audits on half yearly basis. This comprises of audit of all safety equipment of Fire Suppression systems, VESDA etc. Besides, there are half yearly Fire and Evacuation drills across all Circle locations. Further, ISO 27001 Certification user awareness training was conducted for all employees located at the Data Centre.

Respect for employee rights and genuine needs, which include non-discrimination, work-life balance, safety and dignity, forms the basis of the Company's policies and practices. The Company follows all applicable legal requirements in this regard.

Idea relentlessly works on monetary and non-monetary recognition systems to reward employees for their achievements. This reinforces faith in shared values and strengthens the organizational culture, while helping it to retain employees.

To create a culture for mid-career education that aids in development of employees through knowledge and skills enhancement, Idea has adopted the ABC's Continuing Education Policy to help employees become more effective in their current and future roles.

In order to develop and build an environment that facilitates employee development, encourages open and transparent communication, Idea has instituted various initiatives, some of which are outlined below:

- !INVEST - Framework for enabling career conversations
- !Aspire - Framework of internal development centres for high potential and high performing employees
- !Evolve - 'Competency based grid' training framework to develop people through different interventions on competencies
- !Mitra - Employee query / request management tool
- Pragya Initiative - Building a culture of inclusion based on gender diversity

Further, Idea actively engages with its employees through various forums like 'Samvaad', 'MD's chat', 'Team Meets/ Town Halls' and 'Idea Connect'.

In an effort to enhance employee satisfaction, the Company has developed a formal process ('VOICE') which provides the employees across the organization a platform to voice any unresolved workplace concerns and seek resolution in a fair and transparent manner. Under this initiative, Employee Satisfaction Champions and Employee Satisfaction Teams have been entrusted with the task of addressing employee concerns as per a defined process.

#### SEBI - BRR Questionnaire Responses for Principle 3:

##### 1. Please indicate the total number of employees:

The Company has 10,505 regular employees as on March 31, 2014.

##### 2. Please indicate the total number of employees hired on temporary/contractual/casual basis:

The Company has 9,871 employees on temporary/contractual/casual basis as on March 31, 2014.

##### 3. Please indicate the number of permanent women employees:

Idea has 771 permanent women employees.

##### 4. Please indicate the number of permanent employees with disabilities

Data not available for this category.

##### 5. Do you have an employee association that is recognized by management?

The Company has no employee association.

##### 6. What percentage of your permanent employees is members of this recognized employee association?

The Company has no employee association.

##### 7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No case reported relating to child labour, forced labour, involuntary labour and sexual harassment in the last Financial Year.

##### 8. What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year? - Permanent Employees, Permanent Women Employees, Casual/Temporary/Contractual Employees, Employees with Disabilities

Total training man-days for the Company in FY 2013-14 = 50,251.

Average training man-days per employee = 5.80 for FY 2013-14.

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Total training man-days given to sales team in FY 2013-14 = 6,207.

Safety drills and evacuation are conducted across all offices on an annual basis.

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**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.**

Idea recognizes the critical role played by internal (employees) and external (adjudicators, courts, licensors, industry associations, regulators, network operators and subscribers) stakeholders in its sustainability agenda, and strives to align its social, environment and economic performance with stakeholder needs and expectations. The Company formally engages with its stakeholders to identify and work towards meeting their expectations.

Idea's inclusive growth plan encourages its partners to employ physically challenged people at its call centres. Idea also encourages employment of women at its service centres as front end executives. Idea is focused on expanding its services in rural areas and promotes schemes such as minimum top up of ₹ 10/- in order to provide affordable access to communication to the economically disadvantaged population. Idea has set-up its rural distribution network to cater to customers far away from the urban centres with its vast variety of services. As of March 31, 2014, the Company has 4,180 Rural Service Centres (Idea Points and Idea Service Points) across 4,105 rural towns. Products with starting prices as low as INR 4 or 5 ensure that everyone can experience these products while ensuring value for their money. In order to cater to remote communities, Idea organizes camps in rural areas where customers are unable to easily access its service centres. The Company has also set up call centres in Tier 2 and Tier 3 cities employing 10,300 call centre agents in these towns so as to reach out to the rural customers. Idea also provides Interactive Voice Response (IVR) in 17 regional languages so that customers are able to understand and avail of various services. Other than the usual applications, Idea has launched several mobile applications aimed at improving information access and quality of life for non-urban communities across the country, which are often economically disadvantaged. These initiatives pertain to education and learning, mobile banking, agricultural information, health and safety, government schemes and employment generation. Details of such initiatives are provided under Principle 8 below.

## SEBI – BRR Questionnaire Responses for Principle 4:

### 1. *Has the company mapped its internal and external stakeholders?*

Idea has mapped its key internal and external stakeholders, which include employees, adjudicators, courts, licensors, industry associations, regulators, network operators and subscribers.

### 2. *Out of the above, has the company identified the disadvantaged, vulnerable and marginalized stakeholders?*

Idea is a Pan India integrated GSM operator offering 2G and 3G services, and has achieved deep rural penetration. Idea has succeeded in reaching out to 67% of the village population in India corresponding to 53% of villages in India. Under the project "Idea Care", the Company is running over 3,500 My Idea Service centres, Idea Points and Idea Service Points. These three variant service centre models are spread over 3,400 villages and small towns through over 3,500 sales executives catering to the sales and service requirements of rural and peri-urban subscribers of the Company.

Details of schemes and mobile applications addressing the needs of this demographic are detailed in the above section.

### 3. *Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.*

With regard to the rural, geographically remote and economically challenged population in the country, the Company recognizes its responsibility to improve their development and well-being through generation of local employment and deployment of various rural-focused mobile solutions. Idea's efforts towards job creation for women and rural youth are described above, while its unique mobile-based applications for health, education and financial inclusion are described under Principle 8 below.

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## Principle 5: Businesses should respect and promote human rights

Idea upholds a culture of respect and support for human rights. The Company believes that, regardless of nationality, gender or religion of all its employees should be able to live with social and economic dignity and with freedom.

The Company complies with all applicable local, state and national laws regarding human rights and workers' rights where ever it does business.

Idea has also recently adopted a Human Rights Policy which reinforces its commitment to human rights issues. The policy outlines the Company's commitment to developing a culture of respect and support for human rights, which include diversity in workplace, provision of secure environment for all personnel, proactive communication and contribution to socio-economic development of communities where the Company operates.

The Human Rights Policy further encourages the Company's key suppliers to uphold human rights in their operations and communities and reinforce awareness on these issues. The Company's key vendor/supplier contracts include clauses

addressing human rights aspects such as abolition of forced and child labour, worker safety and hygiene, absence of abuse and intimidation etc.

#### SEBI – BRR Questionnaire Responses for Principle 5:

**1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**

The Company's Human Rights Policy is applicable to all employees of Idea and its subsidiaries and suppliers.

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

No complaints related to human rights were received in the past Financial Year.

#### Principle 6: Business should respect, protect, and make efforts to restore the environment

Idea has consistently been sensitive to the environmental impact of Telecom Network operations and in the forefront of adopting environmental sustainable practices whenever such opportunities were/are available. Idea continued to expand the scope of 'Green Idea' in 2013 with the following objectives:

- Reduce Carbon Emissions at the existing and new Telecom sites of Idea, by increasing the Renewable Energy Technologies (RET) deployments to more sites.
- Adopt better battery hybrid solutions to reduce consumption.
- Continue with the procurement of most energy efficient Telecom Hardware.

The track record of FY 2013-14 stands as below:

- Hydrogen Fuel Cell-Grid Hybrid Solution for powering telecom sites operational in 20 sites.
- Solar-DG Hybrid Solutions for powering sites in about 1,200 sites.
- 100% procurement in last 12 months confirmed to highest energy efficient category.

Some of the tangible outcome of those activities/initiatives include:

- Reduction in Carbon Emission** is to the extent of 12 Tons per site per annum. A total of 1,220 sites are operational as on date, resulting into reduction of about 14,400 Tons of CO<sub>2</sub> per annum.
- Contribution to the Community:** There is no noise and CO<sub>2</sub> emission resulting into a no-pollution environment for the local community.

**3. Contributing to Greener Economy:** The DG running has been reduced by 6 - 8 hours per day, on an average, saving approximately 17,000 litres of diesel for 1,200 sites. Reduction in diesel consumption is contributing not only to greener economy but also to the national economy by reducing the use of subsidized diesel.

**4. Contribution to Industry:** Idea's Hydrogen Fuel Cell-Grid Hybrid solutions are the first of its kind of commercial deployment in India for running Telecom sites. This model has been much appreciated and has motivated other Industry players to emulate the same.

**5. Induction of Energy Efficient Hardware:** More than 75% of Idea's Base Transceiver Stations (BTS) sites procured in FY 2013-14 are 40% more energy efficient than the existing models e.g. RUS BTS sites from Ericsson and Multi Radios from NSN. This will significantly reduce the energy consumption.

Idea has adopted only commercially viable models which offered business benefits to all stakeholders involved. Reduction in CO<sub>2</sub> emission and in Operating costs was achieved in all the initiatives undertaken, the major ones are listed below:

- Idea spearheaded passive infrastructure sharing in 2001, far ahead of other Industry players. Today more than 88% of Idea BTS sites are operating from shared locations contributing hugely to reduction in both CO<sub>2</sub> emission and operating costs.
- Idea adopted the deployment of outdoor BTS sites as soon as the technology was commercially available. This initiative helped reduce energy consumption, thereby further reducing both CO<sub>2</sub> emission and energy costs.
- As early as 2006, Idea along with GSMA completed a project for using Bio-fuel for running diesel generators. It was marginally cheaper than commercial diesel and emissions were also considerably lesser than the fossil fuel.
- Under the umbrella of Green Idea, all viable Renewable Energy Technology (RET) solutions are evaluated and inducted for site operations.

#### Going Forward:

This year Idea is rolling out two unique Solar projects for carbon abatement:

- On Site Solar implementation:** In this case, as per the space availability at the roof of the MSC buildings, Solar Plant shall be deployed and the generated power directly fed to the load. This will reduce the power being drawn from the Grid or the load on the DG reducing the Diesel consumption.
- Off Site Solar Deployment:** This is based on the open access regulation prevailing in the country, where the

# Business Responsibility Report

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Idea partner will generate power from a Mega Watt Solar plant, at a remote place and feed it to Grid. The identified HT connected load of Idea shall use the power credit from the Solar plant for settling the energy settlement with the distribution Company.

- **Idea – USTDA Pilot project on clean energy for telecom towers:** United States Trade Development Agency (USTDA) in funding a pilot project in India at five Idea sites to demonstrate a solar Hybrid Methanol based fuel cell technology that can replace diesel engine generators at telecom tower sites in India. This project is fully funded by USTDA and is about USD 1 million.
- **Indoor to Outdoor conversion:** Idea is judiciously converting Indoor BTS sites to Outdoor BTS, taking advantage of the high temperature operational capabilities of new generation BTS. This is a consumption reduction initiative.

## SEBI – BRR Questionnaire Responses for Principle 6:

1. *Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others?*

The Safety, Health and Environment Policy extends to the Company and its subsidiaries, as well as to its third party vendors/suppliers.

2. *Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.*

Yes.

Idea has started its sustainability journey with special focus on energy efficiency and emission reduction. This ultimately endorses the company's commitment to addressing global environmental issues such as climate change and global warming. The emission levels of the Network is base lined as of FY 2012 and being tracked half yearly. Under this initiative, more than 800 telecom sites are operational with solar hybrid energy solutions, 20 sites are operational with hydrogen fuel cell hybrid solutions and more than 400 sites are operational with fast charging battery hybrid solutions. More examples of key initiatives are described under Principle 2, 6 and 8 in this section of the Business Responsibility Report.

3. *Does the company identify and assess potential environmental risks? Y/N*

Idea has consistently been sensitive to the environmental impact of Telecom Network operations and in the forefront of adopting environmental sustainable practices, whenever such opportunities were/are available. This very endeavour led to the Green

**Idea Programme towards Carbon emission reduction by way of:**

- Using Renewable Energy Technologies (RET) for powering towers during grid failure.
- Using highly energy efficient hardware
- Reducing Diesel Generator (DG) Running thereby reducing diesel consumption
- Optimizing Air Conditioner operations
- Idea introduced the use of Hydrogen Fuel Cells for the first time in the history of the Indian Telecom Industry for running BTS sites.

In all such cases, Idea adopted only commercially viable models which offered business benefits to all stakeholders involved. Reduction in CO<sub>2</sub> emission and reduction in operating costs were the driving forces in all its initiatives.

Further, sustainability issues are being added to the Business Risk Register. For example, EMF and physical risks considered & mitigation plan in draft stage. A dedicated Enterprise Risk Management (ERM) structure is in place and the same is quarterly reviewed by Executive Committee (EC) of the Company. Further, a comprehensive crisis plan is in place and schedule established. Under this, the Company has an IT disaster recovery plan in place.

4. *Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?*

Idea does not have any project related to Clean Development Mechanism.

5. *Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.*

Idea has adopted cleaner and non-conventional energy sources such as fuel cell hybrid and solar hybrid technology across several of its BTS sites, apart from installation of energy efficient hardware. Details of these initiatives are provided above in Section 6.

6. *Are the emissions/waste generated by the company within the permissible limits given by CPCB/SPCB for the Financial Year being reported?*

Idea gives utmost importance to the issue of emissions and waste generated from its operations and follows all pertinent Government guidelines to be environment friendly. EMF radiation and its commitment in this regard is evident from the Company's stringent monitoring systems and financial investment in



emissions testing equipment. All the Company's network sites are in compliance with the relevant radiation limits prescribed by the regulatory agency.

**7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

Two legal notices received from CPCB/SPCB, which are pending as at the end of Financial Year.

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

As one of the largest mobile operators in the country, Idea recognizes its potential to advocate for policies that will allow the overall socio-economic growth of the country, including the role of the telecom sector for promoting development, inclusive growth and information access. Idea is an active member of the following national and international industry associations (either directly or through its subsidiaries):

- Confederation of Indian Industry (CII)
- The Associated Chambers of Commerce and Industry of India (ASSOCHAM)
- Federation of Indian Chambers of Commerce and Industry (FICCI)
- Cellular Operators Association of India (COAI)
- GSM Association (GSMA)

Through its membership in the above bodies, Idea actively participates in policy development on several issues pertaining to the telecom industry, including the TRAI Directives on Green Telecom and EMF directives of DoT related regulations. In addition, Idea is a member of the CII National Committee on Telecom and Broadband, which actively advocates on telecom industry issues such as inclusive growth, rural telecom, driving higher quality of service and security for customers and industry challenges and opportunities. The Company's Managing Director was the Chairman of COAI during FY 2013-14 and Idea is also the principal sponsor of the IIMA Idea Telecom Centre of Excellence (IITCOE) at the Indian Institute of Management, Ahmedabad (IIM-A). The Centre came into existence in 2007 as a result of a tripartite Memorandum of Understanding (MoU) between the Company, the DoT and IIM-A. The Idea Telecom Centre of Excellence, along with other TCoEs, is playing an instrumental role in capacity building and all round growth of the Indian telecom industry (including manufacturing through Application Research). It also serves as a think tank to the Government and industry decision makers.

**SEBI – BRR Questionnaire Responses for Principle 7:**

**1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with.**

Idea is a member of several key Indian and global industry associations. Some of these are:

- Cellular Operators Association of India (COAI)
- GSM Association (GSMA)
- Confederation of Indian Industry (CII)
- Federation of Indian Chambers of Commerce and Industry (FICCI)
- The Associated Chambers of Commerce and Industry of India (ASSOCHAM)

**2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, others).**

Idea is a core member of the COAI. The industry body is the lead interlocutor between the policymaker (DoT), the Regulator (TRAI), and the ecosystem at large. The association has been involved in facilitating a smooth and productive dialogue on behalf of the operators in the country, on various public policy matters such as driving rural penetration of telecom, higher quality of service and security for customers, environmental issues in telecom, innovation and technology etc.

Idea is also part of the Idea-IIMA Telecom Centre of Excellence (IITCOE) which is actively involved in creating better telecom standards and technological excellence in this field.

**Principle 8: Businesses should support inclusive growth and equitable development**

As part of a corporate group committed to societal growth and development, Idea considers community development and nation-building as key components of its sustainability strategy.

Idea is a fully integrated telecom services provider offering its 121.6 million mobile subscribers a choice of national, international and internet services. The Company's services are available in 4,634 census towns and 298,686 villages across India. Moreover, the Company's rural penetration was more than 50% by the end of fifth year from issuance of its license, which is more than its licensing obligation.

Idea has adopted a Corporate Social Responsibility (CSR) Policy, which aims at community development with a focus

# Business Responsibility Report

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on education, health care, sustainable livelihood, infrastructure development and espousing various social causes.

As a telecom company, Idea believes in harnessing the transformational potential of mobile telephony and information technology to develop a better society, cleaner environment, improving the quality of life and nation-building through creative and innovative applications. Idea's contribution towards achieving inclusive growth and equitable development include the unique initiatives described below:

- **HPCL and IOCL Gas booking system** – Idea has successfully provided first of its kind IVRS based LPG gas booking solution to IOCL and HPCL who are among fortune 500 companies and among Navratnas in the country. The solution has made it convenient for millions of Indians to book LPG from their mobile phone round the clock.
- **'Son of Soil'** - Rural youth is recruited for day to day sales operations in villages. This initiative not only provides employment for local communities but also helps to build sustained relationship with the rural population.
- **Mobile Banking** – Given that India has more than 70% mobile penetration and only 35% of the population has access to banking facilities, mobile banking addresses the critical issue of financial inclusion. Idea Mobile Commerce Service Ltd., a 100% subsidiary of Idea Cellular Ltd, launched a pilot project in association with Axis Bank, wherein the bank leveraged the strength of Idea's mobile subscriber base and distribution reach. The pilot project begun in October, 2011 and lasted till May 2012 in selected areas of Dharavi (Mumbai) and Allahabad (Uttar Pradesh - East), under the brand name of 'Idea MyCash'. Based on the encouraging response, the commercial service was rolled out on August 1, 2012 in selected districts of Uttar Pradesh (East), Bihar, Delhi and Mumbai telecom circles. Moreover, basic banking services like Cash Deposit, Cash Withdrawal, Recharges, Direct To Home (DTH) Recharge, Utility Payments, Remittance to MyCash customers etc. are being offered, and are receiving encouraging response.
- **Nokia Life Tools** – Idea was the first GSM operator in India to collaborate with Nokia to provide Nokia Life Tools, a range of innovative agriculture information, educational and entertainment services to non-urban customers. These services are designed to help overcome information constraints and improve quality of life for the next generation of mobile users.
- **'Behtar Zindagi'** - An initiative mainly for rural population which provides information on following aspects over mobile phones:

- Agriculture (crops and cultivation)
- Weather forecast and advisory
- Livestock management
- Inland and coastal fisheries
- Health
- Education
- Finance

In addition to the above, Idea is also associated with non-governmental organizations such as Teach India and Give India, where Company employees are encouraged to participate and volunteer their time and knowledge for societal development and nation-building.

## SEBI – BRR Questionnaire Responses for Principle 8:

1. *Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.*

Idea has adopted a Corporate Social Responsibility (CSR) policy which outlines its vision to “actively contribute to the social and economic development of the communities in which we operate. In so doing build a better, sustainable way of life for the weaker sections of society and raise the country's human development index.” The focus areas of the Company's CSR strategy are Education, Healthcare, Sustainable Livelihood, Infrastructure Development and Social Change.

Company donates large amount of money and resources through Give India Foundation and participates actively in Joy of Giving celebrations. Highlights of the annual Joy week are blood donation camps, sharing clothes and linens with Goonj foundation and supporting NGOs across the country working for education, health and social welfare of deprived classes/communities.

2. *Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?*

The Aditya Birla Centre for Community Initiatives and Rural Development provides the overall CSR vision under the leadership of its Chairperson, Mrs. Rajashree Birla. The Company's CSR efforts are supported by a robust implementation structure, which includes a team of dedicated professionals, is in place at the Company units. The CSR strategy also includes collaborative partnerships with the Government, District Authorities, Village Panchayats, Non-Governmental Organizations and other like-minded stakeholders. In collaboration with FICCI, the Aditya Birla CSR Centre for Excellence

has also been established with an aim of making CSR an integral part of corporate culture.

Idea also engages with well-established and recognized programmes and national platforms such as the CII, FICCI, ASSOCHAM, given their commitment to inclusive growth. Number of initiatives are undertaken at the unit level to participate in supporting various causes for underprivileged in our society.

**3. *Have you done any impact assessment of your initiative?***

In order to measure the impact of its CSR projects, the Aditya Birla Centre for Community Initiatives and Rural Development engages external agencies to conduct a social satisfaction surveys and audit.

**4. *What is your company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?***

As an Aditya Birla Group Company, Idea actively contributes to the Group's CSR activities and has continued to do so during the reporting period. The CSR projects undertaken fall under the broad focus areas of infrastructure development, health care, sustainable livelihood, and education.

**5. *Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.***

As part of its focus on rural penetration, Idea has developed mobile applications for the rural population and provides employment opportunities to rural youth through initiatives such as 'Son of Soil', as described in detail under Principle 8. Providing affordable telecommunication access to rural population is Idea's contribution to sustainable development in India.

transparent manner by displaying all the tariff plans on the web in an unambiguous manner. This information is easily accessible to customers either by telecom circle or by package. Idea addresses its customers' need to be constantly updated about their usage through instantaneous pop-up messages informing them about their data consumption and balance left. The Company also installs its network devices in a way that maintains data integrity, confidentiality and availability while preventing unauthorized use of confidential data.

Idea always focuses on meeting and exceeding customer needs. Some innovative initiatives in this regard include a quick and easy way of 'Electronic top-up' for recharging accounts, camps in rural areas for providing education on mobile, and provision of customer care services in vernacular languages. Idea has also introduced several value-added services (VAS) focusing on education, health and family care for rural population. At urban locations, kiosks are set up at select My Ideas (Service Centres) to create awareness about 3G services that the Company offers.

Customer satisfaction is of prime importance to the Company. A customer satisfaction (C-SAT) study is conducted thrice a year in order to track the quality of customer experience with company's product and services and to benchmark the company's performance with respect to its competitors. Idea attained joint first rank in customer satisfaction in FY 2013-14. Over the past one year, focused activities were taken up to retain and strengthen Idea's customer relationships which have resulted in Idea moving to clear first rank as on March, 2014.

Idea acknowledges the needs of 3G customers through conducting focused diagnostic study amongst these customers to understand and address their specific network, product, communication and service expectations. Idea's Loyalty segment customers too are covered through a similar programme.

Idea also conducts other consumer satisfaction surveys such as 'Process Experience Survey', 'Mystery Audits at Service Centres', 'Post Paid Lost Customer Assessment', and 'Franchisee Satisfaction Survey' during the course of the year to get customer feedback and undertake corrective actions and initiatives. With increasing footprint in the Enterprise business, Idea carries out focused studies amongst decision makers and users of all Enterprise segments, to address their needs.

With a view to inculcate high velocity feedback programmes, Idea has also started an in-house call centre experience feedback programme amongst its select Service+ segment customers, aimed at driving continuous and systemic improvements through regular feedback loops.

Idea has an additional feedback taken from customers on a daily basis is Instant Customer Feedback (ICF) wherein, an SMS is sent to customers seeking feedback on the quality of service provided to him after he / she has contacted any of

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner**

Idea believes that customers form the foundation of its business success. The Company's focus on customers derives from its Value Book, which emphasizes the need to respond to internal and external customers with a sense of urgency, continuously striving to finish before deadline, and choosing the best rhythm to optimize organizational efficiencies.

In order to accomplish the Company's mission "We will delight our customers while meeting their individual communication needs anytime anywhere", it constantly work towards meeting customer needs, adding value and exceeding their expectations. The Company strongly believes that it should be upfront and honest about its operations with customers. Hence, it engages with its customers in a

# Business Responsibility Report

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the company's touch points. This on-going Instant feedback from customers helps in improving the company's processes. After the surveys are completed, the results are presented to the senior management team and detailed action plans are prepared specific to all the concerned functions. The same are tracked at periodic intervals to ensure that the execution meets the planning requirements leading to higher customer satisfaction.

## SEBI – BRR Questionnaire Responses for Principle 9:

**1. *What percentage of customer complaints/consumer cases is pending as on the end of financial year?***

Out of the total calls received by the company from customers, approximately 2% are related to complaints. 0.46% of the total complaints received during FY 2013-14 were in an open stage as on March 31, 2014. The rest were closed satisfactorily.

**2. *Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A /Remarks***

The Company adheres to all product labeling and product information requirements as per the law of the land. Transparency in tariff through detailed plans being

available on the website for consumers and focus on responsible advertising is the hallmark of Idea.

**3. *Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.***

There are no cases pending in relation to unfair trade practices, irresponsible advertising and/or anti-competitive behavior. However, dissatisfied subscribers of the Company generally file their cases in consumer protection forums for alleged deficiency in expected level of service by the Company, in the normal course of business, which the Company defends appropriately. Some of these cases are pending with such forums.

**4. *Did your company carry out any consumer survey/ consumer satisfaction trends?***

Idea conducts a C-SAT survey every quarter as well as other assessment surveys such as 'Process Experience Survey', 'Mystery Audits at Service Centres', 'Post Paid Lost Customer Assessment', and 'Franchisee Satisfaction Survey'.

## Independent Auditors' Report

To the Members of  
Idea Cellular Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of IDEA CELLULAR LIMITED ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

### Emphasis of Matter

We draw attention to Note 31 (i) to the financial statements. The Department of Telecommunication (DoT) has issued demand notices dated 8<sup>th</sup> January 2013 towards one time spectrum charges for spectrum held by the Company beyond 6.2 Mhz for the period from 1<sup>st</sup> July 2008 to 31<sup>st</sup> December 2012 amounting to ₹ 3,691.30 Mn. and beyond 4.4 Mhz for the period from 1<sup>st</sup> January 2013 till the expiry of the license amounting to ₹ 17,443.70 Mn. in the respective telecom service areas. In the opinion of the Company, inter-alia, the above demand amounts to alteration of financial terms of the licenses issued in the past. The Company therefore filed a petition before the Hon'ble High Court of Bombay, which has directed DoT, not to take any coercive action until the matter is further heard.

The financial impact of the abovementioned matter is dependent upon the outcome of the petition filed by

## Independent Auditors' Report

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Company in the Hon'ble High Court of Bombay and therefore no effect for the one time spectrum charges has been given in these financial statements.

Our opinion is not qualified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (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 Statement of Profit and Loss, 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 Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs).
- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

Khurshed Pastakia  
(Partner)  
(Membership No. 31544)

Place: Mumbai  
Date : 28<sup>th</sup> April, 2014

## Annexure to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section 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 Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. 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. The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered 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 is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the rendering of services. During the course of our audit, we have not observed any major weaknesses in such internal control system.
5. In our opinion and according to the information and explanations given to us, there were no contracts or arrangements, particulars of which needed to be entered in the register maintained under section 301 of the Companies Act, 1956.
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 cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 and The Cost Accounting Records (Telecommunication Industry) Rules, 2011 prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine 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 Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Cess and other material statutory dues in arrears, as at 31<sup>st</sup> March 2014 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 31<sup>st</sup> March 2014 by the Company on account of disputes are given below:

# Independent Auditors' Report

Name of the Statute	Nature of Dues	Period to which the amount pertains	Amount (₹ Mn)	Forum where the dispute is pending
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	State Tax Tribunal
Himachal Pradesh Entry Tax Act, 2010	Entry Tax	2010 to 14	49.50	Asst. Excise & Taxation Commissioner
Karnataka Tax on Entry of Goods Act, 1979	Entry Tax	2004-05	8.92	High Court of Karnataka
MP Entry Tax Act, 1976	Entry Tax	1998 to 01	0.13	Asst. Commissioner, Entry Tax
MP Entry Tax Act, 1976	Entry Tax	2006-07	0.00	CG Appellate Board
MP Entry Tax Act, 1976	Entry Tax	1998 to 01, 2005-2006, 2007 to 11	88.54	Madhya Pradesh High Court
MP Entry Tax Act, 1976	Entry Tax	2002 to 06	7.36	State Tax Tribunal
The Uttar Pradesh Tax on Entry of Goods Act, 2000	Entry Tax	1999-00, 2001 to 04, 2006-07	5.88	High Court Allahabad
The Uttar Pradesh Tax on Entry of Goods Act, 2000	Entry Tax	2004-05	2.08	Joint Commissioner (Appeals)
The Uttar Pradesh Tax on Entry of Goods Act, 2000	Entry Tax	2007-08	8.48	State Tax Tribunal
Uttar Pradesh Trade Tax Act, 1948	Entry Tax	2005-06	0.17	Additional Commissioner (Appeals)
Uttar Pradesh Trade Tax Act, 1948	Entry Tax	2008 to 10	8.27	State Tax Tribunal
Uttar Pradesh Trade Tax Act, 1948 (UTTRAKHAND AMENDEMENT)	Entry Tax	2001 to 04	0.57	High Court Nainital
Orissa Entry Tax Act, 1999	Entry Tax	Nov-08 to Oct-09	5.20	Hon'ble Supreme Court
The Jammu & Kashmir Entry Tax on Goods Act, 2000	Entry Tax	2009 to 13	77.42	Srinagar High Court
Rajasthan Tax On Entry Of Goods Into Local Areas Act, 1999	Entry Tax	2008 to 11	10.87	Rajasthan High Court
Income Tax Act, 1961	Income Tax	Jan-08 to Mar-08, Jul-08 to Sep-08, Jan-09 to Mar-09, 2007 to 13	2,502.62	Assessing officer
Income Tax Act, 1961	Income Tax	2002 to 13	14,755.56	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	2007 to 10	0.32	Gujarat High Court
Income Tax Act, 1961	Income Tax	2000-01, 2002 to 05	4.15	High Court of Karnataka
Income Tax Act, 1961	Income Tax	2004-05, 2008 to 11, 2011-12 Q1 and Q2	103.16	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	2010 to 12	371.71	Joint Commissioner of Income Tax (Appeals)
Central Sales Tax Act, 1956	Sales Tax	2008-09	3.92	Deputy Commissioner, Sales Tax
Delhi Sales Tax Act, 1975	Sales Tax	2004-05	89.21	Additional Commissioner (Appeals)
Delhi Value Added Tax Act, 2004	Sales Tax	2007-08	11.84	State Tax Tribunal
Gujarat Sales Tax Act, 1969	Sales Tax	Apr-06 to Dec-06	0.83	Assessing officer
Gujarat Sales Tax Act, 1969	Sales Tax	1998 to 02	7.04	State Tax Tribunal
Kerala Sales tax Act, 1963	Sales Tax	1998-99	0.06	Deputy Commissioner, Sales Tax
Kerala Sales tax Act, 1963	Sales Tax	1997-98	0.05	State Tax Tribunal
Kerala VAT Act, 2003	Sales Tax	2011-12	1.38	Asst. Commissioner, VAT
Kerala VAT Act, 2003	Sales Tax	2012-13	0.07	Commercial Tax Officer
Kerala VAT Act, 2003	Sales Tax	2005-06, 2013-14	0.52	Intelligence Officer
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax	2000-01	0.31	CG Appellate Board
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax	2010-11	2.14	Deputy Commissioner (Appeals)
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax	2003 to 06, 2007 to 10	24.57	State Tax Tribunal
Maharashtra Value Added Tax Act, 2002	Sales Tax	2008-09	308.42	Deputy Commissioner, Sales Tax



Name of the Statute	Nature of Dues	Period to which the amount pertains	Amount (₹ Mn)	Forum where the dispute is pending
Punjab VAT Act, 2005	Sales Tax	2006 to 08	61.56	Asst. Excise & Taxation Commissioner
The Bihar Value Added Tax Act, 2005	Sales Tax	2010 to 13	14.88	Joint Commissioner (Appeals)
The Bihar Value Added Tax Act, 2005	Sales Tax	2008-09	1.60	State Tax Tribunal
The Jammu & Kashmir General Sales Tax Act, 1962	Sales Tax	2009 to 14	188.76	Srinagar High Court
Uttar Pradesh Value Added Tax Act, 2008	Sales Tax	2005-06, 2008 to 10	0.38	Joint Commissioner (Appeals)
Uttar Pradesh Value Added Tax Act, 2008	Sales Tax	2012 to 14	3.86	Assessing officer
Uttar Pradesh Value Added Tax Act, 2008	Sales Tax	Apr-07 to Dec-07	2.73	High Court Allahabad
Uttar Pradesh Value Added Tax Act, 2008	Sales Tax	2009 to 12, Apr-13 to Aug-13	8.79	Additional Commissioner (Appeals)
Uttar Pradesh Value Added Tax Act, 2008	Sales Tax	2007-09, Jul-09 to Sept-09, Apr-12 to Jul-12	10.70	State Tax Tribunal
Finance Act, 1994 (Service Tax provisions)	Service Tax	2005 to 07 and Apr-07 to Jul-07	3.68	Commissioner of Central Excise & Service Tax (Appeals)
Finance Act, 1994 (Service Tax provisions)	Service Tax	2004-05, Apr-05 to Sep-06, 2004-Upto Dec-08, Oct-05 to Mar-06	58.82	Commissioner Service Tax
Finance Act, 1994 (Service Tax provisions)	Service Tax	2003 to 11, 2011 to Jun-12	1,330.93	Customs Excise & Service Tax Appellate Tribunal
Finance Act, 1994 (Service Tax provisions)	Service Tax	Dec-07 to Mar-08	113.85	Joint Commissioner
Finance Act, 1994 (Service Tax provisions)	Service Tax	Oct-98 to Mar-99, Apr-02 to Sep-02, 2004 to 07	12.54	Punjab & Haryana High Court

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, financial institutions and debenture holders.
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. 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.
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 of the Company, we report that funds raised on short term basis amounting to ₹ 32,343.29 Mn. have been used 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. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year other than few cases of unauthorised services utilised by subscribers/ external parties valued at ₹ 73.38 Mn. (Approx) detected and appropriately dealt with by the Management.

For DELOITTE HASKINS & SELLS LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

Khurshed Pastakia  
(Partner)  
(Membership No. 31544)

Place : Mumbai  
Date : 28<sup>th</sup> April, 2014

# Standalone Financial Statements

## Balance Sheet as at March 31, 2014

₹ Mn

Particulars	Note	As at March 31, 2014	As at March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	3	33,196.32	33,143.22
Reserves and Surplus	4	122,647.21	107,055.79
		<b>155,843.53</b>	<b>140,199.01</b>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	5	171,438.77	105,743.96
Deferred Tax Liabilities (Net)	6	15,310.49	10,231.17
Other Long-Term Liabilities	7	13,972.73	8,266.48
Long-Term Provisions	8	2,167.05	2,018.86
		<b>202,889.04</b>	<b>126,260.47</b>
<b>Current Liabilities</b>			
Short-Term Borrowings	9	6,093.55	7,050.38
Trade Payables (includes amount referred in Note 40, 42 & 45)		26,343.67	24,315.89
Other Current Liabilities	10	46,848.70	45,201.05
Short-Term Provisions	11	1,865.05	1,239.69
		<b>81,150.97</b>	<b>77,807.01</b>
<b>TOTAL</b>		<b>439,883.54</b>	<b>344,266.49</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	12	182,967.23	176,859.46
Intangible Assets	12	77,273.92	82,526.00
Capital Work-in-Progress	12	113,801.23	8,434.25
Non-Current Investments	13	16,412.07	16,377.07
Long-Term Loans and Advances	14	28,292.27	30,018.68
		<b>418,746.72</b>	<b>314,215.46</b>
<b>Current Assets</b>			
Current Investments	15	—	9,296.00
Inventories	16	487.38	545.10
Trade Receivables	17	7,696.89	9,156.79
Cash and Bank Balance	18	1,395.32	1,157.36
Short-term loans and Advances	19	11,522.58	9,887.34
Other Current Assets	20	34.65	8.44
		<b>21,136.82</b>	<b>30,051.03</b>
<b>TOTAL</b>		<b>439,883.54</b>	<b>344,266.49</b>
<b>Significant Accounting Policies</b>	2		
The accompanying notes are an integral part of the Financial Statements			

In terms of our report attached

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Khurshed Pastakia  
Partner  
Membership No.: 31544

Place : Mumbai  
Date : April 28, 2014

For and on behalf of the Board

Arun Thiagarajan  
Director

Murthy GVAS  
President (Finance & Accounts)

Sanjeev Aga  
Director

Pankaj Kapdeo  
Company Secretary

Himanshu Kapania  
Managing Director

## Statement of Profit and Loss for the year ended March 31, 2014

₹ Mn

Particulars	Note	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>INCOME</b>			
Service Revenue		261,104.00	220,434.35
Other Income	21	690.69	434.39
<b>TOTAL</b>		<b>261,794.69</b>	<b>220,868.74</b>
<b>OPERATING EXPENDITURE</b>			
Personnel Expenditure	22	11,610.12	10,038.30
Network Expenses and IT outsourcing cost	23	74,745.37	63,551.95
License Fees and WPC Charges	24	29,237.98	24,752.50
Roaming & Access Charges	25	41,615.64	40,145.27
Subscriber Acquisition & Servicing Expenditure	26	20,905.58	21,324.32
Advertisement and Business Promotion Expenditure		4,616.55	4,535.61
Administration & other Expenses	27	5,830.31	4,956.29
		188,561.55	169,304.24
<b>PROFIT BEFORE FINANCE CHARGES, DEPRECIATION, AMORTISATION &amp; TAXES</b>		<b>73,233.14</b>	<b>51,564.50</b>
Finance & Treasury Charges (Net)	28	6,247.89	8,134.55
Depreciation	12	34,622.71	25,383.58
Amortisation of Intangible Assets	12	6,309.73	5,159.99
<b>PROFIT BEFORE TAX</b>		<b>26,052.81</b>	<b>12,886.38</b>
Provision for Taxation — Current		5,434.11	2,737.36
— Deferred		5,079.31	4,703.79
— MAT Credit		(1,353.67)	(2,737.36)
<b>PROFIT AFTER TAX</b>		<b>16,893.06</b>	<b>8,182.59</b>
Earnings Per Share of ₹ 10/- each fully paid up (in ₹)	50		
Basic		5.09	2.47
Diluted		5.08	2.47
Significant Accounting Policies	2		
The accompanying notes are an integral part of the Financial Statements			

In terms of our report attached

For Deloitte Haskins & Sells LLP  
Chartered AccountantsKhurshed Pastakia  
Partner  
Membership No.: 31544Place : Mumbai  
Date : April 28, 2014

For and on behalf of the Board

Arun Thiagarajan  
DirectorMurthy GVAS  
President (Finance & Accounts)Sanjeev Aga  
DirectorPankaj Kapdeo  
Company SecretaryHimanshu Kapania  
Managing Director

# Standalone Financial Statements

## Notes forming part of the Financial Statements

### 1. CORPORATE INFORMATION

Idea Cellular Limited ('the Company'), an Aditya Birla Group company, is one of the leading national telecom service providers in India. The Company is engaged in the business of Mobility and Long Distance services.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Preparation of Financial Statements:

The financial statements have been prepared on accrual basis under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013) and the relevant provisions of the Companies Act 1956 / 2013 as applicable.

All assets and liabilities have been classified as current or non-current as per the operating cycle criteria set out in the Revised Schedule VI to the Companies Act, 1956, issued in 2011.

#### b) 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.

#### c) 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.

#### d) Depreciation and Amortisation:

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

Tangible Assets	Years
Buildings	9 to 30
Network Equipments	7 to 13
Optical Fibre	15
Other Plant and Machineries	5
Office Equipments	3 to 5
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, Licenses 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 an intangible asset and is amortised over its useful economic life 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.

#### e) Inventories:

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

#### f) Foreign currency transactions, forward contracts & other Derivatives:

##### i) Foreign currency transactions -

Transactions in foreign currency are recorded at the exchange rates prevailing at the date of the transactions. As per the transitional provisions given in the notification issued by Ministry of Corporate Affairs dated March 31, 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 and its further amendment.

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

- Short term foreign currency monetary assets and liabilities: recognised in the Statement of Profit and Loss.
- 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.
- 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 March 31, 2020.

## Notes forming part of the Financial Statements

### ii) Forward contracts & other Derivatives -

Premium / discount amount on forward contract is amortised on period basis related to the contract it pertains to profit or loss arising on cancellation of forward exchange contract is recognised in the period in which the contract is cancelled.

Derivative contracts not covered under Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates", entered for hedging foreign currency fluctuations and interest rate risk are marked to market at each reporting date. Loss, if any, on such valuation is recognised in the Statement of Profit & Loss in that period and gain, if any, is not recognised as per the principle of prudence enunciated in Accounting Standard 1, "Disclosure of Accounting Policies".

### g) Taxation:

i) **Current Tax:** Provision for current income tax is made on the taxable income using the applicable tax rates and tax laws. Advance Income Tax and Provision for Current Tax is disclosed in the balance sheet at net as these are settled on net basis.

ii) **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.

iii) **Minimum Alternate Tax (MAT) credit:** MAT 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 the Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and is 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.

### h) Retirement Benefits:

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

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

Liability for Gratuity as at the year end is provided on the basis of actuarial valuation and funded with the 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.

### i) 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.

Revenue 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 agreed terms.

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.

### j) Interest Income:

Interest income is recognized on accrual basis on the outstanding amount and applicable interest rate.

### k) 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.

### l) 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 capitalised with the fixed assets.

## Notes forming part of the Financial Statements

### m) License Fees – Revenue Share:

With effect from August 1, 1999 the variable license fee computed at prescribed rates of revenue share is being charged to the Statement of Profit and Loss 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.

### n) Use of Estimate:

The preparation of financial statements in conformity with generally accepted accounting principles require 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.

### o) Leases:

i) **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 Statement of Profit and Loss, on a straight-line or other systematic basis over the lease term.

ii) **Finance:** Leased assets acquired on which significant risks and rewards 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.

### p) Earnings Per Share:

The earnings considered in ascertaining the Company's EPS comprise of 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". 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.

### q) 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 with 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.

### r) 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.

### s) Issue Expenditure:

Expenses incurred in connection with issue of equity shares are adjusted against Securities Premium Account.

### t) 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 for as employee cost over the remaining vesting period.

## Notes forming part of the Financial Statements

### 3 SHARE CAPITAL

#### a) Authorised, Issued, Subscribed and Paid-up Share Capital:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Numbers	₹ Mn	Numbers	₹ Mn
<b>Authorised</b>				
Equity Shares of ₹ 10 each	6,775,000,000	67,750.00	6,775,000,000	67,750.00
Redeemable Cumulative Non-Convertible Preference Shares of ₹ 10 Mn. each	1,500	15,000.00	1,500	15,000.00
	6,775,001,500	82,750.00	6,775,001,500	82,750.00
<b>Issued, Subscribed and Paid-Up</b>				
<b>Equity Share Capital</b>				
Equity Shares of ₹ 10 each fully Paid-up	3,319,631,761	33,196.32	3,314,321,766	33,143.22
<b>Total</b>	<b>3,319,631,761</b>	<b>33,196.32</b>	<b>3,314,321,766</b>	<b>33,143.22</b>

(i) 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 payment being received in cash.

#### b) Reconciliation of the number of Shares outstanding:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Numbers	₹ Mn	Numbers	₹ Mn
Equity shares outstanding at the beginning of the year	3,314,321,766	33,143.22	3,308,845,110	33,088.45
Equity shares allotted pursuant to exercise of ESOP	5,309,995	53.10	5,476,656	54.77
Equity shares outstanding at the end of the year	3,319,631,761	33,196.32	3,314,321,766	33,143.22

#### c) Rights attached to Equity Shareholders:

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

#### d) Shareholders' holding more than 5% shares of the Company:

Name of Shareholder	Class of Shares	As at March 31, 2014		As at March 31, 2013	
		Numbers	%age	Numbers	%age
Aditya Birla Nuvo Limited	Equity Shares	837,526,221	25.23%	837,526,221	25.27%
Birla TMT Holdings Private Limited	Equity Shares	283,565,373	8.54%	283,565,373	8.56%
Grasim Industries Limited	Equity Shares	171,013,894	5.15%	171,013,894	5.16%
Hindalco Industries Limited	Equity Shares	228,340,226	6.88%	228,340,226	6.89%
P5 Asia Investments (Mauritius) Limited	Equity Shares	330,000,000	9.94%	330,000,000	9.96%
Axiata Investments 2 (India) Limited	Equity Shares	195,427,333	5.89%	195,427,333	5.90%
Axiata Investments 1 (India) Limited (Formerly known as TMI Mauritius Limited)	Equity Shares	464,734,670	14.00%	464,734,670	14.02%

#### e) Share Options granted under the Employee Stock Option Scheme:

Under the Employee Stock Option Scheme ("ESOS 2006"), the Company had granted Options to its eligible employees from time to time. Further, the Shareholders of the Company had approved a new Employee Stock Option Scheme - 2013 ("ESOS 2013") at the Annual General Meeting held on 16th September, 2013. The ESOS Compensation Committee had granted 18,565,428 Options and 8,105,587 Restricted Stock Units (RSU's) to its eligible employees under ("ESOS 2013").

## Standalone Financial Statements

### Notes forming part of the Financial Statements

These Options would vest in 4 equal annual installments after one year of the grant and the RSU's will vest after 3 years from the date of grant. The maximum period for exercise of Options and RSUs is 5 years from the date of vesting. Each Option and RSU when exercised would be converted into one fully paid-up equity share of ₹ 10/- of the Company. The Options and RSUs granted under the ESOS 2013 and Options granted under ESOS 2006 carry no rights to dividends and no voting rights till the date of exercise. As at the end of financial year, details of outstanding options are as follows:

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Options	Weighted average exercise price (₹)	No. of Options	Weighted average exercise price (₹)
<b>i) Options granted under ESOS 2006</b>				
Options outstanding at the beginning of the year	12,757,580	50.44	18,471,360	49.04
Options granted during the year	-	-	-	-
Options forfeited/lapsed during the year	75,749	61.49	237,124	60.08
Options exercised during the year	5,309,995	49.48	5,476,656	45.32
Options expired during the year	27,750	39.30	-	-
Options outstanding at the end of the year	7,344,086	51.06	12,757,580	50.44
Options exercisable at the end of the year	6,779,520	49.58	10,292,851	47.47
Range of exercise price of outstanding options (₹)	39.30 - 68.86		39.30 - 68.86	
Remaining contractual life of outstanding options (years)	0.31 - 5.82		0.75 - 6.82	
<b>ii) Options granted under ESOS 2013</b>				
Options outstanding at the beginning of the year	-	-	-	-
Options granted during the year	18,565,428	126.45	-	-
Options forfeited/lapsed during the year	-	-	-	-
Options exercised during the year	-	-	-	-
Options expired during the year	-	-	-	-
Options outstanding at the end of the year	18,565,428	126.45	-	-
Options exercisable at the end of the year	-	-	-	-
Range of exercise price of outstanding options (₹)	126.45		-	
Remaining contractual life of outstanding options (years)	5.87 - 8.87		-	
<b>iii) RSU's granted under ESOS 2013</b>				
Options outstanding at the beginning of the year	-	-	-	-
Options granted during the year	8,105,587	10.00	-	-
Options forfeited/lapsed during the year	-	-	-	-
Options exercised during the year	-	-	-	-
Options expired during the year	-	-	-	-
Options outstanding at the end of the year	8,105,587	10.00	-	-
Options exercisable at the end of the year	-	-	-	-
Range of exercise price of outstanding options (₹)	10.00		-	
Remaining contractual life of outstanding options (years)	7.87		-	



## Notes forming part of the Financial Statements

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
<b>4 RESERVES AND SURPLUS</b>		
<b>a) Debenture Redemption Reserve</b>		
Balance at the beginning of the year	93.15	-
Add: Transfer from Statement of Profit and Loss	145.15	93.15
Balance at the end of the year	238.30	93.15
<b>b) Securities Premium Account</b>		
Balance at the beginning of the year	68,711.47	64,796.63
Add: Premium on issue of shares under ESOS scheme	303.24	329.04
Add: Cost of licenses impaired earlier and debited to Securities Premium now adjusted against new spectrum taken in auction	-	3,585.80
Balance at the end of the year	69,014.71	68,711.47
<b>c) Outstanding Employee Stock Options</b>		
Balance at the beginning of the year	214.19	349.48
Add: Charge for the year (Refer Note 41)	43.07	0.32
Less: Transfer to Securities Premium Account on exercise of Options	93.59	135.61
Balance at the end of the year	163.67	214.19
<b>d) Reserve for Business Restructuring</b>		
Balance at the beginning of the year	-	168.67
Less: Transfer to General Reserve	-	168.67
Balance at the end of the year	-	-
<b>e) General Reserve</b>		
Balance at the beginning of the year	20,863.21	20,694.54
Add: Transfer from Reserve for Business Restructuring	-	168.67
Balance at the end of the year	20,863.21	20,863.21
<b>f) Surplus in Statement of Profit and Loss</b>		
Balance at the beginning of the year	17,173.77	10,247.61
Add: Profit during the year	16,893.06	8,182.59
Less: Transfer to Debenture Redemption Reserve	145.15	93.15
Less: Proposed Dividend * (Refer Note 52)	1,328.57	994.30
Less: Dividend Distribution Tax on Proposed Dividend	225.79	168.98
Balance at the end of the year	32,367.32	17,173.77
<b>Total</b>	<b>122,647.21</b>	<b>107,055.79</b>
* Current year amount includes dividend of ₹ 0.72 Mn. related to previous financial year for shares issued after balance sheet date and before record date of dividend.		

## Standalone Financial Statements

### Notes forming part of the Financial Statements

		₹ Mn	
Particulars	As at March 31, 2014	As at March 31, 2013	
<b>5 LONG TERM BORROWINGS</b>			
<b>SECURED LOANS</b>			
471 (Previous year 626) 9.45% Redeemable Non Convertible Debentures (NCD) of ₹ 10 Mn. each	4,710.00	6,260.00	
(The Company has re-purchased 529 NCDs of ₹ 10 Mn. each, aggregating to ₹ 5,290 Mn. with an option to re-issue the same in future)			
<b>Term Loans</b>			
<b>Foreign Currency Loan</b>			
- From Banks	-	770.57	
- From Others	51,078.20	48,507.17	
<b>Rupee Loan</b>			
- From Banks	14,187.78	20,522.49	
- From Others	2,666.67	3,000.00	
Vehicle Loan from Banks	288.46	266.61	
<b>Total</b>	<b>72,931.11</b>	<b>79,326.84</b>	
<b>UNSECURED LOANS</b>			
<b>Term Loans</b>			
<b>Foreign Currency Loan</b>			
- From Banks	11,089.49	13,103.14	
Deferred Payment Liabilities towards Spectrum (Refer Note 29)	87,418.17	13,313.98	
	98,507.66	26,417.12	
<b>Total</b>	<b>171,438.77</b>	<b>105,743.96</b>	

a) Secured Loans are covered by:

Term Loans including current maturities are secured by way of first charge/assignment ranking pari-passu interse the lenders, as under:

- i. First charge on all the movable and immovable properties of the Company respectively,
- ii. First 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 guarantees, provided in favour of the Company.

Out of the above Loan, Foreign Currency Loan amounting to ₹ 51,938.56 Mn. (Previous year ₹ 56,110.84 Mn.) and Rupee Loan amounting to ₹ Nil (Previous year ₹ 9,590.46 Mn.) additionally have pledge on 60% shareholding of Indus Towers Limited held by wholly owned subsidiary. Further Foreign Currency Loan amounting to ₹ 6,764.01 Mn. (Previous year ₹ 7,010.50 Mn.) & Rupee Loan amounting to ₹ 8,182.25 Mn. (Previous year ₹ 9,590.46 Mn.) included above, have additional security as first priority charge over Telecom Licenses also. NCD amounting to ₹ 4,710.00 Mn. (Previous year ₹ 6,260.00 Mn.) have pari-passu charge only on the tangible fixed assets of the Company.

Vehicle Loans including current maturities is secured by hypothecation of Vehicles against which the loans have been taken.

b) Repayment Terms of outstanding long term borrowings (excluding current maturities) as on March 31, 2014:

Repayment Terms for Secured Foreign Currency Borrowings

Facility 1 (₹ 10,713.35 Mn.) -

Tranche 1 - Balance amount is repayable in 9 equal half yearly installments starting September, 2015

Tranche 2 - Balance amount is repayable in 12 equal half yearly installments starting August, 2015

Facility 2 (₹ 6,994.63 Mn.) - Balance amount is repayable in 13 equal half yearly installments starting June, 2015

Facility 3 (₹ 5,162.57 Mn.) - Balance amount is repayable in 17 equal half yearly installments starting April, 2015

Facility 4 (₹ 8,292.86 Mn.) -

Tranche 1 - Balance amount is repayable in 10 equal half yearly installments starting April, 2015

Tranche 2 - Balance amount is repayable in 2 equal half yearly installments starting April, 2020

## Notes forming part of the Financial Statements

Facility 5 (₹ 6,687.87 Mn.) - Balance amount is repayable in 13 equal half yearly installments starting May, 2015

Facility 6 (₹ 7,522.40 Mn.) -

Tranche 1 - 15 equal half yearly installments starting July, 2015

Tranche 2 - 13 equal half yearly installments starting July, 2015

Facility 7 (₹ 5,704.53 Mn.) - Balance amount is repayable as follows:

- 1) 1 installment of 1.25% of the total drawn amount in April, 2015
- 2) 16 equal quarterly installments of 4.13% each of the total drawn amount starting July, 2015
- 3) 4 equal quarterly installments of 4.75% each of the total drawn amount starting July, 2019

### Repayment Terms for Secured INR Borrowings

Facility 1 (₹ 4,054.45 Mn.) - Balance amount is repayable in 4 equal quarterly installments of 5.00% each of the total drawn amount starting April, 2015

Facility 2 (₹ 12,800.00 Mn.) - Balance amount is repayable as follows:

- 1) 4 equal quarterly installments of ₹ 800 Mn. each starting June, 2015
- 2) 8 equal quarterly installments of ₹ 1,200 Mn. each starting June, 2016

NCDs (₹ 4,710.00 Mn.) - Repayable in October, 2019

Vehicles Loans are repayable in equal monthly installments over the term of the loan ranging from 2 to 4 years

### Repayment Terms for Unsecured Foreign Currency Borrowings

Facility 1 (₹ 6,762.30 Mn.) - 5 years from drawdown date ending October 4, 2015

Facility 2 (₹ 4,327.19 Mn.) - Balance amount is repayable in June, 2018

### Repayment Terms for Deferred Payment Liability

Facility 1 (₹ 14,612.09 Mn.) - Balance amount is repayable in 10 equated annual installments starting December, 2015.

Facility 2 (₹ 72,806.08 Mn.) - Balance amount is repayable in 10 equated annual installments starting March, 2017.

### c) Summary of Repayment terms:

Particulars	Loan repayable in		
	1 to 2 years	2 to 5 years	After 5 years
Secured	15,347.91	36,364.55	21,218.53
Unsecured	6,762.30	10,618.70	81,126.66

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
<b>6 DEFERRED TAX LIABILITIES</b>		
Major components of Deferred Tax are:		
a) Deferred Tax Liability:		
Depreciation & Amortisation	17,473.57	18,254.37
Total Deferred Tax Liability (A)	17,473.57	18,254.37
b) Deferred Tax Asset:		
Provision for Doubtful Debts	1,205.95	1,246.75
Expenses allowable on Payment Basis	895.06	785.71
Brought Forward losses	-	5,928.67
Others	62.07	62.07
Total Deferred Tax Asset (B)	2,163.08	8,023.20
<b>Net Deferred Tax Liability (A - B)</b>	<b>15,310.49</b>	<b>10,231.17</b>

# Standalone Financial Statements

## Notes forming part of the Financial Statements

		₹ Mn	
Particulars	As at March 31, 2014	As at March 31, 2013	
<b>7 OTHER LONG TERM LIABILITIES</b>			
a) Trade Payables	4,270.31	2,925.73	
b) Capex Creditors	111.56	48.38	
c) Unearned Income	2,987.06	2,950.92	
d) Deposits from Customers and Others	5,566.25	1,904.60	
e) Interest accrued but not due	1,037.55	436.85	
<b>Total</b>	<b>13,972.73</b>	<b>8,266.48</b>	
<b>8 LONG TERM PROVISIONS</b>			
a) Gratuity (Refer Note 43)	811.58	732.69	
b) Leave Encashment	935.02	865.72	
c) Asset Retirement Obligation (Refer Note 51)	420.45	420.45	
<b>Total</b>	<b>2,167.05</b>	<b>2,018.86</b>	
<b>9 SHORT TERM BORROWINGS</b>			
a) <b>SECURED LOANS</b>			
Working Capital Loan from Banks	5,982.05	-	
(Secured by way of second charge on current and movable assets. Further, an amount of ₹ 2,975.58 Mn. included above have additional security by way of second charge on immovable assets)			
b) <b>UNSECURED LOANS</b>			
Working Capital Loan from Banks	111.50	2.12	
Short Term Loan from Others (includes amount referred in Note 45)	-	2,793.87	
Buyers Credit in Foreign Currency from Banks	-	4,254.39	
<b>Total</b>	<b>6,093.55</b>	<b>7,050.38</b>	
<b>10 OTHER CURRENT LIABILITIES</b>			
a) Current Maturities of Long Term Debt	16,084.15	16,687.12	
b) Interest accrued but not due on Borrowings	851.81	913.28	
c) Advance from Customers and Unearned Income	10,991.85	9,608.39	
d) Capex Creditors	11,586.72	10,302.60	
e) Dividend Payable	0.64	-	
f) Book Bank Overdraft	154.51	174.98	
g) Taxes and Other Liabilities	7,179.02	7,514.68	
<b>Total</b>	<b>46,848.70</b>	<b>45,201.05</b>	
<b>11 SHORT TERM PROVISIONS</b>			
a) Leave Encashment	93.63	76.41	
b) Current Tax (Net of Advance Tax of ₹ 5,216.21 Mn.)	217.90	-	
c) Proposed Dividend	1,327.85	994.30	
d) Dividend Distribution Tax on Proposed Dividend	225.67	168.98	
<b>Total</b>	<b>1,865.05</b>	<b>1,239.69</b>	

## Notes forming part of the Financial Statements

## 12. FIXED ASSETS

## A - TANGIBLE ASSETS

Particulars	Gross Block		Accumulated Depreciation		Net Block		₹ Mn
	As at April 1, 2013	As at March 31, 2014	As at April 1, 2013	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013	
Freehold Land	92.53	24.36	-	-	-	116.89	92.53
Leasehold Land	11.26	-	3.01	0.24	-	8.01	8.25
Buildings	1,630.49	38.80	604.81	105.64	2.11	958.84	1,025.68
Plant & Machinery	288,368.08	40,351.12	113,764.28	34,014.06	744.79	180,796.21	174,603.80
Furniture & Fixtures	1,620.62	1.85	1,189.55	105.05	6.54	326.78	431.07
Office Equipment	3,541.61	109.38	3,299.03	139.23	34.02	207.60	242.58
Vehicles	1,232.51	370.91	776.96	258.49	190.39	552.90	455.55
<b>TOTAL</b>	<b>296,497.10</b>	<b>40,896.42</b>	<b>119,637.64</b>	<b>34,622.71</b>	<b>977.85</b>	<b>182,967.23</b>	<b>176,859.46</b>

## Notes:

- Plant & Machinery includes assets held for disposal- Gross Block ₹ 265.03 Mn. (Previous year ₹ 243.76 Mn.) and Net Block ₹ 13.45 Mn. (Previous year ₹ 24.61 Mn.).
- Plant & Machinery includes Gross Block of assets capitalised under finance lease ₹ 12,520.40 Mn. (Previous year ₹ 10,470.14 Mn.) and corresponding Accumulated Depreciation being ₹ 8,846.80 Mn. (Previous year ₹ 6,584.01 Mn.).
- Exchange loss amounting to ₹ 7,475.54 Mn. (Previous year exchange loss ₹ 4,120.31 Mn.) capitalised as per transitional provisions of notification under AS-11, issued by the Ministry of Corporate Affairs.
- Depreciation charge for the year includes ₹ 5,685.80 Mn. (Previous year ₹ 1,70.21 Mn.) due to change in estimated useful life of certain fixed assets.

## B - INTANGIBLE ASSETS

Particulars	Gross Block		Accumulated Amortisation		Net Block		₹ Mn
	As at April 1, 2013	As at March 31, 2014	As at April 1, 2013	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013	
Entry/License Fees & Spectrum	103,239.17	-	27,980.72	5,334.50	-	69,923.95	75,258.45
Computer - Software	4,851.67	352.72	4,078.39	462.69	-	663.31	773.28
Bandwidth	7,392.93	704.93	898.66	512.54	-	6,686.66	6,494.27
<b>TOTAL</b>	<b>115,483.77</b>	<b>1,057.65</b>	<b>32,957.77</b>	<b>6,309.73</b>	<b>-</b>	<b>77,273.92</b>	<b>82,526.00</b>
<b>Grand Total</b>	<b>411,980.87</b>	<b>41,954.07</b>	<b>152,595.41</b>	<b>40,932.44</b>	<b>977.85</b>	<b>260,241.15</b>	<b>259,385.46</b>

## Notes:

- Computer - Software include Gross Block of assets capitalised under finance lease ₹ 2,399.88 Mn. (Previous year ₹ 2,151.48 Mn.) and corresponding Accumulated Amortisation being ₹ 2,030.77 Mn. (Previous year ₹ 1,763.99 Mn.).
- The remaining amortisation period of license/ Spectrum fees as at March 31, 2014 ranges between 2 to 19 years based on the respective Telecom Service License period.

Capital Work in Progress (Net of impairment provision of ₹ 4,844.60 Mn.)

113,801.23

8,434.25

Notes forming part of the Financial Statements

12. FIXED ASSETS

C - TANGIBLE ASSETS

Particulars	Gross Block			Accumulated Depreciation			Net Block As at March 31, 2013
	As at April 1, 2012	Additions for the year ended March 31, 2013	Disposal / Adjustments for the year ended March 31, 2013	As at April 1, 2012	Additions for the year ended March 31, 2013	Disposal / Adjustments for the year ended March 31, 2013	
Freehold Land	92.53	-	-	-	-	-	92.53
Leasehold Land	11.26	-	-	2.77	0.24	-	8.25
Buildings	1,628.68	1.81	-	532.92	71.89	-	1,025.68
Plant & Machinery	256,156.97	33,068.35	857.24	89,643.31	24,774.97	654.00	174,603.80
Furniture & Fixtures	1,583.43	41.16	3.97	1,031.98	160.73	3.16	431.07
Office Equipment	3,491.90	128.52	78.81	3,227.03	149.70	77.70	242.58
Vehicles	1,064.67	288.65	120.81	653.17	226.05	102.26	455.55
<b>TOTAL</b>	<b>264,029.44</b>	<b>33,528.49</b>	<b>1,060.83</b>	<b>95,091.18</b>	<b>25,383.58</b>	<b>837.12</b>	<b>176,859.46</b>

D - INTANGIBLE ASSETS

Particulars	Gross Block			Accumulated Amortisation			Net Block As at March 31, 2013
	As at April 1, 2012	Additions for the year ended March 31, 2013	Disposal / Adjustments for the year ended March 31, 2013	As at April 1, 2012	Additions for the year ended March 31, 2013	Disposal / Adjustments for the year ended March 31, 2013	
Entry/License Fees & Spectrum	86,126.17	20,373.10	3,260.10	23,860.09	4,120.63	-	75,258.45
Computer - Software	4,663.92	189.33	1.58	3,445.20	634.77	1.58	773.28
Bandwidth	5,503.58	1,890.18	0.83	494.07	404.59	-	6,494.27
<b>TOTAL</b>	<b>96,293.67</b>	<b>22,452.61</b>	<b>3,262.51</b>	<b>27,799.36</b>	<b>5,159.99</b>	<b>1.58</b>	<b>82,526.00</b>
<b>Grand Total</b>	<b>360,323.11</b>	<b>55,981.10</b>	<b>4,323.34</b>	<b>122,890.54</b>	<b>30,543.57</b>	<b>838.70</b>	<b>259,385.46</b>

## Notes forming part of the Financial Statements

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
<b>13 NON CURRENT INVESTMENTS</b>		
Long-term Trade Investment (Unquoted) at Cost		
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 4,500,000 (Previous Year 1,000,000) fully paid equity shares of ₹ 10 each	45.00	10.00
Idea Cellular Services Limited 50,000 fully paid equity shares of ₹ 10 each	0.50	0.50
Idea Telesystems Limited 50,000 fully paid equity shares of ₹ 10 each	38.31	38.31
<b>Total</b>	<b>16,412.07</b>	<b>16,377.07</b>
<b>14 LONG-TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
a) Capital Advances	103.27	65.41
b) Deposits and balances with Government Authorities	381.63	343.13
c) Deposits with Body Corporates and Others (includes amount referred in Note 45)	9,244.86	12,614.72
d) MAT Credit Entitlement	11,242.04	9,888.37
e) Advance Income Tax (Net of provision ₹ Nil, Previous year ₹ 2,737.36 Mn.)	1,016.10	2,647.05
f) Other Loans and Advances (includes amount referred in Note 45 & 46)	6,304.37	4,460.00
<b>Total</b>	<b>28,292.27</b>	<b>30,018.68</b>
<b>15 CURRENT INVESTMENTS</b>		
Investment in Units of Liquid Mutual Funds (Refer Note 39)	-	9,296.00
<b>Total</b>	<b>-</b>	<b>9,296.00</b>
<b>16 INVENTORIES</b>		
Sim and Recharge Vouchers	487.38	545.10
<b>Total</b>	<b>487.38</b>	<b>545.10</b>

## Standalone Financial Statements

### Notes forming part of the Financial Statements

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
<b>17 TRADE RECEIVABLES</b>		
a) Billed Receivables		
Unsecured - Considered Good		
Outstanding for a period exceeding six months from due date	424.68	743.96
Other Receivables	4,107.39	5,459.66
	4,532.07	6,203.62
Unsecured - Considered Doubtful		
Outstanding for a period exceeding six months from due date	3,218.51	3,376.11
Other Receivables	329.44	291.84
	3,547.95	3,667.95
Less: Provision for Doubtful Debts	3,547.95	3,667.95
	4,532.07	6,203.62
Trade receivables include certain parties from whom Security Deposits of ₹ 266.13 Mn (Previous year ₹ 266.57 Mn) have been taken and are lying with the Company		
b) Unbilled Receivables	3,164.82	2,953.17
<b>Total</b>	<b>7,696.89</b>	<b>9,156.79</b>
<b>18 CASH AND BANK BALANCES</b>		
a) Cash and Cash Equivalents		
Cash on hand	25.96	26.43
Cheques on hand	173.55	203.30
Balances with banks		
- In Current Accounts	197.58	655.28
- In Deposit Accounts	510.72	227.25
	907.81	1,112.26
b) Other Bank Balances		
Margin Money with Banks	486.87	45.10
Earmarked Bank Balance towards Dividend	0.64	-
<b>Total</b>	<b>1,395.32</b>	<b>1,157.36</b>
<b>19 SHORT TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
a) Advance Income Tax	3,155.99	1,402.28
b) Deposits with Body Corporates and Others (includes amount referred in Note 45)	421.45	1,993.27
c) Cenvat Credit	3,328.48	3,142.00
d) Other Loans and Advances (includes amount referred in Note 45 & 46)		
- Considered Good	4,616.66	3,349.79
- Considered Doubtful	582.61	589.93
	5,199.27	3,939.72
Less: Provision for Doubtful Advances	582.61	589.93
	4,616.66	3,349.79
<b>Total</b>	<b>11,522.58</b>	<b>9,887.34</b>
<b>20 OTHER CURRENT ASSETS</b>		
Interest Receivable	34.65	8.44
<b>Total</b>	<b>34.65</b>	<b>8.44</b>



## Notes forming part of the Financial Statements

Particulars	₹ Mn	
	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>21 OTHER INCOME</b>		
Liabilities/Provisions no longer required written back	589.11	360.00
Miscellaneous Receipts	101.58	74.39
<b>Total</b>	<b>690.69</b>	<b>434.39</b>
<b>22 PERSONNEL EXPENDITURE</b>		
Salaries and Allowances etc.	10,430.91	8,707.56
Contribution to Provident and Other Funds	555.28	847.11
Staff Welfare	463.75	365.57
Recruitment and Training	160.18	118.06
<b>Total</b>	<b>11,610.12</b>	<b>10,038.30</b>
<b>23 NETWORK EXPENSES AND IT OUTSOURCING COST</b>		
Security Service Charges	818.44	685.39
Power and Fuel	22,338.68	18,414.84
Repairs and Maintenance - Plant and Machinery	8,588.07	6,776.36
Switching & Cellsites Rent	1,585.83	1,499.47
Lease Line and Connectivity Charges	4,858.44	5,455.04
Network Insurance	104.29	104.83
Passive Infrastructure Charges	32,359.44	27,168.34
Other Network Operating expenses	714.60	568.26
IT Outsourcing Cost	3,377.58	2,879.42
<b>Total</b>	<b>74,745.37</b>	<b>63,551.95</b>
<b>24 LICENSE FEES AND WPC CHARGES</b>		
License Fees	18,040.75	15,545.28
WPC and Spectrum Charges	11,197.23	9,207.22
<b>Total</b>	<b>29,237.98</b>	<b>24,752.50</b>
<b>25 ROAMING &amp; ACCESS CHARGES</b>		
Roaming Charges	6,113.56	6,660.23
Access Charges	35,502.08	33,485.04
<b>Total</b>	<b>41,615.64</b>	<b>40,145.27</b>
<b>26 SUBSCRIBER ACQUISITION &amp; SERVICING EXPENDITURE</b>		
Cost of Sim & Recharge Vouchers	1,476.59	1,685.16
Commission & Discount to Dealers	11,563.01	12,974.65
Customer Verification Expenses	2,309.61	1,611.91
Collection, Telecalling & Servicing Expenses	4,929.83	4,569.66
Customer Retention & Customer Loyalty Expenses	626.54	482.94
<b>Total</b>	<b>20,905.58</b>	<b>21,324.32</b>

## Standalone Financial Statements

### Notes forming part of the Financial Statements

		₹ Mn	
Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013	
<b>27 ADMINISTRATION &amp; OTHER EXPENSES</b>			
Repairs and Maintenance - Building	63.01	61.11	
- Others	401.09	356.72	
Other Insurance	19.90	14.43	
Non Network Rent	862.85	871.99	
Rates and Taxes	139.44	97.81	
Electricity	498.07	398.23	
Printing and Stationery	82.30	79.56	
Communication Expenses	117.81	90.35	
Travelling and Conveyance	846.04	728.01	
Bad Debts/Advances written off	1,152.28	-	
Provision for Bad and Doubtful Debts/Advances	(127.33)	795.10	
Bank Charges	102.53	88.45	
Directors Sitting Fees	1.40	1.25	
Legal and Professional Charges	719.18	495.59	
Audit Fees (Refer Note 34)	42.50	40.00	
Loss/(Gain) on Sale of Fixed Assets/Asset disposed off (Net)	18.24	65.61	
Miscellaneous Expenses	891.00	772.08	
<b>Total</b>	<b>5,830.31</b>	<b>4,956.29</b>	
<b>28 FINANCE AND TREASURY CHARGES (NET)</b>			
Interest			
- On Fixed Period Loan (Net of ₹ 403.44 Mn. capitalised, Previous year ₹ Nil)	7,423.32	7,897.34	
- Others	214.55	258.85	
Financing Charges	473.27	493.72	
	8,111.14	8,649.91	
Less:			
Interest Income	1,014.06	125.87	
Profit on Sale of Current Investments	1,225.52	574.72	
Gain/(Loss) on Foreign Exchange Fluctuation (Net)	(376.33)	(185.23)	
<b>Total</b>	<b>6,247.89</b>	<b>8,134.55</b>	

## Notes forming part of the Financial Statements

29. The Department of Telecommunications (DoT) conducted auction for the 900 and 1800 Mhz spectrum in February 2014. The Company successfully bid for its requirements in the 11 service areas of Maharashtra, Madhya Pradesh, Kerala, Gujarat, Andhra Pradesh, Haryana, Punjab, Karnataka, Mumbai, Delhi and North East in the 1800 Mhz band and for Delhi service area also in the 900 Mhz band at a total cost of ₹ 104,242.15 Mn. As per the payment options available as part of the auction, the Company has chosen the deferred payment option by making an upfront payment of ₹ 31,436.07 Mn. and balance amount is recognized as "Deferred Payment Liabilities towards Spectrum" under Unsecured Loans. This spectrum which is yet to be earmarked and allotted to the company as on March 31, 2014 is for a twenty year period.

30. In the pending matter of transfer of licenses for service areas of Punjab & Karnataka, pursuant to amalgamation of erstwhile Spice Communications Limited with the Company, DoT has transferred these licenses in the name of the Company upon submission of an undertaking as directed by Hon'ble Supreme Court in its order dated January 29, 2014.

### 31. Contingent Liabilities:

i) DoT has issued demand notices towards one time spectrum charges

- for spectrum beyond 6.2 Mhz in respective service areas for retrospective period from 1<sup>st</sup> July 2008 to 31<sup>st</sup> December 2012, amounting to ₹ 3,691.30 Mn. and
- for spectrum beyond 4.4 Mhz in respective service areas effective 1<sup>st</sup> January 2013 till expiry of the period as per respective licenses amounting to ₹ 17,443.70 Mn.

In the opinion of Company, *inter-alia*, the above demands amount to alteration of financial terms of the licenses issued in the past. The Company had therefore, petitioned the Hon'ble High Court of Bombay, where the matter was admitted and is currently sub-judice. The Hon'ble High Court of Bombay has directed the DoT, not to take any coercive action until the matter is further heard.

ii) The Company has a contingent obligation to buy compulsorily convertible preference shares issued by Aditya Birla Telecom Limited (ABTL) a subsidiary of the Company, from the holder at fair market value plus agreed consideration in case ABTL is not able to redeem the same.

iii) Other Matters

₹ Mn

Particulars	As at March 31, 2014	As at March 31, 2013
Income Tax Matters not acknowledged as debts (see a below)	25,563.22	16,807.88
Sales Tax and Entertainment Tax Matters not acknowledged as debts (see b below)	973.59	395.64
Service Tax Matters not acknowledged as debts (see c below)	1,538.93	1,381.91
Entry Tax and Customs Matters not acknowledged as debts (see d below)	294.76	610.65
Licensing Disputes (see e below)	19,943.82	9,955.78
Other claims not acknowledged as debts (see f below)	2,322.46	2,050.38

#### a) Income Tax Matters:

- Appeals filed by the Company against the demands raised by Income Tax Authorities which are pending before Appellate Authorities include mainly disputes on account of incorrect disallowance of revenue share license fee, disputes on non applicability of tax deduction at source on pre-paid margin allowed to prepaid distributors & roaming settlements, disallowance of interest proportionate to interest free advances given to wholly owned subsidiaries etc.
- Appeals filed for tax demand on the net value of assets and liabilities vested with the company consequent to High Court approved de-merger of telecom undertaking from its wholly owned subsidiary.

#### b) Sales Tax and Entertainment Tax:

- Sales Tax demands mainly relates to the demands raised by the VAT/Sales Tax authorities of few states on Broadband Connectivity, SIM cards etc. on which the Company has already paid Service Tax.
- In one state entertainment tax is being demanded on revenue from value added services. However, the Company has challenged the constitutional validity of the levy.

#### c) Service Tax:

Service Tax demands 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 and OFC ducts.
- Disallowance of Cenvat Credit on input services viewed as not related to output service.

# Standalone Financial Statements

## Notes forming part of the Financial Statements

### d) 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.

### e) Licensing Disputes:

- 3G Intra Circle Roaming Arrangements (ICR) – The Company had entered into roaming arrangements with other operators to provide 3G services in service areas where it did not win 3G spectrum. DoT has sent notices to stop the 3G services in these service areas and also imposed penalty for providing 3G services in select service areas under roaming arrangements. The matter is currently pending before the Hon'ble TDSAT.
- Demands due to difference in interpretation of definition of Revenue and other license fee assessment related matters.
- Disputes relating to alleged non compliance of licensing conditions, EMF procedural norms & other disputes with DoT, either filed by or against the Company and pending before Hon'ble Supreme Court/TDSAT.
- Demands on account of alleged violations in license conditions relating to amalgamation of erstwhile Spice Communications Limited currently sub-judice before the Hon'ble TDSAT (Refer Note 30).

### f) Other claims not acknowledged as debts:

Mainly include miscellaneous disputed matters with Local Municipal Corporation, Electricity Board and others.

### 32. Details of Guarantees given:

- Bank Guarantees given ₹ 42,004.11 Mn. (Previous year ₹ 25,832.11 Mn.)
- Corporate Guarantee given to Bank for limits sanctioned in a subsidiary ₹ 550.00 Mn.

### 33. Capital and other Commitments:

Estimated amount of commitments as on March 31, 2014 towards-

- Contracts remaining to be executed for capital expenditure (net of advances) and not provided for are ₹ 16,874.82 Mn. (Previous year ₹ 17,495.40 Mn.)
- Long term contracts remaining to be executed including early termination commitments (if any) are ₹ 18,376.07 Mn. (Previous year ₹ 18,076.12 Mn.)

### 34. Auditors' Remuneration (excluding Service Tax):

₹ Mn

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Statutory Audit Fees	42.50	40.00
Certification (included in Legal and Professional Charges)	6.23	4.20
Out of Pocket Expenses (included in Misc. Expenses)	0.81	0.40
<b>Total Remuneration</b>	<b>49.54</b>	<b>44.60</b>

### 35. CIF Value of Imports:

₹ Mn

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Capital Goods (including spares)	13,571.80	12,863.71

### 36. Expenditure in Foreign Currency (on Accrual basis):

₹ Mn

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Interest and Financing Charges	2,432.81	2,377.55
Travel	5.28	2.04
Professional and Consultancy Fees	26.84	12.95
International Roaming Charges	508.65	429.22
Termination/Carriage Charges	1,706.53	1,635.80
Others	408.61	358.02

## Notes forming part of the Financial Statements

### 37. Earning in Foreign Currency (on Accrual basis):

₹ Mn

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
International Roaming Charges	926.09	902.39
Termination/Carriage Charges	2,900.05	2,067.87

### 38. Amount Remitted in Foreign Currency on account of Dividend:

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Number of Non- Resident Equity Shareholders	2	-
Number of Shares held by them	660,162,003	-
Amount Remitted as Dividend (₹ Mn.)	198.05	-
Year to which Dividend relates	FY 2012-13	-

### 39. Details of Current Investments:

₹ Mn

Particulars	As at March 31, 2014		As at March 31, 2013	
	Qty in '000 Units	₹ in Mn. Value	Qty in '000 Units	₹ in Mn. Value
Birla Sun Life Cash Plus - Growth - Direct Plan	-	-	20,685.23	3,883.00
UTI - Floating Rate STP - Growth - Direct	-	-	755.05	1,413.00
Religare Ultra Short Term Fund - Direct Plan -Growth	-	-	620.26	1,000.00
Birla Sun Life Floating Rate - Long Term - Growth - Direct Plan	-	-	14,407.99	2,000.00
IDFC Ultra Short Term Fund - Direct Plan -Growth	-	-	61,502.13	1,000.00
<b>Total</b>	-	-	<b>97,970.66</b>	<b>9,296.00</b>

### 40. Information as per the requirement of Section 22 of The Micro, Small and Medium Enterprises Development Act, 2006:

₹ Mn

Particulars	2013-14	2012-13
a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year included in trade payables.	31.78	10.60
(ii) The interest due on above.	Nil	Nil
<b>The Total of (i) &amp; (ii)</b>	<b>31.78</b>	<b>10.60</b>
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

## Standalone Financial Statements

### Notes forming part of the Financial Statements

41. Personnel Expenditure includes ₹ 43.07 Mn. (Previous year ₹ 0.32 Mn.), being the amortisation of intrinsic value of ESOPs for the year ending March 31, 2014.

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 ₹ 93.56 Mn. (Previous year ₹ 38.44 Mn.) and earnings per share would be as indicated below:

Particulars	₹ Mn	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Net Profit After Tax	16,893.06	8,182.59
Add: Total stock-based employee compensation expense determined under intrinsic value base method	43.07	0.32
Less: Total stock-based employee compensation expense determined under fair value base method	136.63	38.76
Adjusted Net Profit	16,799.50	8,144.15
<b>Basic Earnings per Share (in ₹)</b>		
- As Reported	5.09	2.47
- Adjusted	5.06	2.46
<b>Diluted Earnings per Share (in ₹)</b>		
- As Reported	5.08	2.47
- Adjusted	5.05	2.45

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

Particulars	ESOS 2006					
	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

Particulars	ESOS 2013	
	Stock Options	Restricted Stock Units
Dividend yield (%)	0.24	0.24
Expected life	6 yrs 6 months	5 yrs 6 months
Risk free interest rate (%)	8.81 - 8.95	8.91
Volatility (%)	34.13 - 44.81	43.95

42. Details of Foreign Currency Exposures:

a) Hedged by a Derivative Instrument:

Particulars	Amount in Mn	
	As at March 31, 2014	As at March 31, 2013
Foreign Currency Loan		
Foreign Currency Loan in USD	667.73	654.06
Foreign Currency Loan in JPY	5,313.22	10,626.43
Equivalent INR of Foreign Currency Loan	43,744.48	40,398.95

## Notes forming part of the Financial Statements

Amount in Mn

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Trade Payables and Other Current Liabilities</b>		
Trade Payables in USD	42.44	19.00
Interest accrued but not due on Foreign Currency Loans in USD	7.39	2.85
Interest accrued but not due on Foreign Currency Loans in JPY	8.20	18.21
Equivalent INR of Trade Payables and Other Current Liabilities	3,120.20	1,216.70

## b) Not hedged by a Derivative Instrument or otherwise:

Amount in Mn

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Foreign currency loan</b>		
Foreign Currency Loan in USD	473.75	657.48
Equivalent INR of Foreign Currency Loan	28,472.38	35,760.06
<b>Trade Payables and Other Current Liabilities</b>		
Trade Payables in USD	44.64	51.85
Trade Payables in EURO	0.25	0.17
Trade Payables in GBP	-	0.01
Interest accrued but not due on Foreign Currency Loans in USD	-	4.84
Equivalent INR of Trade Payables and Other Current Liabilities	2,703.58	3,095.98
<b>Trade Receivables:</b>		
Trade Receivables in USD	12.65	10.21
Trade Receivables in EURO	0.11	0.12
Equivalent INR of Trade Receivables in Foreign Currency	768.78	564.23

## 43. 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, 2014	For the year ended March 31, 2013
1	<b>Assumptions</b>		
	Discount Rate	9.10%	8.10%
	Expected Return on Plan Assets	9.00%	9.00%
	Salary Escalation	7.00%	7.00%
2	<b>Table showing changes in present value of Obligations</b>		
	Present Value of Obligations as at beginning of year	944.52	466.98
	Interest Cost	87.83	44.19
	Current Service Cost	157.97	81.71
	Benefits Paid	(24.72)	(18.72)
	Actuarial (Gain)/Loss on Obligations	(122.45)	132.46
	Past Service Cost	-	237.90
	Present Value of Obligations as at end of year	1,043.15	944.52

## Standalone Financial Statements

### Notes forming part of the Financial Statements

		₹ Mn	
Sr. No.	Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>3</b>	<b>Table showing changes in the Fair Value of Plan Assets</b>		
	Fair Value of Plan Assets as at beginning of year	211.83	203.96
	Expected Return on Plan Assets	19.23	15.82
	Contributions	23.50	8.81
	Benefits Paid	(24.72)	(18.72)
	Actuarial Gain/(Loss) on Plan Assets	1.73	1.96
	Fair Value of Plan Assets at the end of year	231.57	211.83
	Funded Status	811.58	732.69
	Actual Return on Plan Assets	20.96	17.78
<b>4</b>	<b>Actuarial Gain/Loss recognised</b>		
	Actuarial Gain/(Loss) for the year –Obligation	122.45	(132.46)
	Actuarial (Gain)/Loss for the year - Plan Assets	(1.73)	(1.96)
	Total (Gain)/Loss for the year	(124.18)	130.50
	Actuarial (Gain)/Loss recognised in the year	(124.18)	130.50
<b>5</b>	<b>Amounts to be recognised in the Balance Sheet</b>		
	Present Value of Obligations as at the end of the year	1,043.15	944.52
	Fair value of Plan Assets as at the end of the year	231.57	211.83
	Funded Status	811.58	732.69
	Net Asset/(Liability) recognised in Balance Sheet	(811.58)	(732.69)
<b>6</b>	<b>Expenses Recognised in Statement of Profit &amp; Loss</b>		
	Current Service Cost	157.97	81.71
	Interest Cost	87.83	44.19
	Expected Return on Plan Assets	(19.23)	(15.82)
	Net Actuarial (Gain)/Loss recognised in the year	(124.18)	130.50
	Past Service Cost	-	237.90
	Expenses recognised in Statement of Profit & Loss	102.39	478.48
<b>7</b>	<b>Investment Details of Plan Assets (% allocation)</b>		
	Insurer Managed Funds*	100%	100%

		₹ Mn				
Sr. No.	Particulars	For the year ended				
		March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
<b>8</b>	<b>Experience Adjustments</b>					
	Defined Benefit Obligation	1,043.15	944.52	466.98	365.36	255.51
	Plan Assets	231.57	211.83	203.96	178.55	144.78
	Surplus/(Deficit)	(811.58)	(732.69)	(263.02)	(186.81)	(110.73)
	Experience Adjustments on Plan Liabilities	32.42	112.89	24.08	25.07	57.02
	Experience Adjustments on Plan Assets	1.73	1.96	2.59	5.33	0.28

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

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



## Notes forming part of the Financial Statements

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

Particulars	₹ Mn	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Employers' Contribution to Provident & Pension Fund	355.09	289.94
Employers' Contribution to Superannuation Fund	56.64	47.37

#### 44. Segment Reporting:

##### 1. Primary Segments:

The Company operates in two business segments:

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

Transactions between segments are accounted on agreed terms on arm's length basis and have been eliminated at the company level.

##### 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 March 31, 2014

Particulars	Business Segments		Elimination	Total
	Mobility	ILD		
<b>Revenue</b>				
External Revenue	258,565.05	3,229.64	-	261,794.69
Inter-segment Revenue	917.78	1,505.30	(2,423.08)	-
<b>Total Revenue</b>	<b>259,482.83</b>	<b>4,734.94</b>	<b>(2,423.08)</b>	<b>261,794.69</b>
<b>Segment Result</b>	<b>31,592.41</b>	<b>708.29</b>	<b>-</b>	<b>32,300.70</b>
Interest & Financing Charges (Net)	-	-	-	6,247.89
Profit before Tax	-	-	-	26,052.81
Provision for Tax (Net)	-	-	-	9,159.75
Profit after Tax	-	-	-	16,893.06
<b>Other Information</b>				
Segment Assets	399,898.64	1,047.94	(569.25)	400,377.33
Unallocated Corporate Assets	-	-	-	39,506.21
<b>Total Assets</b>				<b>439,883.54</b>
Segment Liabilities	263,530.72	424.99	(569.25)	263,386.46
Unallocated Corporate Liabilities	-	-	-	20,653.55
<b>Total Liabilities</b>				<b>284,040.01</b>
Capital Expenditure	147,298.29	22.76	-	147,321.05
Depreciation & Amortisation	40,897.30	35.14	-	40,932.44

# Standalone Financial Statements

## Notes forming part of the Financial Statements

Primary Business Information (Business Segments) for the year ended March 31, 2013

₹ Mn

Particulars	Business Segments		Elimination	Total
	Mobility	ILD		
<b>Revenue</b>				
External Revenue	218,551.51	2,317.23	-	220,868.74
Inter-segment Revenue	697.21	1,514.06	(2,211.27)	-
<b>Total Revenue</b>	<b>219,248.72</b>	<b>3,831.29</b>	<b>(2,211.27)</b>	<b>220,868.74</b>
<b>Segment Result</b>	<b>20,655.40</b>	<b>365.53</b>	<b>-</b>	<b>21,020.93</b>
Interest & Financing Charges (Net)	-	-	-	8,134.55
Profit before Tax	-	-	-	12,886.38
Provision for Tax (Net)	-	-	-	4,703.79
Profit after Tax	-	-	-	8,182.59
<b>Other Information</b>				
Segment Assets	300,204.15	677.13	(99.87)	300,781.41
Unallocated Corporate Assets	-	-	-	43,485.08
<b>Total Assets</b>				<b>344,266.49</b>
Segment Liabilities	192,456.07	316.83	(99.87)	192,673.03
Unallocated Corporate Liabilities	-	-	-	11,394.45
<b>Total Liabilities</b>				<b>204,067.48</b>
Capital Expenditure	58,058.89	23.73	-	58,082.62
Depreciation & Amortisation	30,492.55	51.02	-	30,543.57

### 45. 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

Idea Telesystems Limited (ITL)  
 Aditya Birla Telecom Limited (ABTL)  
 Idea Cellular Services Limited (ICSL)  
 Idea Cellular Infrastructure Services Limited (ICISL)  
 Idea Cellular Towers Infrastructure Limited (ICTIL) (upto June 11, 2013)  
 Idea Mobile Commerce Services Limited (IMCSL)

##### Joint Venture of Subsidiary (JV)

Indus Towers Limited (Indus)

##### Entities having significant influence

Axiata Investments 1 (India) Ltd. (AI1) (Formerly known as TMI Mauritius Ltd)  
 Axiata Investments 2 (India) Ltd. (AI2)  
 Axiata Group Berhad

##### Key Management Personnel (KMP)

Mr. Himanshu Kapania, MD  
 Mr. Akshaya Moondra, CFO

## Notes forming part of the Financial Statements

Particulars	Promoters				JV			Subsidiaries						Entities having significant influence		KMP
	Hindalco	Grasim	ABNL	Birla TMT	Indus	ICSL	ICISL	ICTIL@	ABTL	ITL	IMCSL	AI1	AI2			
Remuneration																117.98 (105.76)
Security Deposit Given					(62.44)											
Security Deposit Refunded by					(1.651.36)											
Purchase of Fixed Assets							0.46 (-)									
Inter Corporate Deposit (ICD) Given															7.70 (2.50)	
Sale of Fixed Assets								(0.01)								
Investments															35.00 (9.00)	
Purchase of Service/Goods	0.05 (-)	0.34 (-)	0.17 (-)		29,242.59 (24,901.80)	1,115.53 (861.25)	1,279.00 (1,201.71)		1.47 (10.24)	71.31 (102.29)				0.25 (-)		
Sale of Service/Goods	29.77 (28.33)	16.64 (17.06)	29.33 (26.92)			16.78 (3.13)								0.23 (0.06)		
Unsecured Loan Taken																
Unsecured Loans Repaid								(2,907.97)								
Unsecured Loans Given					109.00 (-)		1,121.50 (743.16)							1.519.47 (260.82)	1.29 (10.77)	
Unsecured Loans Repaid by					777.97 (-)		1,601.80 (1,212.10)							210.38 (1,324.04)	10.06 (2.21)	
Interest on Unsecured loans/ ICD Given					54.29 (-)										0.77 (0.03)	
Pass through and reimbursement of expenses incurred on behalf of					1.49 (7.40)											
Expenses incurred by Company on behalf of	0.52 (0.36)	0.16 (0.94)	0.86 (0.43)			2.89 (6.20)	75.27 (55.72)			0.11 (-)				2.66 (-)		
Expenses incurred on Company's behalf by	0.02 (0.36)	0.09 (0.10)	0.03 (0.06)			1.17 (-)										
Rent Paid															2.70 (2.70)	
Interest paid on NCD	9.45 (-)															
Dividend paid on Equity Shares	68.50 (-)	51.30 (-)	251.26 (-)	85.07 (-)											139.42 (-)	58.63 (-)
																0.10 (-)

(Figures in bracket are for the year ended March 31, 2013)  
 © As ICTIL got merged with Indus during the year, hence all the transactions with ICTIL for the current year has been reported as transactions with Indus

Notes forming part of the Financial Statements

C. Balances Outstanding as on March 31, 2014

Particulars	Nature of Relationship											KMP	
	Promoters			JV		Subsidiaries					KMP		
	Hindalco	Grasim	ABNL	Indus	ABTL	ICTIL	ICISL	ABTL	ITL	IMCSL			
													ICSL
Deposit Given (grouped under Deposits with Body Corporates and Others)				1,000.00 (2,509.92)								10.20 (2.50)	
Deposits Taken				3,571.00 <sup>^</sup> (-)									
Unsecured Long Term and Short Term Loans & Advances				162.46 <sup>^</sup> (-)			1,967.08 (2,487.56)	1,513.52 <sup>#</sup> (204.44)				0.00 (8.77)	
Trade Receivables	3.63 (2.95)	2.35 (2.51)	1.48 (1.90)			6.66 (-)							
Interest Receivable												0.72 (0.03)	
Remuneration Payable													34.54 (30.52)
Unsecured Loan taken								- (2,793.87)					
Trade Payables				2,821.07 (2,135.56)			111.61 (-)					12.66 (18.69)	0.01 (-)
9.45% Redeemable NCD	100.00 (100.00 <sup>*</sup> )						45.58 (41.90)						
Interest accrued but not due on the above NCD's	3.91 (3.94)												

\* Purchased from Secondary Market

# An amount of ₹ 1,509.92 Mn. paid earlier towards Interim Capex to Indus was disclosed as Deposit with Indus. Now, on completion of merger, this amount being in the nature of investment in Indus has been transferred to ABTL

<sup>^</sup> Consequent to merger of ICTIL with Indus, all balances with ICTIL on the date of merger stands vested with Indus. (Figures in bracket are as at March 31, 2013)

## Notes forming part of the Financial Statements

46. Disclosure of amounts at the year end and the maximum amount of loans & advances outstanding during the year as per the requirement of Clause 32 of the Listing Agreement:

₹ Mn

Name of the Party	Outstanding as at March 31, 2014	Maximum amount outstanding during the current year	Outstanding as at March 31, 2013	Maximum amount outstanding during the previous year
<b>Subsidiary :</b>				
Aditya Birla Telecom Limited (ABTL)	1,513.52	1,513.52	204.44	1,277.59
Idea Cellular Infrastructure Services Limited (ICISL)	1,967.08	2,941.44	2,487.56	3,018.64
Idea Cellular Towers Infrastructure Limited (ICTIL)	-	-	-	528.03
Idea Telesystems Limited (ITL)	-	-	-	259.22
Idea Mobile Commerce Services Limited (IMCSL)	-	16.32	8.77	10.39

47. The Company is one of the members of Aditya Birla Management Corporation Private Limited, a Company limited by guarantee, which has been formed to provide common pool of facilities and resources to its members with a view to optimise the benefits of specialisation and minimize cost to each member. The Company's share of expenses incurred under the common pool has been accounted for at actuals in the respective heads in the Statement of Profit & Loss.

#### 48. 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:

₹ Mn

Particulars	Not later than one year	Later than one year but not later than five years	Later than five years
Minimum Lease payments	32,329.67 (19,220.08)	120,321.76 (56,936.49)	40,423.28 (21,896.91)

(Figures in bracket are as at March 31, 2013)

Lease payments amounting to ₹ 34,779.33 Mn. (Previous year ₹ 29,532.92 Mn.) are included in rental and passive infrastructure expenses in the statement of profit and loss during the current year.

#### Operating Lease: As a Lessor

The Company has leased certain Optical Fibre Cables (OFC) on Indefeasible Rights of Use ("IRU") basis under operating lease arrangements. 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 ₹ 260.79 Mn. (Previous year ₹ 191.49 Mn.) in respect of such leases has been recognized in the Statement of Profit and Loss during the current year.

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

₹ Mn

Particulars	Not later than one year	Later than one year but not later than five years	Later than five years
Minimum Lease receivables	175.68 (951.38)	- (20.67)	- (0.84)

(Figures in bracket are as at March 31, 2013)

## Standalone Financial Statements

### Notes forming part of the Financial Statements

49. The Company has 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 at the time of receipt and depreciated on the stated useful life applicable to similar assets of the Company.

#### 50. Basic & Diluted Earnings Per Share:

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Nominal value of equity shares (₹)	10/-	10/-
Profit after Tax (₹ Mn.)	16,893.06	8,182.59
Profit attributable to equity shareholders (₹ Mn.)	16,893.06	8,182.59
Weighted average number of equity shares outstanding during the year	3,316,853,830	3,310,881,787
Basic Earnings Per Share (₹)	5.09	2.47
Dilutive effect on weighted average number of equity shares outstanding during the year	8,373,426	8,292,754
Weighted average number of diluted equity shares	3,325,227,256	3,319,174,541
Diluted Earnings Per Share (₹)	5.08	2.47

#### 51. Asset Retirement Obligation:

The Company installs equipments on lease premises and lays down optical fibre cables (OFC) to provide seamless connectivity to its customer. In certain cases, the Company may have to incur some cost to remove such equipment and OFC. Estimated costs to be incurred for restoration is capitalised along with the assets. The movement of provision as required in AS-29 "Provisions, Contingent Liabilities and Contingent Assets" is given below:

₹ Mn

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Opening Balance	420.45	439.20
Additional Provision	-	-
Utilisation	-	18.75
Closing Balance	420.45	420.45

52. The Board of Directors has recommended a dividend at the rate of ₹ 0.40 per share (Previous year ₹ 0.30) of face value of ₹ 10/- aggregating ₹ 1,553.52 Mn. including ₹ 225.67 Mn. Dividend Distribution Tax (Previous year ₹ 1,163.28 Mn., including ₹ 168.98 Mn. Dividend Distribution Tax) for the year ended March 31, 2014. The payment of dividend is subject to the approval of the shareholders at the ensuing annual general meeting of the Company.

53. Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year grouping.

For and on behalf of the Board

Arun Thiagarajan  
Director

Sanjeev Aga  
Director

Himanshu Kapania  
Managing Director

Murthy GVAS  
President (Finance & Accounts)

Pankaj Kapdeo  
Company Secretary

Place : Mumbai  
Date : April 28, 2014

## Cash Flow Statement for the year ended March 31, 2014

Particulars	₹ Mn	
	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>A) Cash Flow from Operating Activities</b>		
Net Profit after Tax	16,893.06	8,182.59
Adjustments For		
Depreciation	34,622.71	25,383.58
Amortisation of Intangible Assets	6,309.73	5,159.99
Interest and Financing Charges	8,111.14	8,649.91
Profit on sale of Current Investments	(1,225.52)	(574.72)
Bad Debts/Advances written off	1,152.28	-
Provision for Bad & Doubtful Debts/Advances	(127.33)	795.10
Employee Stock Option Cost	43.07	0.32
Provision for Gratuity, Leave Encashment	165.41	661.11
Provision for Deferred Tax	5,079.31	4,703.79
Provision for Current Tax (Net of MAT Credit entitlement)	4,080.44	-
Liabilities/Provisions no longer required written back	(589.11)	(360.00)
Interest Income	(1,014.06)	(125.87)
Loss/(Gain) on sale of Fixed Assets/Assets disposed off	18.24	65.61
	<b>56,626.31</b>	<b>44,358.82</b>
<b>Operating Profit before Working Capital Changes</b>	<b>73,519.37</b>	<b>52,541.41</b>
Adjustments for changes in Working Capital		
(Increase)/Decrease in Trade Receivables	434.95	(1,876.35)
(Increase)/Decrease in Inventories	57.72	(15.71)
(Increase)/Decrease in Other Current and Non Current Assets	(442.41)	(3.47)
(Increase)/Decrease in Long Term and Short Term Loans and Advances	1,187.80	3,605.57
Increase/(Decrease) in Trade Payables, Other Current and Non Current Liabilities and Provisions	5,892.76	6,666.77
	<b>7,130.82</b>	<b>8,376.81</b>
<b>Cash generated from Operations</b>	<b>80,650.19</b>	<b>60,918.22</b>
Tax paid (including TDS) (Net)	(5,338.97)	(3,835.17)
<b>Net Cash from/(used in) Operating Activities</b>	<b>75,311.22</b>	<b>57,083.05</b>
<b>B) Cash Flow from Investing Activities</b>		
Purchase of Fixed assets & Intangible assets (including CWIP)	(33,890.48)	(31,886.90)
Payment towards Spectrum and Licenses*	(31,436.07)	(213.22)
Proceeds from sale of Fixed assets	147.70	140.18
Additional Investment in Idea Mobile Commerce Services Limited	(35.00)	(9.00)
Profit on sale of Current Investments and Interest received	2,213.37	709.83
<b>Net Cash from/(used in) Investing Activities</b>	<b>(63,000.48)</b>	<b>(31,259.11)</b>

## Standalone Financial Statements

### Cash Flow Statement for the year ended March 31, 2014

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
₹ Mn		
<b>C) Cash Flow from Financing Activities</b>		
Proceeds from issue of Equity Share Capital	262.75	248.20
Proceeds from Long Term Borrowings*	2,865.34	24,074.24
Repayment of Long Term Borrowings	(19,353.24)	(24,773.81)
Proceeds from Short Term Borrowings	6,905.62	13,455.19
Repayment of Short Term Borrowings	(5,068.60)	(21,664.95)
Payment of Dividend, including Dividend Tax	(1,163.48)	-
Payment of Interest and Financing Charges	(6,259.58)	(8,054.82)
<b>Net Cash from/(used in) Financing Activities</b>	<b>(21,811.19)</b>	<b>(16,715.95)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(9,500.45)</b>	<b>9,107.99</b>
Cash and Cash Equivalents at the Beginning	10,408.26	1,300.27
<b>Cash and Cash Equivalents at the End</b>	<b>907.81</b>	<b>10,408.26</b>

\* Excluding deferred payment liability towards spectrum won in auction, being non-cash transaction for the respective years

#### Notes to Cash flow Statement for the year ended March 31, 2014

- Cash and Cash Equivalents include the following Balance Sheet amounts

Cash on hand	25.96	26.43
Cheques on hand	173.55	203.30
Balances with banks		
- In Current Accounts	197.58	655.28
- In Deposit Accounts	510.72	227.25
Investment in Units of Liquid Mutual Funds	-	9,296.00
	<b>907.81</b>	<b>10,408.26</b>
- The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cashflow Statement

In terms of our report attached

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Khurshed Pastakia  
Partner  
Membership No.: 31544

Place : Mumbai  
Date : April 28, 2014

For and on behalf of the Board

Arun Thiagarajan  
Director

Murthy GVAS  
President (Finance & Accounts)

Sanjeev Aga  
Director

Pankaj Kapdeo  
Company Secretary

Himanshu Kapania  
Managing Director



## Independent Auditors' Report on Consolidated Financial Statements

To the Board of Directors of  
Idea Cellular Limited

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of IDEA CELLULAR LIMITED (the "Company"), its subsidiaries and a jointly controlled entity (the Company, its subsidiaries and a jointly controlled entity constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31<sup>st</sup> March 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the report of another auditor on the financial statements of a jointly controlled entity referred to below in the Other Matter

paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March 2014;
- in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

### Emphasis of Matter

We draw attention to Note 33(i) to the consolidated financial statements. The Department of Telecommunication (DoT) has issued demand notices dated 8<sup>th</sup> January 2013 towards one time spectrum charges for spectrum held by the Company beyond 6.2 Mhz for the period from 1<sup>st</sup> July 2008 to 31<sup>st</sup> December 2012 amounting to ₹ 3,691.30 Mn. and beyond 4.4 Mhz for the period from 1<sup>st</sup> January 2013 till the expiry of the license amounting to ₹ 17,443.70 Mn. in the respective telecom service areas. In the opinion of the Company, inter-alia, the above demand amounts to alteration of financial terms of the licenses issued in the past. The Company therefore filed a petition before the Hon'ble High Court of Bombay, which has directed DoT, not to take any coercive action until the matter is further heard.

The financial impact of the abovementioned matter is dependent upon the outcome of the petition filed by the Company in the Hon'ble High Court of Bombay and therefore no effect for the one time spectrum charges has been given in these consolidated financial statements.

Our opinion is not qualified in respect of this matter.

### Other Matter

We did not audit the financial statements of Indus Towers Limited, a jointly controlled entity of Aditya Birla Telecom Limited (Subsidiary of the Company), whose financial statements reflect Group's Share of total assets (net) of ₹ 24,201.76 Mn. as at 31<sup>st</sup> March 2014, Group's Share of total revenues of ₹ 22,275.84 Mn. and Group's Share of net cash flows of ₹ 266.40 Mn. 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 has been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of this jointly controlled entity, is based solely on the report of the another auditor.

Our report is not qualified in respect of this matter.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)

Khurshed Pastakia

Partner

(Membership No. 31544)

Place: Mumbai

Date : 28<sup>th</sup> April, 2014

# Consolidated Financial Statements

## Consolidated Balance Sheet as at March 31, 2014

₹ Mn

Particulars	Note	As at March 31, 2014	As at March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	3	33,196.32	33,143.22
Reserves and Surplus	4	132,054.17	109,890.42
		165,250.49	143,033.64
Compulsorily Convertible Preference Shares (issued by Subsidiary Company)		19.25	19.25
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	5	181,284.05	118,047.16
Deferred Tax Liabilities (Net)	6	18,132.83	11,180.31
Other Long-Term Liabilities	7	9,229.11	7,946.08
Long-Term Provisions	8	4,985.96	3,142.13
		213,631.95	140,315.68
<b>Current Liabilities</b>			
Short-Term Borrowings	9	6,471.63	4,585.31
Trade Payables		27,879.98	26,871.01
Other Current Liabilities	10	50,444.38	47,707.33
Short-Term Provisions	11	1,876.89	1,248.48
		86,672.88	80,412.13
<b>TOTAL</b>		<b>465,574.57</b>	<b>363,780.70</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	12	218,632.38	208,947.36
Intangible Assets	12	77,326.08	82,591.76
Capital Work-in-Progress	12	114,194.13	8,810.81
Goodwill on Consolidation		61.20	61.20
Long-Term Loans and Advances	13	28,970.68	30,479.18
Other Non-Current Assets	14	1,448.37	-
		440,632.84	330,890.31
<b>Current Assets</b>			
Current Investments	15	2,155.34	10,280.15
Inventories	16	683.08	726.42
Trade Receivables	17	8,006.20	9,600.77
Cash and Bank Balances	18	1,880.96	1,429.05
Short-Term Loans and Advances	19	12,181.50	10,845.34
Other Current Assets	20	34.65	8.66
		24,941.73	32,890.39
<b>TOTAL</b>		<b>465,574.57</b>	<b>363,780.70</b>
Significant Accounting Policies	2		
The accompanying notes are an integral part of the Financial Statements			

In terms of our report attached

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Khurshed Pastakia  
Partner  
Membership No.: 31544

Place : Mumbai  
Date : April 28, 2014

For and on behalf of the Board

Arun Thiagarajan  
Director

Murthy GVAS  
President (Finance & Accounts)

Sanjeev Aga  
Director

Pankaj Kapdeo  
Company Secretary

Himanshu Kapania  
Managing Director

## Consolidated Statement of Profit and Loss for the year ended March 31, 2014

₹ Mn

Particulars	Note	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>INCOME</b>			
Service Revenue		262,071.27	221,409.87
Sale of Trading Goods		2,248.41	2,664.58
Other Income	21	869.37	502.09
<b>TOTAL</b>		<b>265,189.05</b>	<b>224,576.54</b>
<b>OPERATING EXPENDITURE</b>			
Cost of Trading Goods Sold	22	1,927.00	2,318.36
Personnel Expenditure	23	13,121.17	11,225.28
Network Expenses and IT outsourcing cost	24	64,990.27	55,360.60
License Fees and WPC Charges	25	29,237.98	24,752.50
Roaming & Access Charges	26	41,615.64	40,145.27
Subscriber Acquisition & Servicing Expenditure	27	19,806.63	20,467.29
Advertisement and Business Promotion Expenditure		4,867.01	4,720.29
Administration & Other Expenses	28	6,286.57	5,541.57
		<b>181,852.27</b>	<b>164,531.16</b>
<b>PROFIT BEFORE FINANCE CHARGES, DEPRECIATION, AMORTISATION &amp; TAXES</b>		<b>83,336.78</b>	<b>60,045.38</b>
Finance & Treasury Charges (Net)	29	7,700.13	9,494.50
Depreciation	12	38,855.15	29,589.50
Amortisation of Intangible Assets	12	6,338.85	5,188.15
<b>PROFIT BEFORE TAX</b>		<b>30,442.65</b>	<b>15,773.23</b>
Provision for Taxation – Current		6,687.95	3,506.98
– Deferred		5,454.11	4,907.46
– MAT Credit		(1,377.61)	(2,750.48)
<b>PROFIT AFTER TAX</b>		<b>19,678.20</b>	<b>10,109.27</b>
<b>Earnings Per Share of ₹ 10/- each fully paid up (in ₹)</b>	<b>45</b>		
Basic		5.93	3.05
Diluted		5.92	3.05
Significant Accounting Policies	2		
The accompanying notes are an integral part of the Financial Statements			

In terms of our report attached

For Deloitte Haskins & Sells LLP  
Chartered AccountantsKhurshed Pastakia  
Partner  
Membership No.: 31544Place : Mumbai  
Date : April 28, 2014

For and on behalf of the Board

Arun Thiagarajan  
DirectorMurthy GVAS  
President (Finance & Accounts)Sanjeev Aga  
DirectorPankaj Kapdeo  
Company SecretaryHimanshu Kapania  
Managing Director

# Consolidated Financial Statements

## Notes forming part of the Consolidated Financial Statements

### 1. CORPORATE INFORMATION

Idea Cellular Limited (“the Company”), an Aditya Birla Group company, is one of the leading national telecom service providers in India. The Company is engaged in the business of Mobility and Long Distance services. The subsidiaries are in the business of sale of Handsets and Data cards, mobile banking services and passive infrastructure services. The Joint Venture is in the business of providing passive infrastructure services.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Preparation of Financial Statements:

The Consolidated Financial Statements of Idea Cellular Limited, its subsidiary companies and Joint Venture (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” notified under Section 211(3C) of the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013). The Consolidated Financial Statements are prepared under historical cost convention on accrual basis and mandatory applicable accounting standards in India.

#### b) Principles of Consolidation:

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

The Financial Statements (The Balance Sheet and the Statement of Profit and Loss) 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, 2014, 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. Goodwill arising on consolidation is tested for impairment.

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

The Consolidated Financial Statements includes following subsidiaries along with Company's holding therein, is as under:

Sr. No.	Name of the Company	Voting Power % as at	
		March 31, 2014	March 31, 2013
1	Idea Telesystems Limited	100.00	100.00
2	Aditya Birla Telecom Limited	100.00	100.00
3	Idea Cellular Services Limited	100.00	100.00
4	Idea Cellular Infrastructure Services Limited	100.00	100.00
5	Idea Cellular Towers Infrastructure Limited	-	100.00
6	Idea Mobile Commerce Services Limited	100.00	100.00

The Consolidated Financial Statements also include following Joint Venture along with Company's holding therein, is as under:

Sr. No.	Name of the Company	Voting Power % as at	
		March 31, 2014	March 31, 2013
1	Indus Towers Limited (Indus)	16.00*	16.00*

*\*entire shareholding is held by Aditya Birla Telecom Limited*

All the above subsidiaries and joint venture are incorporated in India.

#### c) 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.

#### d) 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

## Notes forming part of the Consolidated Financial Statements

are allocated to the cost of fixed assets on the commencement of commercial operations.

### e) Depreciation and Amortisation:

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

Tangible Assets	Years
Buildings	9 to 30
Network Equipments	7 to 20
Optical Fibre	15
Other Plant and Machineries	3 to 5
Office Equipments	3 to 5
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 are amortised on straight line method as under:-

- i) Cost of Rights, Licenses 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 an intangible asset and is amortised over its useful economic life 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.
- f) **Inventories:**  
Inventories are valued at cost or net realisable value, whichever is lower. Cost is determined on weighted average basis.
- g) **Foreign Currency Transactions, Forward Contracts & other Derivatives :**
- i) **Foreign Currency Transactions**  
Transactions in foreign currency are recorded at the exchange rates prevailing at the date of the transactions. As per the transitional provisions given in the notification issued by Ministry of Corporate Affairs dated 31<sup>st</sup> 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 and its further amendment.

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

- Short term foreign currency monetary assets and liabilities: recognised in the Statement of Profit and Loss.
- 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.
- 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 31<sup>st</sup> March 2020.

### ii) Forward Contracts & Other Derivatives

Premium/discount amount on forward contract is amortised on period basis related to the contract it pertains to profit or loss arising on cancellation of forward exchange contract is recognised in the period in which the contract is cancelled.

Derivative contracts not covered under Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates", entered for hedging foreign currency fluctuations and interest rate risk are marked to market at each reporting date. Loss, if any, on such valuation is recognised in the Statement of Profit & Loss in that period and gain if any, is not recognised as per the principle of prudence enunciated in Accounting Standard 1, "Disclosure of Accounting Policies".

### h) Taxation:

- i) **Current Tax:** Provision for current Income tax is made on the taxable income using the applicable tax rates and tax laws. Advance Income Tax and Provision for Current Tax for the same legal entity is disclosed in the balance sheet at net as these are settled on net basis.
- ii) **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.

## Notes forming part of the Consolidated Financial Statements

- iii) **Minimum Alternate Tax (MAT) credit:** MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the legal entity 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 Statement of Profit and Loss and is shown as MAT Credit Entitlement. The legal entity 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 it will pay normal Income tax during the specified period.
- i) **Retirement Benefits:**  
Contributions to Provident and Pension funds are funded with the appropriate authorities and charged to the Statement of Profit and Loss.  
Contributions to Superannuation are funded with the Life Insurance Corporation of India and charged to the Statement of Profit and Loss.  
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.
- j) **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 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 recognised from the bill cycle date to the end of each month. These are billed in subsequent periods as per the agreed terms.  
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.
- k) **Interest & Dividend Income:**  
Interest income is recognized on accrual basis on the outstanding amount and applicable interest rate. Dividend income is accounted once the right to receive the income is established.
- l) **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.
- m) **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.
- n) **License Fees – Revenue Share:**  
With effect from August 1, 1999 the variable License fee computed at prescribed rates of revenue share is being charged to the Statement of Profit and Loss 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.
- o) **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.
- p) **Leases:**  
i) **Operating:** Lease of assets under which significant risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease

## Notes forming part of the Consolidated Financial Statements

payments under an operating lease are recognised as income/expense in the Statement of Profit and Loss, on a straight-line or other systematic basis over the lease term.

- ii) **Finance:** Leased assets acquired on which significant risks and rewards of ownership effectively transferred to the Group 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.
- q) **Earnings Per Share:**  
The earnings considered in ascertaining the Group's EPS comprise of 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 "Earning Per Share". 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.
- r) **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 with 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.

s) **Provisions & Contingent Liability:**

Provisions are recognized when the Group 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.

t) **Issue Expenditure:**

Expenses incurred in connection with issue of equity shares are adjusted against Securities Premium Account.

u) **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 for as employee cost over the remaining vesting period.

## Consolidated Financial Statements

### Notes forming part of the Consolidated Financial Statements

#### 3 SHARE CAPITAL

##### a) Authorised, Issued, Subscribed and Paid-up Share Capital

Particulars	As at March 31, 2014		As at March 31, 2013	
	Numbers	₹ Mn	Numbers	₹ Mn
<b>Authorised</b>				
Equity Shares of ₹ 10 each	6,775,000,000	67,750.00	6,775,000,000	67,750.00
Redeemable Cumulative Non Convertible Preference Shares of ₹ 10 Mn each	1,500	15,000.00	1,500	15,000.00
	<b>6,775,001,500</b>	<b>82,750.00</b>	<b>6,775,001,500</b>	<b>82,750.00</b>
<b>Issued, Subscribed and Paid-Up</b>				
<b>Equity Share Capital</b>				
Equity Shares of ₹ 10 each fully paid up	3,319,631,761	33,196.32	3,314,321,766	33,143.22
<b>Total</b>	<b>3,319,631,761</b>	<b>33,196.32</b>	<b>3,314,321,766</b>	<b>33,143.22</b>

(i) 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 payment being received in cash

##### b) Share Options granted under the Employee Stock Option Schemes

Under the Employee Stock Option Scheme (“ESOS 2006”), the Company had granted Options to its eligible employees from time to time. Further, the Shareholders of the Company had approved a new Employee Stock Option Scheme – 2013 (“ESOS 2013”) at the Annual General Meeting held on 16th September, 2013. The ESOS Compensation Committee has granted 18,565,428 Options and 8,105,587 Restricted Stock Units (RSU’s) to its eligible employees under (“ESOS 2013”). These Options would vest in 4 equal annual installments after one year of the grant and the RSU’s will vest after 3 years from the date of grant. The maximum period for exercise of Options and RSUs is 5 years from the date of vesting. Each Option and RSU when exercised would be converted into one fully paid-up equity share of ₹ 10/- of the Company. The Options and RSUs granted under the ESOS 2013 and Options granted under ESOS 2006 carry no rights to dividends and no voting rights till the date of exercise. As at the end of financial year, details of outstanding options are as follows:

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Options	Weighted average exercise price (₹)	No. of Options	Weighted average exercise price (₹)
<b>i) Options granted under ESOS 2006</b>				
Options outstanding at the beginning of the year	12,757,580	50.44	18,471,360	49.04
Options granted during the year	-	-	-	-
Options forfeited/lapsed during the year	75,749	61.49	237,124	60.08
Options exercised during the year	5,309,995	49.48	5,476,656	45.32
Options expired during the year	27,750	39.30	-	-
Options outstanding at the end of the year	7,344,086	51.06	12,757,580	50.44
Options exercisable at the end of the year	6,779,520	49.58	10,292,851	47.47
Range of exercise price of outstanding options (₹)	39.30 - 68.86		39.30 - 68.86	
Remaining contractual life of outstanding options (years)	0.31 - 5.82		0.75 - 6.82	



## Notes forming part of the Consolidated Financial Statements

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Options	Weighted average exercise price (₹)	No. of Options	Weighted average exercise price (₹)
<b>ii) Options granted under ESOS 2013</b>				
Options outstanding at the beginning of the year	-	-	-	-
Options granted during the year	18,565,428	126.45	-	-
Options forfeited/lapsed during the year	-	-	-	-
Options exercised during the year	-	-	-	-
Options expired during the year	-	-	-	-
Options outstanding at the end of the year	18,565,428	126.45	-	-
Options exercisable at the end of the year	-	-	-	-
Range of exercise price of outstanding options (₹)		126.45		-
Remaining contractual life of outstanding options (years)		5.87 - 8.87		-
<b>iii) RSU's granted under ESOS 2013</b>				
Options outstanding at the beginning of the year	-	-	-	-
Options granted during the year	8,105,587	10.00	-	-
Options forfeited/lapsed during the year	-	-	-	-
Options exercised during the year	-	-	-	-
Options expired during the year	-	-	-	-
Options outstanding at the end of the year	8,105,587	10.00	-	-
Options exercisable at the end of the year	-	-	-	-
Range of exercise price of outstanding options (₹)		10.00		-
Remaining contractual life of outstanding options (years)		7.87		-

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
<b>4 RESERVES AND SURPLUS</b>		
<b>a) Debenture Redemption Reserve</b>		
Opening Balance	93.15	-
Add: Transfer from Statement of Profit and Loss	145.15	93.15
Closing Balance	238.30	93.15
<b>b) Securities Premium Account</b>		
Opening Balance	89,611.75	85,696.91
Add: Premium on issue of shares under ESOS scheme	303.24	329.04
Add: Cost of licenses impaired earlier and debited to Securities Premium now adjusted against new spectrum taken in auction	-	3,585.80
Closing Balance	89,914.99	89,611.75
<b>c) Outstanding Employee Stock Options</b>		
Opening Balance	214.19	349.48
Add: Charge for the period (Refer Note 37)	43.07	0.32
Less: Transfer to Securities Premium Account on exercise of Options	93.59	135.61
Closing Balance	163.67	214.19

# Consolidated Financial Statements

## Notes forming part of the Consolidated Financial Statements

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
<b>d) Reserve for Business Restructuring</b>		
Opening Balance	-	168.67
Less: Transfer to General Reserve	-	168.67
Closing Balance	-	-
<b>e) General Reserve</b>		
Opening Balance	502.59	-
Add: Transfer from Statement of Profit and Loss	-	313.28
Add: Transfer by Joint Venture	-	20.64
Add: Transfer from Reserve for Business Restructuring	-	168.67
Add: Reserve created by JV on merger as per scheme (Refer Note 32)	5,259.35	-
Less: Depreciation charge on fair value portion of fixed assets by JV	1,215.22	-
Less: Group's share of JV's discrepancy in physical verification of fixed assets as per scheme	114.54	-
Closing Balance	4,432.18	502.59
<b>f) Surplus in statement of Profit and Loss</b>		
Opening Balance	19,468.74	11,179.42
Add: Profit during the period	19,678.20	10,109.27
Less: Transfer to General Reserve	-	313.28
Less: Transfer to Debenture Redemption Reserve	145.15	93.15
Less: Dividend Distribution Tax on Interim Dividend by JV	142.40	250.24
Less: Proposed Dividend * (Refer Note 49)	1,328.57	994.30
Less: Dividend Distribution Tax	225.79	168.98
Closing Balance	37,305.03	19,468.74
<b>Total</b>	<b>132,054.17</b>	<b>109,890.42</b>
* Current year amount includes dividend of ₹ 0.72 Mn related to previous financial year for shares issued after balance sheet date and before record date of dividend.		
<b>5 LONG TERM BORROWINGS</b>		
<b>SECURED LOANS</b>		
471 (Previous year - 626) 9.45% Redeemable Non Convertible Debentures of ₹ 10 Mn. each	4,710.00	6,260.00
(The Company has re-purchased 529 NCDs of ₹ 10 Mn each, aggregating to ₹ 5,290 Mn. with an option to re-issue the same in future)		
<b>Term Loans</b>		
<b>Foreign Currency Loan</b>		
- From Banks	-	770.57
- From Others	51,078.20	48,507.17
<b>Rupee Loan</b>		
- From Banks	19,555.62	25,932.09
- From Others	7,144.11	9,893.60
<b>Vehicle Loan from Banks</b>	288.46	266.61
	<b>82,776.39</b>	<b>91,630.04</b>
<b>UNSECURED LOANS</b>		
<b>Term Loans</b>		
<b>Foreign Currency Loan</b>		
- From Banks	11,089.49	13,103.14
<b>Deferred Payment Liability towards Spectrum (Refer Note 30)</b>	87,418.17	13,313.98
	<b>98,507.66</b>	<b>26,417.12</b>
<b>Total</b>	<b>181,284.05</b>	<b>118,047.16</b>

## Notes forming part of the Consolidated Financial Statements

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
<b>6 DEFERRED TAX LIABILITIES</b>		
Major components of Deferred Tax are:		
<b>a) Deferred Tax Liability:</b>		
Depreciation & Amortisation	19,271.61	19,119.38
Revenue Equalisation Reserve and Others	1,315.20	295.80
<b>Total Deferred Tax Liability (A)</b>	<b>20,586.81</b>	<b>19,415.18</b>
<b>b) Deferred Tax Asset:</b>		
Provision for Doubtful Debts	1,237.46	1,297.47
Expenses allowable on payment basis	944.69	821.70
Brought Forward Losses	-	5,928.67
Others	271.83	187.03
<b>Total Deferred Tax Asset (B)</b>	<b>2,453.98</b>	<b>8,234.87</b>
<b>Net Deferred Tax Liability (A - B)</b>	<b>18,132.83</b>	<b>11,180.31</b>
<b>7 OTHER LONG TERM LIABILITIES</b>		
Trade Payables	2,899.32	2,428.72
Capex Creditors	111.56	48.38
Unearned Income	2,987.06	2,950.92
Deposits from Customers and Others	2,193.62	2,081.21
Interest accrued but not due	1,037.55	436.85
<b>Total</b>	<b>9,229.11</b>	<b>7,946.08</b>
<b>8 LONG TERM PROVISIONS</b>		
Gratuity (Refer Note 39)	827.04	748.10
Leave Encashment	974.95	898.54
Asset Retirement Obligation (Refer Note 48)	3,183.97	1,495.49
<b>Total</b>	<b>4,985.96</b>	<b>3,142.13</b>
<b>9 SHORT TERM BORROWINGS</b>		
<b>a) SECURED LOANS</b>		
Working Capital Loan from Banks	5,982.05	-
<b>b) UNSECURED LOANS</b>		
Working Capital Loan from Banks	111.50	2.12
Short Term Loan from Others	378.08	328.80
Buyers Credit in Foreign Currency from Banks	-	4,254.39
<b>Total</b>	<b>6,471.63</b>	<b>4,585.31</b>
<b>10 OTHER CURRENT LIABILITIES</b>		
Current Maturities of Long Term Debt	18,593.59	17,805.36
Interest accrued but not due on Borrowings	888.61	914.88
Advance from Customers and Unearned Income	11,022.31	9,614.40
Capex Creditors	12,468.89	11,375.86
Deposits from Customers and Others	76.98	95.39
Book Bank Overdraft	169.07	224.38
Dividend Payable	0.64	-
Taxes and Other Liabilities	7,224.29	7,677.06
<b>Total</b>	<b>50,444.38</b>	<b>47,707.33</b>
<b>11 SHORT TERM PROVISIONS</b>		
Provision for Leave Encashment	101.63	82.32
Provision for Gratuity	3.84	2.88
Current Tax (Net of Advance Income Tax)	217.90	-
Proposed Dividend	1,327.85	994.30
Dividend Distribution Tax on Proposed Dividend	225.67	168.98
<b>Total</b>	<b>1,876.89</b>	<b>1,248.48</b>

Notes forming part of the Financial Statements

12. FIXED ASSETS

A - TANGIBLE ASSETS

Particulars	Gross Block			Accumulated Depreciation			Net Block		
	As at April 1, 2013	Adjustment on account of merger	As at March 31, 2014	Disposal/ Adjustments for the year ended March 31, 2014	Additions for the year ended March 31, 2014	Adjustments for the year ended March 31, 2014	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Freehold Land	95.83	-	120.19	-	-	-	-	120.19	95.83
Leasehold Land	11.26	-	11.26	-	0.24	-	3.25	8.01	8.25
Buildings	1,729.30	-	1,762.27	8.09	121.73	2.58	782.07	980.20	1,066.38
Plant & Machinery	342,059.42	6,157.03	386,838.37	4,615.40	39,426.02	4,197.04	170,431.14	216,407.23	206,607.64
Furniture & Fixtures	1,639.18	-	1,633.56	7.63	106.87	6.54	1,301.88	331.68	437.63
Office Equipment	3,650.16	-	3,727.36	41.28	156.88	35.77	3,495.84	231.52	275.43
Vehicles	1,233.31	-	1,398.90	205.46	258.63	190.39	845.35	553.55	456.20
Sub-Total	350,418.46	6,157.03	395,491.91	4,877.86	40,070.37	4,432.32	176,859.53	218,632.38	208,947.36
Less : Depreciation charged to General Reserve pursuant to merger scheme (Refer Note 32)					1,215.22				
TOTAL	350,418.46	6,157.03	395,491.91	4,877.86	38,855.15	4,432.32	176,859.53	218,632.38	208,947.36

Notes:

- Plant & Machinery includes assets held for disposal- Gross Block ₹ 265.03 Mn. (Previous year ₹ 245.35 Mn.) and Net Block ₹ 13.45 Mn. (Previous year ₹ 26.00 Mn.).
- Plant & Machinery includes Gross Block of assets capitalised under finance lease ₹ 12,520.40 Mn. (Previous year ₹ 10,470.14 Mn.) and corresponding Accumulated Depreciation being ₹ 8,846.80 Mn. (Previous year ₹ 6,584.01 Mn.).
- Additions include exchange loss amounting to ₹ 7,475.54 Mn. (Previous year ₹ 4,120.31 Mn. ) capitalised as per transitional provisions of notification under AS-11, issued by the Ministry of Corporate Affairs.
- Depreciation charge for the year includes ₹ 5,685.80 Mn. (Previous year ₹ 170.21 Mn.) due to change in estimated useful life of certain fixed assets.

B - INTANGIBLE ASSETS

Particulars	Gross Block			Accumulated Depreciation			Net Block		
	As at April 1, 2013	Adjustment on account of merger	As at March 31, 2014	Disposal/ Adjustments for the year ended March 31, 2014	Additions for the year ended March 31, 2014	Adjustments for the year ended March 31, 2014	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Entry/License Fees & Spectrum	103,239.17	-	103,239.17	-	5,334.50	-	33,315.22	69,923.95	75,258.45
Computer - Software	4,998.96	-	5,367.20	-	491.81	-	4,651.73	715.47	839.04
Bandwidth	7,392.93	-	8,097.86	-	512.54	-	1,411.20	6,686.66	6,494.27
TOTAL	115,631.06	-	116,704.23	-	6,338.85	-	39,378.15	77,326.08	82,591.76
GRAND TOTAL	466,049.52	6,157.03	512,196.14	4,877.86	45,194.00	4,432.32	216,237.68	295,958.46	291,539.12

Notes:

- Computer - Software includes Gross Block of assets capitalised under finance lease ₹ 2,399.88 Mn. (Previous year ₹ 2,151.48 Mn.) and corresponding Accumulated Amortisation being ₹ 2,030.77 Mn. (Previous year ₹ 1,763.99 Mn.).
- The remaining amortisation period of license/spectrum fees as at March 31, 2014 ranges between 2 to 19 years based on the respective Telecom Service License period.

Capital Work in Progress (Net of impairment provision of ₹ 4,844.60 Mn.)	114,194.13	8,810.81
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## Notes forming part of the Financial Statements

## 12. FIXED ASSETS

## C - TANGIBLE ASSETS

Particulars	Gross Block			Accumulated Depreciation			Net Block	
	As at April 1, 2012	Additions for the year ended March 31, 2013	Disposal/ Adjustments for the year ended March 31, 2013	As at April 1, 2012	Additions for the year ended March 31, 2013	Disposal/ Adjustments for the year ended March 31, 2013	As at March 31, 2013	As at March 31, 2013
Freehold Land	95.83	-	-	-	-	-	-	95.83
Leasehold Land	11.26	-	-	2.77	0.24	-	3.01	8.25
Buildings	1,726.24	5.14	2.08	572.84	91.52	1.44	662.92	1,066.38
Plant & Machinery	306,399.28	37,025.69	1,365.55	107,628.44	28,937.46	1,114.12	135,451.78	206,607.64
Furniture & Fixtures	1,600.40	42.75	3.97	1,041.65	163.06	3.16	1,201.55	437.63
Office Equipment	3,593.59	143.22	86.65	3,288.30	171.17	84.74	3,374.73	275.43
Vehicles	1,065.52	288.60	120.81	653.32	226.05	102.26	777.11	456.20
<b>TOTAL</b>	<b>314,492.12</b>	<b>37,505.40</b>	<b>1,579.06</b>	<b>113,187.32</b>	<b>29,589.50</b>	<b>1,305.72</b>	<b>141,471.10</b>	<b>208,947.36</b>

## D - INTANGIBLE ASSETS

Particulars	Gross Block			Accumulated Amortisation			Net Block	
	As at April 1, 2012	Additions for the year ended March 31, 2013	Disposal/ Adjustments for the year ended March 31, 2013	As at April 1, 2012	Additions for the year ended March 31, 2013	Disposal/ Adjustments for the year ended March 31, 2013	As at March 31, 2013	As at March 31, 2013
Entry/License Fees & Spectrum	86,126.17	20,373.10	3,260.10	23,860.09	4,120.63	-	27,980.72	75,258.45
Computer - Software	4,795.02	205.52	1.58	3,498.77	662.93	1.78	4,159.92	839.04
Bandwidth	5,503.58	1,890.18	0.83	494.07	404.59	-	898.66	6,494.27
<b>TOTAL</b>	<b>96,424.77</b>	<b>22,468.80</b>	<b>3,262.51</b>	<b>27,852.93</b>	<b>5,188.15</b>	<b>1.78</b>	<b>33,039.30</b>	<b>82,591.76</b>
<b>GRAND TOTAL</b>	<b>410,916.89</b>	<b>59,974.20</b>	<b>4,841.57</b>	<b>141,040.25</b>	<b>34,777.65</b>	<b>1,307.50</b>	<b>174,510.40</b>	<b>291,539.12</b>

## Consolidated Financial Statements

### Notes forming part of the Consolidated Financial Statements

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
<b>13 LONG-TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Capital Advances	107.43	67.49
Deposits and Balances with Government Authorities	434.21	534.74
Deposits with Body Corporates and Others	9,376.43	12,243.51
MAT Credit Entitlement	11,298.78	10,180.96
Advance Income Tax	2,138.42	3,473.92
Other Loans and Advances	5,615.41	3,978.56
<b>Total</b>	<b>28,970.68</b>	<b>30,479.18</b>
<b>14 OTHER NON CURRENT ASSETS</b>		
Revenue Equalisation Reserve	1,448.37	-
<b>Total</b>	<b>1,448.37</b>	<b>-</b>
<b>15 CURRENT INVESTMENTS</b>		
Investment in Units of Mutual Funds	2,155.34	10,280.15
<b>Total</b>	<b>2,155.34</b>	<b>10,280.15</b>
<b>16 INVENTORIES</b>		
Sim and Recharge Vouchers	487.38	545.10
Trading Goods	195.70	181.32
<b>Total</b>	<b>683.08</b>	<b>726.42</b>
<b>17 TRADE RECEIVABLES</b>		
a) Billed Receivables		
Unsecured - Considered Good		
Outstanding for a period exceeding six months from due date	424.93	744.19
Other Receivables	4,147.19	5,557.83
	4,572.12	6,302.02
Unsecured - Considered Doubtful		
Outstanding for a period exceeding six months from due date	3,282.77	3,383.39
Other Receivables	335.52	424.88
	3,618.29	3,808.27
Less: Provision for Doubtful Debts	3,618.29	3,808.27
	4,572.12	6,302.02
b) Unbilled Receivables	3,434.08	3,298.75
<b>Total</b>	<b>8,006.20</b>	<b>9,600.77</b>

## Notes forming part of the Consolidated Financial Statements

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
<b>18 CASH AND BANK BALANCES</b>		
a) Cash and Cash Equivalents		
Cash on hand	26.01	26.48
Cheques on hand	183.93	223.18
Balances with Banks		
- In Current Accounts	235.62	750.43
- In Deposit Accounts	942.29	377.86
	1,387.85	1,377.95
b) Other Bank Balances		
Margin Money with Banks	492.47	51.10
Earmarked Bank Balance towards Dividend	0.64	-
<b>Total</b>	<b>1,880.96</b>	<b>1,429.05</b>
<b>19 SHORT TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
MAT Credit Entitlement	557.28	290.08
Advance Income Tax (Net of provisions)	3,164.10	1,556.01
Deposits with Body Corporates and Others	411.25	1,991.66
Cenvat Credit	3,475.97	3,581.77
Other Loans and Advances		
- Considered Good	4,572.90	3,425.82
- Considered Doubtful	584.69	592.01
	5,157.59	4,017.83
Less: Provision for Doubtful Advances	584.69	592.01
	4,572.90	3,425.82
<b>Total</b>	<b>12,181.50</b>	<b>10,845.34</b>
<b>20 OTHER CURRENT ASSETS</b>		
Interest Receivable	34.65	8.66
<b>Total</b>	<b>34.65</b>	<b>8.66</b>

## Consolidated Financial Statements

### Notes forming part of the Consolidated Financial Statements

₹ Mn

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>21 OTHER INCOME</b>		
Liabilities/Provisions no longer required written back	749.20	414.83
Miscellaneous Receipts	120.17	87.26
<b>Total</b>	<b>869.37</b>	<b>502.09</b>
<b>22 COST OF TRADING GOODS SOLD</b>		
Opening Stock	181.32	396.27
Add: Purchases	1,941.38	2,103.41
Less: Closing Stock	195.70	181.32
<b>Total</b>	<b>1,927.00</b>	<b>2,318.36</b>
<b>23 PERSONNEL EXPENDITURE</b>		
Salaries and Allowances etc.	11,801.63	9,777.35
Contribution to Provident and Other Funds	626.83	912.46
Staff Welfare	508.77	401.13
Recruitment and Training	183.94	134.34
<b>Total</b>	<b>13,121.17</b>	<b>11,225.28</b>
<b>24 NETWORK EXPENSES AND IT OUTSOURCING COST</b>		
Security Service Charges	1,300.37	1,143.90
Power and Fuel	22,674.55	19,099.53
Repairs and Maintenance - Plant & Machinery	9,934.91	8,549.28
Switching & Cellsites Rent	4,102.59	4,115.80
Lease Line and Connectivity Charges	4,858.44	5,455.04
Network Insurance	105.77	106.36
Passive Infrastructure Charges	17,915.97	13,440.68
Other Network Operating Expenses	720.09	570.59
IT Outsourcing Cost	3,377.58	2,879.42
<b>Total</b>	<b>64,990.27</b>	<b>55,360.60</b>
<b>25 LICENSE FEES AND WPC CHARGES</b>		
License Fees	18,040.75	15,545.28
WPC and Spectrum Charges	11,197.23	9,207.22
<b>Total</b>	<b>29,237.98</b>	<b>24,752.50</b>
<b>26 ROAMING &amp; ACCESS CHARGES</b>		
Roaming Charges	6,113.56	6,660.23
Access Charges	35,502.08	33,485.04
<b>Total</b>	<b>41,615.64</b>	<b>40,145.27</b>



## Notes forming part of the Consolidated Financial Statements

₹ Mn

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>27 SUBSCRIBER ACQUISITION &amp; SERVICING EXPENDITURE</b>		
Cost of Sim & Recharge Vouchers	1,476.59	1,685.16
Commission & Discount to Dealers	10,463.58	12,117.43
Customer Verification Expenses	2,310.09	1,612.10
Collection, Telecalling & Servicing Expenses	4,929.83	4,569.66
Customer Retention & Customer Loyalty Expenses	626.54	482.94
<b>Total</b>	<b>19,806.63</b>	<b>20,467.29</b>
<b>28 ADMINISTRATION &amp; OTHER EXPENSES</b>		
Repairs and Maintenance - Building	63.32	61.47
- Others	411.80	366.23
Other Insurance	42.47	37.88
Non Network Rent	865.28	875.84
Rates and Taxes	177.22	132.76
Electricity	499.87	399.88
Printing and Stationery	83.23	80.88
Communication Expenses	136.04	109.74
Travelling and Conveyance	1,070.88	913.52
Bad Debts/Advances written off	1,152.28	-
Provision for Bad and Doubtful Debts/Advances	(114.76)	829.85
Bank Charges	104.00	89.52
Directors Sitting Fees	1.40	1.25
Legal and Professional Charges	952.11	685.81
Audit Fees	45.89	42.45
Loss/(Gain) on Sale of Fixed Assets/Asset disposed off (Net)	(205.22)	53.27
Miscellaneous Expenses	1,000.76	861.22
<b>Total</b>	<b>6,286.57</b>	<b>5,541.57</b>
<b>29 FINANCE AND TREASURY CHARGES (NET)</b>		
Interest		
- On Fixed Period Loan (Net of ₹ 403.44 Mn. capitalised, Previous year ₹ Nil)	8,818.20	9,275.74
- Others	241.54	298.45
Financing Charges	492.11	582.77
	9,551.85	10,156.96
Less:		
Interest Income	987.68	193.89
Dividend Income and Profit on Sale of Current Investments	1,280.37	667.37
Gain/(Loss) on Foreign Exchange Fluctuation (Net)	(416.33)	(198.80)
<b>Total</b>	<b>7,700.13</b>	<b>9,494.50</b>

## Consolidated Financial Statements

### Notes forming part of the Consolidated Financial Statements

30. The Department of Telecommunications (DoT) conducted auction for the 900 and 1800 Mhz spectrum in February 2014. The Company successfully bid for its requirements in the 11 service areas of Maharashtra, Madhya Pradesh, Kerala, Gujarat, Andhra Pradesh, Haryana, Punjab, Karnataka, Mumbai, Delhi and North East in the 1800 Mhz band and for Delhi service area also in the 900 Mhz band at a total cost of ₹ 104,242.15 Mn. As per the payment options available as part of the auction, the Company has chosen the deferred payment option by making an upfront payment of ₹ 31,436.07 Mn. and balance amount is recognized as "Deferred Payment Liabilities towards Spectrum" under Unsecured Loans. This spectrum which is yet to be earmarked and allotted to the Company as on March 31, 2014 is for a twenty year period.
31. In the pending matter of transfer of licenses for service areas of Punjab & Karnataka, pursuant to amalgamation of erstwhile Spice Communications Limited with the Company, DoT has transferred these licenses in the name of the Company upon submission of an undertaking as directed by Hon'ble Supreme Court in its order dated January 29, 2014.
32. The Scheme of Arrangement under Section 391 to 394 of the Companies Act, for transfer of all assets and liabilities of erstwhile Idea Cellular Towers Infrastructure Limited (a 100% subsidiary of the Company), Vodafone Infrastructure Limited and Bharti Infratel Ventures Limited to joint venture of the Company Indus Towers Limited (Indus), with an appointed date of April 1, 2009 was approved by the Hon'ble High Court of Delhi on April 18, 2013 and became effective on June 11, 2013 being the date of the last filing of certified copies of the Order of the Court sanctioning the Scheme with the relevant Registrar of Companies. The Scheme has been accounted as amalgamation in the nature of purchase as it does not meet the conditions required for amalgamation in the nature of merger as specified in Accounting Standard 14 (AS 14). Pursuant to the Scheme, Indus has recorded assets of the transferor companies at their fair values and liabilities & reserves at their respective book values and the resultant difference has been credited to General Reserve, which as per scheme is to be treated as free reserve. The Scheme also provides specified purposes for which this General Reserve can be utilised.

Had the accounting treatment as per AS 14 been followed, the General Reserve account of the Group as at March 31, 2014 would have been lower by ₹ 3,929.59 Mn., Capital Reserve would have been higher by ₹ 5,259.35 Mn., profit during the year and surplus in statement of profit & loss as on March 31, 2014 would have been lower by ₹ 1,329.76 Mn.

Subsequent to scheme becoming effective, Income Tax authorities have filed appeals before the Division Bench of Hon'ble High Court of Delhi challenging the above order dated April 18, 2013 approving scheme of amalgamation of Idea Cellular Towers Infrastructure Limited, Vodafone Infrastructure Limited and Bharti Infratel Ventures Limited into Indus Towers Limited. The said appeals are yet to be admitted by the Hon'ble Court.

Further, Income Tax authorities have also filed appeals before respective Hon'ble High Courts challenging de-merger of PI undertaking from their holding companies to Idea Cellular Towers Infrastructure Limited, Vodafone Infrastructure Limited and Bharti Infratel Ventures Limited respectively. All these appeals are pending before Hon'ble High Courts for condonation of delay in filing.

#### 33. Contingent Liabilities:

- i) DoT has issued demand notices towards one time spectrum charges
- for spectrum beyond 6.2 Mhz in respective service areas for retrospective period from July 1, 2008 to December 31, 2012, amounting to ₹ 3,691.30 Mn., and
  - for spectrum beyond 4.4 Mhz in respective service areas effective January 1, 2013 till expiry of the period as per respective licenses amounting to ₹ 17,443.70 Mn.

In the opinion of Company, *inter-alia*, the above demands amount to alteration of financial terms of the licenses issued in the past. The Company had therefore, petitioned the Hon'ble High Court of Bombay, where the matter was admitted and is currently sub-judice. The Hon'ble High Court of Bombay has directed the DoT, not to take any coercive action until the matter is further heard.

- ii) The Company also has a contingent obligation to buy compulsorily convertible preference shares from the holder at fair market value plus the agreed consideration in the event ABTL is not able to redeem such shares which were issued by ABTL at ₹ 20,982.50 Mn. including premium thereon.

- iii) Other Matters

Particulars	₹ Mn	
	As at March 31, 2014	As at March 31, 2013
Income Tax Matters not acknowledged as debts (see a below)	62,340.68	50,302.44
Sales Tax and Entertainment Tax Matters not acknowledged as debts (see b below)	1,003.74	395.64
Service Tax Matters not acknowledged as debts (see c below)	2,123.73	1,947.67
Entry Tax and Custom Matters not acknowledged as debts (see d below)	344.84	628.09
Licensing Disputes (see e below)	19,943.82	9,955.78
Other claims not acknowledged as debts (see f below)	2,578.56	2,205.52

## Notes forming part of the Consolidated Financial Statements

### a) Income Tax Matters:

- Appeals filed by the holding company against the demands raised by Income Tax Authorities which are pending before Appellate Authorities include mainly, disputes on account of incorrect disallowance of revenue share license fee, disputes on non applicability of tax deduction at source on pre-paid margin allowed to prepaid distributors & roaming settlements, disallowance of interest proportionate to interest free advances given to wholly owned subsidiaries etc.
- Appeals filed for tax demands treating proceeds from issue of CCPS as Cash Credit.
- Appeals filed for tax demand on the net value of assets and liabilities vested with the holding company consequent to High Court approved de-merger of telecom undertaking from its wholly owned subsidiary.
- Appeals filed for tax demand of alleged short term capital gain on the fair valuation of investment in JV done as per High Court approved scheme.

### b) Sales Tax and Entertainment Tax:

- Sales Tax demands mainly relates to the demands raised by the VAT/Sales Tax authorities of few states on Broadband Connectivity, SIM cards etc. on which the company has already paid Service Tax.
- In one state entertainment tax is being demanded on revenue from value added services. However, the Company has challenged the constitutional validity of the levy.

### c) Service Tax:

Service tax demands 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 and OFC Ducts.
- Disallowance of Cenvat Credit on input services viewed as not related to output service.

### d) 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.

### e) Licensing Disputes:

- 3G Intra Circle Roaming Arrangements (ICR) – The Company had entered into roaming arrangements with other operators to provide 3G services in service areas where it did not won 3G spectrum. DoT has sent notices to stop the 3G services in these service areas and also imposed penalty for providing 3G services in select service areas under roaming arrangements. The matter is currently pending before the Hon'ble TDSAT.
- Demands due to difference in interpretation of definition of Revenue and other license fee assessment related matters.
- Disputes relating to alleged non compliance of licensing conditions, EMF procedural norms & other disputes with DoT, either filed by or against the Company and pending before Hon'ble Supreme Court/TDSAT.
- Demands on account of alleged violations in license conditions relating to amalgamation of erstwhile Spice Communications Limited currently sub-judice before the Hon'ble TDSAT(Refer Note 31).

### f) Other claims not acknowledged as debts:

Mainly includes miscellaneous disputed matters with Local Municipal Corporation and Electricity Board and others.

34. Group's share in certain disputed tax demand notices and show cause notices relating to Indirect tax matters amounting to ₹ 5,892.00 Mn. (Previous year ₹ 6,674.88 Mn.) have neither been acknowledged as claims nor considered as contingent liabilities by the Joint Venture of the Company. Based on internal assessment and independent advice taken from tax experts by the Joint Venture, the Joint Venture is of the view that the possibility of any of these tax demands materialising is remote.

### 35. Details of guarantees given:

₹ Mn

Particulars	As at	
	March 31, 2014	March 31, 2013
Bank Guarantees given	42,006.13	25,833.51

## Consolidated Financial Statements

### Notes forming part of the Consolidated Financial Statements

#### 36. Capital and other Commitments:

Estimated amount of commitments as on March 31, 2014 towards -

- Contracts remaining to be executed for capital expenditure (net of advances) and not provided for is ₹ 17,402.34 Mn. (Previous year ₹ 17,714.71 Mn.)
- Long term contracts remaining to be executed including early termination commitments (if any) is ₹ 18,376.07 Mn. (Previous year ₹ 18,076.12 Mn)

#### 37. Personnel Expenditure includes ₹ 43.07 Mn. (Previous year ₹ 0.32 Mn.), being the amortisation of intrinsic value of ESOPs for the year ending March 31, 2014.

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 ₹ 93.56 Mn. (Previous year ₹ 38.44 Mn.) and earnings per share as reported would be as indicated below:

Particulars	₹ Mn	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Net Profit After Tax but before Exceptional items	19,678.20	10,109.27
Add: Total stock-based employee compensation expense determined under intrinsic value base method	43.07	0.32
Less: Total stock-based employee compensation expense determined under fair value base method	136.63	38.76
Adjusted Net Profit	19,584.64	10,071.26
<b>Basic Earnings per Share (in ₹)</b>		
- As Reported	5.93	3.05
- Adjusted	5.90	3.04
<b>Diluted Earnings per Share (in ₹)</b>		
- As Reported	5.92	3.05
- Adjusted	5.89	3.03

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

Particulars	ESOS 2013	
	Stock Options	Restricted Stock Units
Dividend Yield (%)	0.24	0.24
Expected Life	6 yrs 6 months	5 yrs 6 months
Risk Free Interest Rate (%)	8.81 – 8.95	8.91
Volatility (%)	34.13 – 44.81	43.95

## Notes forming part of the Consolidated Financial Statements

### 38. Details of Foreign Currency Exposures:

#### A. Hedged by a Derivative Instrument:

Amount in Mn

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Foreign Currency Loan:</b>		
Foreign Currency Loan in USD	667.73	654.06
Foreign Currency Loan in JPY	5,313.22	10,626.43
Equivalent INR of Foreign Currency Loan	43,744.48	40,398.95
<b>Trade Payables and Other Current Liabilities:</b>		
Trade Payables in USD	46.38	23.60
Interest accrued but not due on Foreign Currency Loans in USD	7.39	2.85
Interest accrued but not due on Foreign Currency Loans in JPY	8.20	18.21
Equivalent INR of Trade payables and Other Current Liabilities	3,368.86	1,469.09
<b>B. Not Hedged by a Derivative Instrument or Otherwise:</b>		
Foreign Currency Loan in USD	473.75	657.48
Equivalent INR of Foreign Currency Loan	28,472.38	35,760.06
<b>Trade Payables:</b>		
Trade Payables in USD	46.01	51.85
Trade Payables in EURO	0.25	0.17
Trade Payables in GBP	-	0.01
Interest accrued but not due on Foreign Currency Loans in USD	-	4.84
Equivalent INR of Trade Payables & Interest accrued in Foreign Currency	2,786.04	3,095.98
<b>Trade Receivables:</b>		
Trade Receivables in USD	12.65	10.21
Trade Receivables in EURO	0.11	0.12
The Equivalent INR of Trade Receivables in Foreign Currency	768.78	564.23

### 39. 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, 2014	For the year ended March 31, 2013
1	<b>Assumptions</b>		
	Discount Rate	9.00% - 9.10%	8.10%
	Expected Return on Plan Assets	9.00%	9.00%
	Salary Escalation	7.00%	7.00%
2	<b>Table showing changes in Present Value of Obligations</b>		
	Present Value of Obligations as at beginning of year	959.38	473.25
	Interest Cost	89.00	44.69
	Current Service Cost	165.45	87.83
	Benefits Paid	(25.90)	(18.74)
	Actuarial (Gain)/Loss on Obligations	(125.07)	134.45
	Past Service Cost	-	237.90
	Present Value of Obligations as at end of year	1,062.86	959.38

## Consolidated Financial Statements

### Notes forming part of the Consolidated Financial Statements

₹ Mn

Sr. No.	Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>3</b>	<b>Table showing changes in the Fair Value of Plan Assets</b>		
	Fair Value of Plan Assets at beginning of year	225.55	210.06
	Expected Return on Plan Assets	20.77	16.67
	Contributions	31.36	15.58
	Benefits Paid	(25.90)	(18.74)
	Actuarial Gain/(Loss) on Plan Assets	1.63	1.98
	Fair Value of Plan Assets at the end of year	253.42	225.55
	Funded Status	809.44	733.83
	Actual Return on Plan Assets	20.96	17.78
<b>4</b>	<b>Actuarial Gain/Loss recognised</b>		
	Actuarial Gain/(Loss) for the year – Obligation	125.07	(134.45)
	Actuarial (Gain)/Loss for the year - Plan Assets	(1.63)	(1.98)
	Total (Gain)/Loss for the year	(126.70)	132.47
	Actuarial (Gain)/Loss recognised in the year	(126.70)	132.47
<b>5</b>	<b>The amounts to be recognised in the Balance Sheet</b>		
	Present Value of Obligations as at the end of year	1,062.86	959.38
	Fair Value of Plan Assets as at the end of the year	253.42	225.55
	Funded Status	809.44	733.83
	Net Asset/(Liability) recognised in Balance Sheet	(809.44)	(733.83)
<b>6</b>	<b>Expenses recognised in Statement of Profit &amp; Loss</b>		
	Current Service cost	165.45	87.83
	Interest Cost	89.00	44.69
	Expected Return on Plan Assets	(20.77)	(16.67)
	Net Actuarial (Gain)/Loss recognised in the year	(126.70)	132.47
	Past service cost	-	237.90
	Expenses recognised in Statement of Profit & Loss	106.98	486.22
<b>7</b>	<b>Investment Details of Plan Assets (% allocation)</b>		
	Insurer Managed Funds*	100%	100%

₹ Mn

Sr. No.	Particulars	For the year ended				
		March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
<b>8</b>	<b>Experience Adjustments</b>					
	Defined Benefit Obligation	1,062.86	959.38	473.25	369.83	258.36
	Plan Assets	253.42	225.55	210.06	183.70	148.23
	Surplus/(Deficit)	(809.44)	(733.83)	(263.19)	(186.13)	(110.13)
	Experience Adjustments on Plan Liabilities	34.07	116.21	25.64	26.25	57.02
	Experience Adjustments on Plan Assets	1.63	1.98	2.59	5.33	0.28

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

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

## Notes forming part of the Consolidated Financial Statements

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

#### a) Gratuity cost for the year

Particulars	₹ Mn	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Current Service Cost	5.44	4.80
Interest Cost	1.44	1.12
Actuarial Losses	-	0.32
<b>Total amount recognised in Statement of Profit and Loss</b>	<b>6.88</b>	<b>6.24</b>

#### b) Amount recognised in the Balance Sheet

Particulars	₹ Mn	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Opening Defined Benefit Obligation	16.96	12.80
Total amount recognised in Statement of Profit and Loss	6.88	6.24
Benefits paid during the year	(2.40)	(2.08)
<b>Amount recognised in the Balance Sheet</b>	<b>21.44</b>	<b>16.96</b>

#### c) Experience Adjustments

Particulars	₹ Mn				
	For the year ended				
	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Defined Benefit Obligation	21.44	16.96	12.80	9.10	5.96
Surplus/(Deficit)	(21.44)	(16.96)	(12.80)	(9.10)	(5.96)
Experience Adjustments on Plan Liabilities	0.96	0.48	0.80	0.80	0.21

#### d) Financial Assumptions

Particulars	As at March 31, 2014	As at March 31, 2013
Discount Rate	9.10%	8.40%
Salary Escalation Rate	First 2 years- 10% and 7% thereafter	First 2 years- 10% and 7% thereafter

### b) Defined Contribution Plan: During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

Particulars	₹ Mn	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Employers' Contribution to Provident & Pension Fund	400.85	325.56
Employers' Contribution to Superannuation Fund	56.75	47.47

# Consolidated Financial Statements

## Notes forming part of the Consolidated Financial Statements

### 40. Segment Reporting:

#### 1. Primary Segments:

The Group operates in three business segments:

- a) Mobility Services: providing GSM based mobile and related telephony services.
- b) International Long Distance (ILD): providing international long distance services.
- c) Passive Infrastructure (PI): providing passive infrastructure services.

Transactions between segments are accounted on agreed terms on arm's length basis and have been eliminated at the Group level.

#### 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, 2014

Particulars	Business Segments			Elimination	Total
	Mobility	ILD	PI		
<b>Revenue</b>					
External Revenue	260,832.32	3,229.64	1,127.09	-	265,189.05
Inter-segment Revenue	917.78	1,505.30	23,717.61	(26,140.69)	-
<b>Total Revenue</b>	<b>261,750.10</b>	<b>4,734.94</b>	<b>24,844.70</b>	<b>(26,140.69)</b>	<b>265,189.05</b>
<b>Segment Result</b>	<b>31,640.16</b>	<b>708.29</b>	<b>5,794.33</b>	<b>-</b>	<b>38,142.78</b>
Interest & Financing Charges (Net)					7,700.13
Profit before Tax					30,442.65
Provision for Tax (Net)					10,764.45
Profit after Tax					19,678.20
<b>Other Information</b>					
Segment Assets	402,091.80	1,047.94	47,799.03	(11,753.56)	439,185.21
Unallocated Corporate Assets	-	-	-	-	26,389.36
<b>Total Assets</b>					<b>465,574.57</b>
Segment Liabilities	267,535.26	424.99	24,193.26	(11,753.56)	280,399.95
Unallocated Corporate Liabilities	-	-	-	-	19,904.89
<b>Total Liabilities</b>					<b>300,304.83</b>
Capital Expenditure	147,298.30	22.76	2,929.71	-	150,250.77
Depreciation & Amortisation	40,897.61	35.14	#5,476.47	-	46,409.22

# Includes depreciation charge on fair value portion of fixed assets by joint venture ₹ 1,215.22 Mn. adjusted to General Reserve.



## Notes forming part of the Consolidated Financial Statements

Primary Business Information (Business Segments) for the year ended March 31, 2013

₹ Mn

Particulars	Business Segments			Elimination	Total
	Mobility	ILD	PI		
External Revenue	221,218.71	2,317.23	1,040.60	-	224,576.54
Inter-segment Revenue	697.21	1,514.06	22,512.07	(24,723.34)	-
<b>Total Revenue</b>	<b>221,915.92</b>	<b>3,831.29</b>	<b>23,552.67</b>	<b>(24,723.34)</b>	<b>224,576.54</b>
<b>Segment Result</b>	<b>20,779.38</b>	<b>365.13</b>	<b>4,123.22</b>	<b>-</b>	<b>25,267.73</b>
Interest & financing Charges (Net)					9,494.50
Other Income					-
Profit before Tax					15,773.23
Provision for Tax (Net)					5,663.96
Profit after Tax					10,109.27
<b>Other Information</b>					
Segment Assets	292,483.02	677.13	40,602.14	(10,435.50)	323,326.79
Unallocated Corporate Assets	-	-	-	-	40,453.91
<b>Total Assets</b>					<b>363,780.70</b>
Segment Liabilities	193,959.16	316.83	24,543.73	(10,435.50)	208,384.22
Unallocated Corporate Liabilities	-	-	-	-	12,343.59
<b>Total Liabilities</b>					<b>220,727.81</b>
Capital Expenditure	58,058.89	23.73	3,903.90	-	61,986.52
Depreciation & Amortisation	30,493.15	51.02	4,233.48	-	34,777.65

#### 41. Related Party Transactions:

As per Accounting Standard-18 on "Related Party Disclosure", 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

Axiata Investments 1 (India) Ltd. (AI1) (Formerly known as TMI Mauritius Ltd)  
 Axiata Investments 2 (India) Ltd. (AI2)  
 Axiata Group Berhad

###### Key Management Personnel (KMP)

Mr. Himanshu Kapania, MD  
 Mr. Akshaya Moondra, CFO

## Consolidated Financial Statements

### Notes forming part of the Consolidated Financial Statements

#### B. Transactions with Related Parties:

₹ Mn

Particulars	Promoters				Entities having Significant Influence		KMP
	Hindalco	Grasim	ABNL	Birla TMT	AI2	AI1	
Remuneration							117.98 (105.76)
Purchase of Service/Goods	0.05 (-)	0.34 (-)	0.17 (-)				
Sale of Service/Goods	29.77 (28.33)	16.64 (17.06)	29.33 (26.92)				
Expenses incurred by Company on behalf of	0.52 (0.36)	0.16 (0.94)	0.86 (0.43)				
Expenses incurred on Company's behalf by	0.02 (0.36)	0.09 (0.10)	0.03 (0.06)				
Interest paid on NCD	9.45 (-)						
Dividend on Equity Shares	68.50 (-)	51.30 (-)	251.26 (-)	85.07 (-)	58.63 (-)	139.42 (-)	0.10 (-)

(Figures in bracket are for the year ended March 31, 2013)

#### C. Outstanding as at March 31, 2014:

₹ Mn

Particulars	Promoters			KMP
	Hindalco	Grasim	ABNL	
Remuneration Payable				34.54 (30.52)
Trade Receivable	3.63 (2.95)	2.35 (2.51)	1.48 (1.90)	
9.45% Redeemable NCD	100.00 (100.00)*			
Interest accrued but not due on the above NCD's	3.91 (3.94)			

\* Purchased from Secondary Market

(Figures in bracket are as at March 31, 2013)

42. The Company is one of the members of Aditya Birla Management Corporation Private Limited, a Company limited by guarantee, which has been formed to provide common pool of facilities and resources to its members with a view to optimise the benefits of specialisation and minimize cost to each member. The Company's share of expenses incurred under the common pool has been accounted for at actuals in the respective heads in the Statement of Profit & Loss.

#### 43. 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. For the current year, total minimum lease payments amounting to ₹ 22,857.76 Mn. (Previous year ₹ 18,462.24 Mn.) are charged to the Statement of Profit & Loss.

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

₹ Mn

Particulars	Not later than one year	Later than one year but not later than five years	Later than five years
Minimum Lease Payments	20,141.03 (9,961.06)	68,527.36 (30,921.38)	35,596.72 (14,290.86)

(Figures in bracket are as at March 31, 2013)

## Notes forming part of the Consolidated Financial Statements

### 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 ₹ 269.60 Mn. (Previous year ₹ 191.49 Mn.) in respect of such leases have been recognised in the Statement of Profit and Loss 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	184.72 (951.38)	12.81 (20.67)	- (0.84)

(Figures in bracket are as at March 31, 2013)

44. The Company has 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 at the time of receipt and depreciated on the stated useful life applicable to similar assets of the Company.

### 45. Basic & Diluted Earnings per Share:

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Nominal Value of Equity Shares (₹)	10/-	10/-
Profit after Tax (₹ Mn.)	19,678.20	10,109.27
Profit attributable to Equity Shareholders (₹ Mn.)	19,678.20	10,109.27
Weighted average number of Equity Shares outstanding during the year	3,316,853,830	3,310,881,787
Basic Earnings Per Share (₹)	5.93	3.05
Dilutive effect on weighted average number of Equity Shares outstanding during the year	8,373,426	8,292,754
Weighted average number of Diluted Equity Shares	3,325,227,256	3,319,174,541
Diluted Earnings Per Share (₹)	5.92	3.05

46. The Company has the following joint ventures as at March 31, 2014 and its percentage holding is given below:

Name of the Joint Venture	Percentage holding	
	As at March 31, 2014	As at March 31, 2013
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 at March 31, 2014	As at March 31, 2013
<b>Liabilities</b>		
Reserves & Surplus	24,201.45	1,225.39
Long Term Borrowings	9,845.28	12,303.20
Other Non Current Liabilities	4,998.88	2,557.28
Deferred Tax Liability	2,635.84	767.80
Short Term Borrowings	378.08	328.80
Other Current Liabilities	6,555.96	9,268.65

## Consolidated Financial Statements

### Notes forming part of the Consolidated Financial Statements

₹ Mn

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Assets</b>		
Net Block (including CWIP)	33,360.32	19,808.64
Other Non Current Assets	9,449.44	2,102.45
Current Investment	1,825.28	720.00
Other Current Assets	3,980.64	3,820.22

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Revenues	22,453.28	21,362.04
Operating Costs	13,137.76	15,030.56
EBITDA	9,315.52	6,331.48
Finance Cost	1,426.24	1,310.08
Depreciation & Amortisation	3,903.04	2,635.36
PBT	3,986.24	2,386.04
Taxes	1,518.40	813.58
PAT	2,467.84	1,572.46
Contingent Liability	4,182.08	699.52
Capital Commitment	527.52	187.04

#### 47. Information with respect to Subsidiaries as at March 31, 2014:

₹ Mn

Particulars	Aditya Birla Telecom Limited	Idea Cellular Services Limited	Idea Cellular Infrastructure Services Limited	Idea Telesystems Limited	Idea Mobile Commerce Services Limited
Capital	119.25	0.50	0.50	0.50	45.00
Reserves	74,080.02	(7.09)	532.65	140.38	(28.82)
Total Assets	2,406.09	85.28	3,141.49	252.82	36.53
Total Liabilities	1,514.38	91.87	2,608.34	442.00	20.35
Investments other than Investments in Subsidiary	73,307.56	-	-	330.06	-
Turnover (Total Revenue)	846.25	1,123.43	2,253.29	2,339.04	10.63
Profit/(Loss) before Taxation	851.10	1.95	227.18	39.33	(15.88)
Provision for Taxation	2.61	1.00	53.30	7.75	-
Profit/(Loss) after Taxation	848.49	0.95	173.88	31.58	(15.88)

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

₹ Mn

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Opening Balance	1,495.49	930.83
Additional Provision	76.00	590.45
Addition pursuant to merger of Subsidiary and certain other Companies into Joint Venture	1,632.96	-
Utilisation	20.48	25.79
Closing Balance	3,183.97	1,495.49

## Notes forming part of the Consolidated Financial Statements

49. The Board of Directors has recommended a dividend at the rate of ₹ 0.40 per share (Previous year ₹ 0.30) of face value of ₹ 10/- aggregating ₹ 1,553.52 Mn. including ₹ 225.67 Mn. Dividend Distribution Tax, (Previous year ₹ 1,163.28 Mn, including ₹ 168.98 Mn. Dividend Distribution Tax) for the year ended March 31, 2014. The payment of dividend is subject to the approval of the shareholders at the ensuing annual general meeting of the Company.
50. Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year grouping.

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For and on behalf of the Board

Arun Thiagarajan  
Director

Sanjeev Aga  
Director

Himanshu Kapania  
Managing Director

Murthy GVAS  
President  
(Finance & Accounts)

Pankaj Kapdeo  
Company Secretary

Place : Mumbai  
Date : April 28, 2014

## Consolidated Financial Statements

### Consolidated Cash Flow Statement for the year ended March 31, 2014

₹ Mn

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>A) Cash Flow from Operating Activities</b>		
Net Profit after Tax	19,678.20	10,109.27
Adjustments For		
Depreciation	38,855.15	29,589.50
Amortisation of Intangible Assets	6,338.85	5,188.15
Interest and Financing Charges	9,551.85	10,156.96
Dividend Income and Profit on sale of Current Investments	(1,280.37)	(667.37)
Bad Debts/Advances written off	1,152.28	-
Provision for Bad & Doubtful Debts/Advances	(114.76)	829.85
Employee Stock Option Cost	43.07	0.32
Provision for Gratuity, Leave Encashment	175.62	669.54
Provision for Deferred Tax	5,454.11	4,907.46
Provision for Current Tax (Net of MAT Credit Entitlement)	5,310.34	756.50
Liabilities/Provisions no longer required written back	(749.20)	(414.83)
Interest Income	(987.68)	(193.89)
(Profit)/Loss on sale of Fixed Assets/Assets Discarded	(205.22)	53.27
	63,544.04	50,875.46
Operating profit before Working Capital Changes	83,222.24	60,984.73
Adjustments for Changes in Working Capital		
(Increase)/Decrease in Trade Receivables	469.03	(2,203.64)
(Increase)/Decrease in Inventories	43.34	199.24
(Increase)/Decrease in Other Current and Non Current Assets	(1,890.38)	(3.97)
(Increase)/Decrease in Long Term and Short Term Loans and Advances	3,695.66	(371.99)
Increase/(Decrease) in Trade Payables, Other Current and Non Current Liabilities and Provisions	3,036.16	8,476.13
	5,353.80	6,095.77
Cash generated from Operations	88,576.04	67,080.50
Tax paid (including TDS) (Net)	(6,383.99)	(4,109.58)
Net Cash from/(used in) Operating Activities	82,192.05	62,970.92
<b>B) Cash Flow from Investing Activities</b>		
Purchase of Fixed assets & Intangible assets (including CWIP)	(36,984.63)	(34,986.76)
Payment towards Spectrum and Licenses*	(31,436.07)	(213.22)
Proceeds from Sale of Fixed Assets	536.22	220.70
Profit on Sale of Current Investments, Dividend and Interest Received	2,242.06	870.28
Net Cash from/(used in) Investing Activities	(65,642.42)	(34,109.00)

## Consolidated Cash Flow Statement for the year ended March 31, 2014

Particulars	₹ Mn	
	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>C) Cash Flow from Financing Activities</b>		
Proceeds from issue of Equity Share Capital	262.75	248.20
Proceeds from Long Term Borrowings *	4,465.34	40,154.25
Repayment of Long Term Borrowings	(22,019.96)	(37,832.52)
Proceeds from Short Term Borrowings	6,905.62	10,547.22
Repayment of Short Term Borrowings	(5,286.68)	(23,237.33)
Payment of Dividend, including Dividend Tax	(1,305.88)	(250.24)
Payment of Interest and Financing Charges	(7,681.99)	(9,283.00)
<b>Net Cash from/(used in) Financing Activities</b>	<b>(24,660.80)</b>	<b>(19,653.42)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(8,111.17)</b>	<b>9,208.50</b>
Cash and Cash Equivalents at the Beginning	11,658.10	2,449.60
Decrease in Cash and Cash Equivalents pursuant to merger of Subsidiary and certain other Companies into Joint Venture	(3.74)	—
<b>Cash and Cash Equivalents at the End</b>	<b>3,543.19</b>	<b>11,658.10</b>

\* Excluding deferred payment liability towards spectrum won in auction, being non-cash transaction during the respective years.

### Notes to Cash flow Statement for the year ended March 31, 2014:

1. Cash and Cash Equivalents include the following Balance Sheet amounts:

Cash on hand	26.01	26.48
Cheques on hand	183.93	223.18
Balances with banks		
- In Current Accounts	235.62	750.43
- In Deposit Accounts	942.29	377.86
Investment in Units of Mutual Funds	2,155.34	10,280.15
	<u>3,543.19</u>	<u>11,658.10</u>

2. The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statement.

In terms of our report attached

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Khurshed Pastakia  
Partner  
Membership No.: 31544

Place : Mumbai  
Date : April 28, 2014

For and on behalf of the Board

Arun Thiagarajan  
Director

Murthy GVAS  
President (Finance & Accounts)

Sanjeev Aga  
Director

Pankaj Kapdeo  
Company Secretary

Himanshu Kapania  
Managing Director





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