



**Report of the
Comptroller and Auditor General of India**

**Sharing of
Revenue by Private Telecom Service Providers
during the years 2006-07 to 2009-10**



**Union Government
(Communications and IT Sector)**

No. 4 of 2016

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PREFACE

This Report has been prepared for submission to the President under Article 151 of the Constitution of India.

The audit report aims to bring out the deficiencies noticed in the sharing of revenue by the Private Service Providers (PSPs) in telecom sector with the Government. Article 266 of the Constitution of India and Sections 13, 16 and 18 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 make it obligatory on the part of Comptroller and Auditor General of India to satisfy himself that the Government of India has received its complete and correct share of revenue. Accordingly, the books of accounts and other related records maintained by the Department of Telecommunication and PSPs were examined by the audit with the sole objective of ensuring that the revenue earned by the PSPs is shared with the Government in the spirit intended by agreements signed by the PSPs with the Government.

This audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

1. Revenue share model in Indian Telecom Sector

With a view to ensure availability of state of the art technology and services in the communication market, the Government in 1999 introduced the New Telecom Policy (NTP 99). NTP - 99 introduced the revenue sharing regime in which telecom licensees were required to share a percentage of their Adjusted Gross Revenue (AGR) with the Government as License Fee (LF). Mobile operators were also required to pay Spectrum Usage Charges (SUC) for the use of the radio frequency spectrum allotted to them. To revive the slowing down in the telecom sector and to help the financially constrained telecom service providers, a bailout package was offered to them. All the existing service providers were permitted to migrate to the new revenue share regime from the fixed license fee regime of National Telecom Policy 1994 (NTP-94). All of the licensees accepted the bailout package and moved over to the new regime. New licenses conditions were framed in 2001 defining the revenue of the licensee companies and other terms and conditions for computation of the AGR and payment of LF. These were accepted by all the service providers.

2. Rationale for audit by CAG of India on the correctness of revenue share paid by private telecom operators

The revenue shared by Private Service Providers (PSPs) with Government of India (GOI) as LF and SUC forms part of the Consolidated Fund of India. Article 266 of the Constitution of India and Sections 13, 16 & 18 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 make it obligatory on the part of CAG of India to satisfy himself that the Government of India has received its complete and correct share. Further, the 'Telecom Regulatory Authority of India, Service Providers (Maintenance of Books of Accounts and other Documents) Rules, 2002', promulgated by the Government in November 2002 contains enabling provisions for verification of all the accounting records and documents maintained by the service providers that has a bearing on the Gross Revenue (GR) of the service providers by the CAG of India. As the correctness of revenue share is directly linked to the correctness of the GR of the service provider, it was imperative to verify the accounting records of all the service providers to ensure that revenue due to the Government was reported correctly. Consequently, it was decided to take up the audit verification of the revenue shared by six major telecom service providers, in the first phase, covering the accounts of four years from 2006-07 to 2009-10 and to conduct similar audit of all the service providers every year in future.

3. Structure of the Report

This report consists of ten chapters and annexures. Chapter-I gives an overview of the genesis of revenue sharing regime in the telecom sector and also presents important conditions

stipulated by the Government, through the licence agreements with the service providers, for reporting their revenue and payment of revenue share. It also covers the arrangements in Department of Telecommunication (DoT) for collection of LF and SUC and their final assessment. Chapter-II explains the audit scope, methodology and reasons for selecting the operators covered in the first phase of audit. PSP wise audit findings are narrated in Chapters-III to VIII. Chapter-IX deals with audit findings on process of verification of deductions at the offices of the Controllers of Communication Accounts (CsCA). Chapter-X deals with audit observations on assessment of LF and SUC by DoT.

4. Summary of important audit findings

(i) GR/AGR understated by all the PSPs by the amount of commission/discount paid to their distributors/dealers/agents

PSPs employ distributors/dealers/agents/franchisees to sell their prepaid products and for customer acquisition and pay commission/discounts etc. to them. All the six PSPs have reduced the GR/AGR reported to DoT by the amount of commission/discounts etc. paid to distributors/dealers/agents/franchisees. However, different PSPs have accounted these transactions in different ways. While Airtel and Tata Teleservices Limited (TTSL) have booked the amount of commission/discounts etc. as a debit entry to revenue, Reliance and Aircel have booked the revenue *per se* after netting of discounts/commission. Different LSAs of Vodafone and Idea have accounted it in either of the ways mentioned above whereas Tata Teleservices Maharashtra Limited (TTML) has booked it as expenses. Since commission/discounts etc. paid to distributors/dealers/agents/franchisees is in the nature of business expense (marketing expense), netting off or reducing the revenue for the purpose of reporting GR/AGR for computation of revenue share to GOI is against the license agreement. Amount of discount/commission etc. netted off from revenue worked out by audit comes out to be ₹ 5672.66 crore resulting in short payment of LF and SUC by ₹ 487.09 crore and ₹ 203.38 crore respectively.

(Para 3.2.1A, 4.2.1, 5.2.2 A, 5.2.3, 5.2.5, 5.2.6, 6.2.1A, 7.2.1, 7.2.4, 8.2.3)

(ii) GR/AGR understated by all the PSPs by the amount of promotional schemes like Free Talk Time/Free Air Time

Tariff has been defined in the Unified Access Services License (UASL) agreement. PSPs submit quarterly tariff plans to Telecom Regulatory Authority of India (TRAI). Audit noticed that PSPs provide various offers like Free Talk Time/Free Air Time (FTT/FAT) to their prepaid subscribers on different occasions. These are basically promotional schemes by various names, over and above the tariff plans submitted to TRAI. UASL agreements provide that service revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately. It was noticed by audit that promotional offers have not been

recognised as revenue by all the six PSPs and they have accounted it differently in their books of accounts. In the books of accounts of Airtel, Idea, Tata and Aircel, amount of promotional FAT/FTT given to subscribers could be identified by audit as it had been accounted as debit entries to revenue heads. No such information could be ascertained from the books of accounts of Reliance as it has eliminated the value of promotional FAT/FTT at the technical system (mediation level) itself without reflecting it in the financial systems and the books of accounts. In respect of Vodafone, it could not be segregated as it has booked such promotional offers, on both the prepaid & post-paid services, in one account. Similarly, in case of Aircel, waivers to both prepaid and postpaid customers were accounted together, the impact of such waivers on LF and SUC was calculated in entirety and included here. Since such promotional offers are in the nature of business expenses, in accordance with UASL agreements, they should be recognised as revenue for the purpose of GR/AGR for computation of revenue share to GOI. Audit worked out understatement of GR/AGR on this account by ₹ 8960.81 crore resulting in short payment of LF and SUC by ₹ 784.28 crore and ₹ 271.29 crore respectively.

(Para 3.2.1 B, 4.2.2, 4.2.4, 5.2.1, 6.2.1B, 7.2.2, 8.2.1)

(iii) Understatement of GR/AGR by netting-off of discounts/waivers given to postpaid subscriber

Audit noticed that discounts/waivers given to post-paid subscribers by Airtel, Vodafone, Idea, Tata and Aircel was deducted from their revenue. Such discounts/waivers, over and above the tariff plan submitted to TRAI, granted to post paid subscribers are in nature of business expense and their deduction from revenue for reporting GR/AGR for computation of revenue share is not in accordance with the license agreements. Audit worked out understatement of GR/AGR on this account as ₹ 1622.18 crore resulting in short payment of LF and SUC by ₹ 148.94 crore and ₹ 66.66 crore respectively.

(Para 3.2.2, 4.2.7, 6.2.2, 7.2.3, 8.2.1A)

(iv) Understatement of GR/AGR by netting of discounts from revenue pertaining to roaming services.

PSPs have arrangements with other International Operators for roaming services. It has been noticed that the Inter Operator traffic (IOT) discounts paid/credited to the accounts of these Operators were debited/deducted from the roaming revenue by Airtel, Vodafone and Idea. Having roaming arrangement with other national/ international operators is a matter of mutual agreement between two operators and giving discounts over and above the agreed charges for roaming is part of overall commercial strategy to enhance business between the two operators. As such, these discounts are in the nature of expenses and hence, in terms of license agreements, should not be deduced from revenue. Audit worked out understatement

of GR/AGR for computation of revenue share on this account as ₹ 437.02 crore resulting in short payment of LF and SUC by ₹ 41.41 crore and ₹ 18.66 crore respectively.

(Para 3.2.3, 4.2.3, 6.2.3)

(v) Understatement of GR/AGR by netting of revenue from infrastructure sharing

UASL agreements provide that GR shall be inclusive of revenue from infrastructure sharing without setting off of any related item of expenses. PSPs have arrangements with other PSPs for sharing of their passive infrastructure. Audit has noticed that amount received towards infrastructure sharing in the case of Airtel, Vodafone, Idea, Tata and Aircel has not been taken to revenue in full, instead, part of it has been credited to expenses. This has resulted in understatement of revenue from infrastructure sharing for computation of GR/AGR for the purpose of revenue share. Understatement of GR/AGR on this account was worked out by audit as ₹ 1175.45 crore resulting in short payment of LF and SUC by ₹ 101.60 crore and ₹ 46.36 crore respectively.

(Para 3.2.4, 4.2.5, 6.2.4, 7.2.5, 8.2.5)

(vi) Understatement of GR/AGR due to short/non-inclusion of forex gain by all PSPs

In terms of definition of GR, forex gain should be included in GR/AGR for computation of revenue share. Audit noticed that all the six PSPs have included forex gain in GR/AGR for computation of revenue share in initial years. However, subsequently all the six PSPs either stopped including forex gain in GR/AGR for computation of revenue share or partially included forex gain in GR/AGR for computation of revenue share. Audit worked out amount of non-inclusion of forex gain (realized) in GR/AGR as ₹ 2095.86 crore resulting in short payment of LF and SUC by ₹ 174.48 crore and ₹ 51.19 crore respectively.

(Para 3.2.5, 4.2.6, 5.3.1, 6.2.7, 7.2.6, 8.2.6)

(vii) Understatement of GR/AGR by all PSPs by non- inclusion of interest income

License agreements expressly provide that interest income should be included in GR/AGR for computation of revenue share. Audit noticed that the six PSPs have included interest income in GR/AGR for computation of revenue share in initial years. However, subsequently all PSPs either stopped including interest income in GR/AGR for computation of revenue share or partially included interest income in GR/AGR for computation of revenue share. Audit worked out amount of non-inclusion of interest income in GR/AGR as ₹ 6299.90 crore resulting in short payment of LF and SUC by ₹ 535.23 crore and ₹ 204.32 crore respectively.

(Para 3.3.1, 4.3.1, 5.3.2, 6.3.1, 7.3.1, 8.2.7)

(viii) Understatement of GR/AGR by all PSPs by non-inclusion of profit from sale of investment

License agreements provide that income from investments should be included in GR/AGR for computation of revenue share. Audit noticed that Airtel, Reliance, Idea, Tata and Aircel have not included income earned from investments in GR/AGR for computation of revenue share. Audit worked out amount of non-inclusion of income from investments in GR/AGR as ₹ 3111.45 crore resulting in short payment of LF and SUC by ₹ 271.70 crore and ₹ 93.20 crore respectively.

(Para 3.3.3, 5.3.4, 6.3.2, 7.3.2, 8.2.8)

(ix) Understatement of GR/AGR by Reliance Communications Limited (RCL) through an arrangement with its subsidiary

RCL is a Unified Access Service (UAS) Licensee. Reliance Communications Infrastructure Limited (RCIL) which had got Category “A” ISP license, was a wholly owned subsidiary of RCL during 2006-07 to 2009-10. RCL and RCIL entered into agreements for providing Value Added Services (VAS) to RCL’s subscribers and selling/marketing products of RCL by RCIL. Consequent to the agreements between RCL and RCIL, revenue from VAS was accounted in the books of RCIL and only a portion of the total revenue was passed on to RCL. Also the revenue earned towards sale of handsets, SIM cards and installation charges from subscribers which should have been accounted in RCL’s books of accounts was booked in RCIL accounts. Thus revenue that should be the revenue of RCL as per UASL agreement had been accounted in the books of RCIL. Consequently, RCL did not pay the correct amount of the revenue share to the Government. Total understatement of GR/AGR by RCL owing to its arrangement with its subsidiary (RCIL) comes out to be ₹ 4424.12 crore. Its impact on short payment of LF and SUC comes out to be ₹ 405.08 crore and ₹ 114.86 crore respectively.

(Para 5.2.2 B to 5.2.2 F)

(x) Understatement of GR/AGR due to non-inclusion of miscellaneous revenue and profit on sale of fixed assets

License agreements provide that GR shall be inclusive of any other miscellaneous revenue, without any set-off for related item of expense, etc. Audit noticed that five PSPs (Airtel, Vodafone, Idea, Tata and Aircel) have included miscellaneous income/profit on sale of fixed assets in GR/AGR for computation of revenue share in initial years. However, subsequently they stopped including miscellaneous income/profit on sale of fixed assets in GR/AGR for computation of revenue share. Audit worked out amount of non/short inclusion of such income in GR/AGR as ₹ 640.76 crore resulting in short payment of LF and SUC by ₹ 54.99 crore and ₹ 20.44 crore respectively.

(Para 3.3.8, 3.3.9, 4.3.2, 6.3.3, 6.3.4, 7.3.3, 8.2.9, 8.2.10)

(xi) Understatement of AGR by claiming ineligible deductions from GR

UASL agreements provide specific deduction that can be made from GR to arrive at AGR. Accordingly, deduction of lease line charges and port charges is not permissible. However, Airtel claimed deduction for lease line charges in 2006-07 and Tata claimed deduction of lease line charges and port charges in the years 2006-07 to 2009-10. Amount of such ineligible deductions claimed came out to be ₹ 669.76 crore having impact on short payment of LF and SUC comes out to be ₹ 58.86 crore and ₹ 22.43 crore respectively.

(Para 3.4.2, 7.4.2)

(xii) Understatement of AGR by amount of bad debts written off claimed as deduction

Bad debts written off are not an eligible deduction to be claimed from GR to arrive at AGR. However, PSPs (Airtel, Vodafone, Idea, Tata and Aircel) have claimed deduction of bad debts written off from GR to arrive at AGR. Amount of such ineligible deduction comes out to be ₹1068.80 crore having impact on short payment of LF and SUC of ₹ 101.10 crore and ₹ 40.15 crore respectively.

(Para 3.4.1, 4.4, 6.4.1, 7.4.1, 8.3.1)

(xiii) Understatement of AGR for computation of SUC

In terms of UASL agreements, revenue from sale/lease of bandwidth should be considered in AGR for computation of SUC. Audit noticed that Bharti, Reliance and Tata, providing wireline services in addition to wireless services, have not included revenue from sale/lease of bandwidth for computation of SUC though the same was included for computation of LF. No such exclusion has been made for PSPs providing wireless services only. Amount of revenue not included in AGR for computation of SUC comes out to be ₹ 3092.14 crore having impact on short payment of SUC of ₹ 89.41 crore.

(Para 3.4.3, 5.4.1, 7.4.3)

(xiv) Inconsistency in verification of deductions claimed by PSPs by Controllers of Communications Accounts

UASL agreements specify the deductions to be made from GR to arrive at AGR that includes Public Switched Telecom Network (PSTN) related call charges (Access Charges) actually paid to other eligible/entitled telecommunication service providers within India, Roaming revenues actually passed on to other eligible/entitled telecommunication service providers and Service Tax on provision of service and Sales Tax actually paid to the

Government if GR had included as component of Sales Tax and Service Tax. Verification of deductions claimed by PSPs was delegated to the CsCA from 2006-07 and on completion of the verification exercise, the CsCA convey their findings through 'verification reports' to the LF Wing of DoT. DoT has issued several sets of instruction to CsCA for verification of deductions.

Audit noticed that there was no uniformity amongst CsCA while making allowance/disallowance of deduction claims submitted by the PSPs. During the course of audit of records maintained by CsCA for verification of deduction claims, discrepancies on various issues were noticed among CsCA and also within the same CsCA. It was noticed that different yardsticks were adopted for different operators due to failure in co-ordination within CsCA/absence of proper monitoring of CsCA by DoT. It was also noticed that in some cases whole amount of deductions claimed have been disallowed by CsCA without proper justification. In a multi operator scenario, payment of access charges to other operators is a reality and disallowance of whole/substantial amount of deductions claimed by CsCA without proper analysis is not justified. Also, DoT's instruction on disallowing roaming deductions paid to international operators is not justified.

(Para 9.3, 10.2.6)

(xv) Discrepancies in assessment of revenue share by DoT and non-existence of appellate mechanism leading to high number of litigations

LF wing of DoT carries out assessment of license fee based on audited annual accounts, audited AGR statements, reconciliation statements submitted by the PSPs and verification reports received from CsCA. Audit noticed that certain items of revenue though disclosed by Vodafone were overlooked by DoT while assessing the GR of the Company. It was also noticed that certain items of revenue reported by Airtel were included in Delhi LSA alone instead of apportioning it among other LSAs while raising demands for 2006-07 and 2007-08.

Assessment of SUC is carried out by Wireless Finance Division of DoT based on Assessment of GR finalized by LF wing of DoT. However, audit noticed that there is lack of coordination among these two wings of DoT. Though the communications revenue collected by DoT contributes significantly to the total Non Tax revenue of GOI, there is no mechanism for appeal in the DoT which has led to increasing number of litigations by the PSPs. Consequently, demands raised by DoT remained unpaid for years together.

(Para 10.2.1, 10.2.2, 10.2.3, 10.2.7)

5. Consolidated statement of non-realisation of revenue noticed by Audit

Short/non-payment of LF as per the licence agreements is given in the following table:-

Audit observations	Non-realisation of LF (₹ in crore)					
	Airtel	Vodafone	Reliance	Idea	Tata	Aircel
Revenue netted off by the amount of commission/discount etc. paid to distributors/ dealers/ agents	89.79	119.59	138.39	59.93	57.08	22.31
Promotional Free Airtime given to subscribers not recognized as revenue for revenue share	90.27	18.45	*	57.62	591.82	26.12
Revenue netted off by the amount of waivers/discount given to post paid subscribers	104.54	0.63	-	17.80	25.97	
Roaming revenue netted off by discount given to other operators	15.62	23.07	-	2.72	-	-
Infrastructure sharing revenue netted off	19.30	46.90	-	27.69	2.26	5.45
Non-inclusion of forex gain	17.46	14.19	107.63	4.45	29.52	1.23
Non/short inclusion of interest income	28.51	250.73	153.44	44.59	51.22	6.74
Non-inclusion of profit on sale of investment	42.45	-	7.30	33.36	187.69	0.90
Revenue booked in subsidiary's accounts instead of its own books of accounts by RCL	-	-	405.08	-	-	-
Non-inclusion of miscellaneous revenue and profit on sale of assets	8.85	19.45	-	2.24	14.52	9.93
Ineligible deduction on account of lease line/port charges claimed	28.03	-	-	-	30.83	-
Ineligible deduction on account of bad debts written off claimed	25.55	29.55	-	16.89	26.64	2.47
Other issues	249.09	-	313.56	22.70	1.61	0.65
Total	719.46	522.56	1125.40	289.99	1019.16	75.80

*Not captured in financial system, eliminated at mediation level itself.

Short/non-payment of SUC as per the licence agreements is given in the following table:-

Audit observations	Non-realisation of SUC (₹ in crore)					
	Airtel	Vodafone	Reliance	Idea	Tata	Aircel
Revenue netted off by the amount of commission/discount etc. paid to distributors/dealers/agents	45.40	53.30	47.95	29.74	17.35	9.64
Promotional Free Airtime given to subscribers not recognized as revenue for revenue share	44.29	9.27	*	25.82	180.19	11.72
Revenue netted off by the amount of waivers/discount given to post paid subscribers	49.65	0.31	-	8.37	8.33	
Roaming revenue netted off by discount given to other operators	7.22	10.23	-	1.21	-	-
Infrastructure sharing revenue netted off	9.08	21.02	-	13.35	0.65	2.26
Non-inclusion of forex gain	6.74	6.12	26.93	2.00	9.09	0.31
Non/short inclusion of interest income	11.80	105.30	48.56	20.47	15.53	2.66
Non-inclusion of profit on sale of investment	17.45	-	3.94	14.49	56.95	0.37
Revenue booked in subsidiary's accounts instead of its own books of accounts by RCL	-	-	114.86	-	-	-
Non-inclusion of miscellaneous revenue and profit on sale of assets	2.57	8.72	-	1.01	4.48	3.66
Ineligible deduction on account of lease line/port charges claimed	12.63	-	-	-	9.80	-
Ineligible deduction on account of bad debts written off claimed	11.44	13.02	-	7.03	7.61	1.05
Revenue included in AGR for LF but not for SUC	20.70	-	40.66	-	28.05	-
Other issues	108.52	-	98.95	9.78	0.49	0.14
Total	347.49	227.29	381.85	133.27	338.52	31.81

* Not captured in financial system, eliminated at mediation level itself.

Short/non-payment of LF, SUC and interest due thereon as on 31 March 2015 as per the licence agreements is given in the following table:-

	Bharti Airtel	Vodafone	Reliance	Idea	Tata	Aircel	Total
LF	719.46	522.56	1125.40	289.99	1019.16	75.80	3752.37
SUC	347.49	227.29	381.85	133.27	338.52	31.81	1460.23
Total (LF+SUC)	1066.95	749.85	1507.25	423.26	1357.68	107.61	5212.60
Interest	1584.94	915.54	2221.29	541.63	1857.71	155.22	7276.33
Total (LF + SUC+Interest)	2651.89	1665.39	3728.54	964.89	3215.39	262.83	12488.93

Thus, the verification of records of six PSPs by audit indicated total understatement of AGR of ₹ 46045.75 crore for the period from 2006-07 to 2009-10. Government of India was deprived of a total revenue of ₹ 12488.93 crore on account of short/non-payment of LF (₹ 3752.37 crore), SUC (₹ 1460.23 crore) and interest (₹ 7276.33 crore) due from the six PSPs for the years 2006-07 to 2009-10.

6. Summary of recommendations:

- (i) It was noticed that verification of deduction claims at CsCA level was not done uniformly and CsCA have taken different approach in allowing/disallowing deduction claims submitted by the PSPs. During the course of audit of records maintained by CsCA for verification of deduction claims, discrepancies on various issues were noticed among CsCA and also within CsCA it was noticed that different yard stick was adopted for different operators due to failure in co-ordination within CsCA/ absence of proper monitoring of CsCA by DoT. Hence it is recommended that proper monitoring of CsCA by DoT is required for uniform/systematic verification of deduction claims at CsCA level. DOT also needs to strengthen its internal audit mechanism to ensure that verification of deductions by CsCA are checked regularly.
- (ii) Though DoT had revised the rates of LF and SUC from time to time as detailed in Chapter I, the definition of GR/AGR was not reviewed despite disputes/litigation. It is recommended that the definition of GR/AGR be revisited considering the drastic change in the scenario since 1999 when spectrum was allocated administratively to the present era where spectrum is allocated through bidding process and where the PSPs have to pay considerable amount as one - time payment at the time of allocation of spectrum.

- (iii) To minimize the litigations on the demands raised by DoT, it is recommended that an appellate mechanism should be instituted to address the dispute between DoT and the PSPs on demands raised by DoT. The absence of an appellate/redress mechanism within DoT to address disputes with operators also contributes to the increasing number of litigations.

7. Response of DoT to the audit observations

Audit observations on the sharing of revenue by the six selected PSPs, after the verification of the accounting records at their premises, along with findings on the process followed at the various offices of CsCA for verification of proof documents submitted by the PSPs and the final assessment done by DoT, were communicated to DoT during the period May 2015 to November 2015. Response of the Ministry on the audit observations on Airtel, Vodafone and Reliance was received in January 2016.

DoT in its reply to audit observations on understatement of GR/AGR due to netting off related expenditures from prepaid and post paid revenues, netting of roaming revenue by inter-operator traffic discount paid to other operators, non inclusion of infrastructure sharing revenue in full, non inclusion of revenue/income from Forex gain, interest, sale of investment, miscellaneous revenue and profit on sale assets stated that, based on the report of Special Audit conducted in 2009, demands were raised on the three PSPs in 2012 for the years 2006-07 and 2007-08 . However, the demands were challenged by the PSPs in TDSAT/High Courts and action would be taken as and when the final court judgment would be pronounced. It was also stated that some of the licensees had filed (2012) writ petitions before various High Courts challenging the Section-4 of Indian Telegraph Act, 1885, as violative of the Art.14 and 19(1) (g) of the Constitution of India. In respect of observations not reported in the Special Audit but brought out in this Report, it was stated that responses of the PSPs on them were under examination.

The response of DoT agreed, in general with the audit findings that the PSPs were deviating from the conditions of mutually agreed licence agreement, in reporting their GR. The prolonged litigations at different Courts was given as the reason for the Department's inability to collect the correct revenue share as envisaged in the license agreement. It would be pertinent to mention here that when the Government decided to reduce the licence fee for all operators by two *per cent* effective from April 2004, DoT expected that the reduction would prompt operators to withdraw the legal litigation against the Government. However, the reduction in the rates of LF did not have the expected impact and the operators continue to institute litigations against the Government challenging the definition of GR/AGR and demand notes. Thus the PSPs got the benefit of reduction in rate of LF but the Government did not get the reciprocal benefit of reduction in litigations and receipt of full revenue due to it from PSPs.

The response of DoT on the audit observations pertaining to Idea, Tata and Aircel was awaited (January 2016).

In conclusion, audit found that even after 16 years of the introduction of the revenue share regime, the correctness and completeness of revenue flowing into the Consolidated Fund of India could not be assured by DoT.

CHAPTER – I

Introduction

1.1. Genesis of revenue sharing regime in the Indian Telecom Sector

National Telecom Policy-1994 (NTP-94) introduced competition in the telecom sector as private telecom service providers were permitted to set up communication networks. In the first phase of NTP-94, eight licences for Cellular Mobile Telephone Service (CMTS) were issued in the four Metro cities of Delhi, Mumbai, Kolkata and Chennai in November 1994. Subsequently (during 1995 to 1998), 34 licences were issued for 18 telecom circles to 14 private companies. These licensees were selected through a bidding process and were to pay to the Government a fixed amount as annual licence fee agreed during the bidding process.

1.2. New Telecom Policy-1999

Private sector participation in telecom sector did not take off as envisaged in NTP-94 as the private telecom service providers complained of financial constraints and defaulted on payment of the agreed licence fees. New Telecom Policy-1999 (NTP-99) introduced the revenue share regime in which telecom service providers were required to pay a percentage of their Adjusted Gross Revenue (AGR) as licence fee in place of the fixed licence fee.

The Government offered a migration package to existing licensee to migrate from fixed licence fee regime to revenue sharing regime with effect from 1 August 1999¹ and 21 licensee companies² migrated to the new regime (**Annexure - 1.01**). As per the migration package, the licensees were to pay a one-time entry fee and licence fee (LF) at a percentage of the AGR which was to be determined later on. Pending the finalisation of quantum of revenue share and other terms and conditions, based on the recommendations of Telecom Regulatory Authority of India (TRAI), the licence fee was initially fixed at 15 *per cent* of the Gross Revenue (GR).

The country was divided into 23³(presently 22) Licenced Service Areas (LSAs) categorised into 'A', 'B' and 'C' LSAs as shown below:

Table 1.1

Category of LSAs	Names
A	Delhi, Mumbai, Kolkata, Tamil Nadu (including Chennai), Andhra Pradesh, Gujarat, Karnataka, Maharashtra,
B	Haryana, Kerala, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh (E), Uttar Pradesh (W), West Bengal,
C	Assam, Bihar, Himachal Pradesh, Jammu and Kashmir, North East, Odisha.

1 The benefits extended to the private service providers through the migration package was audited by CAG and findings were reported in Report No 6 of 2000

2 20 private companies and one PSU-Mahanagar Telephone Nigam Limited

3 The country was divided into 23 service areas consisting of 19 telecom circles and 4 metro circles. Subsequently, Chennai service area was merged with Tamil Nadu service area w.e.f 15 September 2005 and hence the number of service areas is 22 at present.

In 2001, the Government finalised the terms and conditions including the definition of GR and AGR and fresh licences were issued. Further, the rate of licence fee was also reduced from provisional rate of 15 *per cent* across all circles to 12 *per cent*, 10 *per cent* and 8 *per cent* for Category A, B and C LSAs respectively.

In addition, the National Long Distance (NLD) services and International Long Distance (ILD) services were also opened up for private sector from August 2000 and April 2002 respectively.

1.3. Unified Access Service Licence (UASL) and Unified Licences (UL)

Under NTP-94 and NTP-99, separate licences were issued for providing Basic and CMTS services in a LSA. In 2001, “Basic Service Operators” (BSOs) in India were permitted to offer “limited-mobility” services over Wireless in Local Loop (Mobile) (WLL(M)) using Code Division Multiple Access (CDMA) technology in their coverage areas.

As the popularity of WLL (M) services offered by BSOs grew, a dispute emerged involving the BSOs and Global System for Mobile communication (GSM) based CMTS operators. On 11 November 2003, the Government approved Unified Access Services Licensing (UASL) regime mooted by the TRAI that called for a single licence for Basic and Cellular services. A Unified Access Services licensee can provide wireline as well as wireless services in a service area using any technology.

Existing BSOs and CMTS operators were given option (November 2003) to continue with the existing licences or to migrate to UASL regime⁴. Henceforth only UAS Licences were issued for access services. From August 2013 onwards, Unified Licences regime was introduced under which a licensee could provide all telecom services (Access Services, Carrier Service and Data Services).

1.4. Provisions in the Licence agreements on definition of Gross Revenue (GR)/ Adjusted Gross Revenue (AGR)

Prior to introduction of Unified licences, separate licences were issued for different telecom services viz. Unified Access Services (UAS), National Long Distance (NLD) services, International Long Distance (ILD) services, Very Small Aperture Terminal (VSAT) services and Internet Services. Definition of Gross Revenue (GR), Deductions and Adjusted Gross Revenue (AGR) as provided in related licences are as follows:-

- a) GR and permissible deductions to arrive at AGR were defined under clause 19 of the UASL Agreement. In terms of clause 19.1, the GR shall be inclusive of installation charges, late fees, sale proceeds of handsets (or any other terminal equipment etc.), revenue on account of interest, dividend, value added services,

⁴ All the CMTS licensees did not migrate to UASL regime. Further, the conditions for revenue sharing were identical for both UASL and CMTS licences.

supplementary services, access or interconnection charges, roaming charges, revenue from permissible sharing of infrastructure and any other miscellaneous revenue, without any set-off for related item of expense, etc.

Further, to arrive at AGR, following shall be excluded from the GR as mentioned in clause 19.2 of the agreement-

- i) PSTN⁵ related call charges (Access Charges) actually paid to other eligible / entitled telecommunication service providers within India;
 - ii) Roaming revenues actually passed on to other eligible/entitled telecommunication service providers, and
 - iii) Service Tax on provision of service and Sales Tax actually paid to the Government, if GR had included Sales Tax and Service Tax.
- b)** The GR/AGR for NLD services was defined under clause 31 of Annexure-II of the NLD Agreement which provides that “Revenue for the purpose of levying Licence Fee as a percentage of revenue shall mean the Gross total revenue income accruing to the licensee by way of providing NLD service under the licence including the revenue on account of supplementary/value added services and leasing of infrastructure, interest, dividend, etc. as reduced by the component part of a pass through nature payable to other service providers to whose network licensee’s NLD network is interconnected for carriage of calls”.
- c)** The GR/AGR for ILD services was defined under clause 36 of definition and interpretation forming part of ILD Agreement which provides that “Gross Revenue shall include all revenue accruing to the licensee on account of goods supplied, services provided, leasing of infrastructure, use of its resources by others, application fee, installation charges, call charges, late fees, sale proceeds of instruments (or any terminal equipment including accessories), handsets, bandwidth, income from value added service, supplementary services, access or interconnection charges, any lease or rent charges for hiring of infrastructure etc, and any other miscellaneous items including interest, dividend, etc. without any set-off for related item of expense, etc”.

AGR for the purpose of levying LF as a percentage of revenue shall mean the GR as reduced by:

- i) Call charges (Access charges) actually paid to other telecom service providers for carriage of calls.
- ii) Service tax for provision of service and sales tax actually paid to the Government, if Gross Revenue had included the component of service tax and sales tax.

5 Public Switched Telephone Network

- d) Definition of GR for Internet Services including Internet Telephony (ISP-IT) as per licence agreement provides that “GR shall be inclusive of Internet Access service, Internet Content service, Internet Telephony service, installation charges, late fees, sale proceeds of terminal equipment, revenue on account of interest, dividend, value added services, supplementary services, revenue from permissible sharing of infrastructure and any other miscellaneous revenue, without any set-off for related item of expense, etc”.

For the purpose of arriving AGR, the following shall be excluded from the GR-

- i) Charges from Internet access, Internet content and Internet access related installation charges.
 - ii) Service tax for provision of service and sales tax actually paid to the Government, if GR had included the component of service tax and sales tax.
- e) In terms of the definition of GR specified in the VSAT Licence agreement, “The Gross Revenue shall include all revenues accruing to the LICENSEE on account of goods supplied, services provided, leasing/hiring of infrastructure, use of its resources by others, application fees, installation charges, call charges, late fees, sale proceeds of instruments (or any terminal equipment including accessories), VSAT hardware/software, fees on account of Annual Maintenance Contract/Annual Comprehensive Maintenance Contract, income from value added services, supplementary services, access or interconnection charges, etc. and any other miscellaneous item including interest, dividend, etc. without any set-off of related item of expense, etc.”

Revenue for the purpose of levying licence fee as a percentage of revenue shall include the gross total revenue accruing to the licensee by way of providing VSAT service under this licence but excluding:-

- i) Charges of pass through nature actually paid to other Telecom service provider to whose network, the licensee’s network is interconnected for carriage of data.
- ii) Service tax paid to the Government, if gross revenue had included the component of service tax.

1.5. Stipulations in UASL Agreements on reporting revenue and payment of LF

The licence agreement between Department of Telecommunications (DoT) and the service providers contained distinct and specific clauses/norms for the preparation of the accounts of the licensee companies, their reporting and payment of licence fee to the Government. These clauses/norms underlined that while it was the prerogative of the licensee company to prepare their accounts complying with the provisions of the Companies Act, Accounting Standards etc., the provisions of licence agreement would be central for the purpose of computing the LF payable to Government. Appendix – II to Annexure – II of UAS Licence agreement prescribed the format of Statement of Revenue and Licence Fee while Annexure – III

specified the norms for preparation of the Statement. The licence agreement also stipulated that reconciliation between the figures appearing in the quarterly statements with those appearing in annual accounts to be submitted along with a copy of the published annual accounts, audit report and duly audited quarterly statements. The licence conditions also envisaged that the Statement of Revenue and LF, also referred as AGR statements of the licensee, should disclose all the adjustments made in recording the revenues offered for revenue share.

Important clauses in the agreements in this regard are shown in the below tables:

Table 1.2

Preparation of accounts	
Stipulations	Clause
While calculating AGR for limited purpose of levying Spectrum Usage Charges based on revenue share, revenue from Wireline Subscribers shall not be taken into account.	18.3
Computation of revenue and Licence fee payable should be shown in a prescribed Statement (AGR Statement) and should be audited by the Auditors of the Licensee appointed under Section 224 of the Companies Act, 1956.	20.4
Final adjustment of the Licence fee for the year shall be made based on the GR figures duly certified by the Auditors in accordance with the provisions of the Companies Act, 1956.	20.6
A reconciliation between the figures appearing in the quarterly statements with those appearing in annual accounts to be submitted along with a copy of the published annual accounts, audit report and duly audited quarterly statements.	20.7
<ul style="list-style-type: none"> ● Service revenue (amount billable) should be shown gross and details of discount/rebate indicated separately. ● Service Tax and Sales Tax billed, collected and remitted to the Government shall be shown separately. ● Sales to be shown gross and details of discount/rebate allowed and of sales returns be shown separately. ● Income from interest and dividend to be shown separately without any related expenses being set-off against them. ● Item-wise details of income that has been set-off against corresponding expenditure. ● Roaming charges should indicate operator-wise receivables and payables, roaming commission received and paid and any other variable charges collected/passed on to other operators. 	Annexure-III of UASL agreement (Norms for preparation of annual financial statements)
Accounts should be maintained separately for each telecom service operated by the licensee company.	22.1
The licensor may, on forming an opinion that the statements or accounts submitted are inaccurate or misleading, order audit of the accounts of the licensee by appointing auditor at the cost of the licensee and such auditor(s) shall have the same powers which the statutory auditors of the company enjoy under Section 227 of the Companies Act, 1956. The licensor may also get conducted a 'Special Audit' of the licensee company's accounts/records.	22.5 and 22.6

Table 1.3

Payment of licence fee	
Stipulations	Clause
LF shall be payable in four quarterly instalments during each financial year. This fee shall be paid on the basis of actual revenue (on accrual basis).	20.2
Any difference between the payment made and actual amount duly payable (on accrual basis) for the last quarter of financial year should be adjusted and difference paid within 15 days of the end of the quarter.	20.3
Any delay in payment of LF payable beyond the stipulated period will attract interest at a rate which will be two <i>per cent</i> above the Prime Lending Rate (PLR) of State Bank of India existing as on the beginning of the Financial Year. The interest would be compounded monthly and a part of the month would be reckoned as a full month for the purposes of calculation of interest. A month shall be reckoned as an English calendar month.	20.5
The Fee/royalty payable towards Wireless Planning and Co-ordination (WPC) Charges (SUC etc.) should be payable at such time(s) and in such manner as the WPC Wing of the DoT may prescribe from time to time.	20.9

1.6. Rates of licence fee

The rate of licence fee prevailing during the period from 2006-07 to 2009-10 for various kinds of services is detailed below:

Table 1.4

Access Services			NLD	ILD	VSAT	ISP -IT	ISP
Service Area							
Cat A	Cat B	Cat C					
(in per cent)							(in ₹ per annum)
10	8	6	6	6	6	6	1

Note: The rates of LF for Access Services are inclusive of Universal Service Obligation (USO) levy of five per cent across the LSAs. Further, with effect from 01 April 2004, the first two cellular operators were granted rebate of two per cent in LF for four years in telecom circles subject to minimum rate of LF being equivalent to USO levy i.e. five per cent.

However, no licence was required for Infrastructure Provider Category I (IP I) services and only registration with the DoT was sufficient.

1.7. Allocation of Spectrum and Spectrum Usage Charges

Initially, with the grant of UASL/CMTS Licence start up spectrum of 2x4.4 MHz to GSM operators and 2x2.5 MHz to CDMA operators was to be allotted by the DoT. Additional allotment of spectrum beyond this start up spectrum was linked to subscriber base. This process of allotment was termed as administrative allocation and continued till 2010.

In addition to the LF, licensees offering mobile (wireless) services are required to pay Spectrum Usage Charges (SUC) to the DoT. The rates of SUC payable are linked to the type and quantity of Spectrum allotted. Rates in force upto 31 March 2010 were as shown below:

Table 1.5

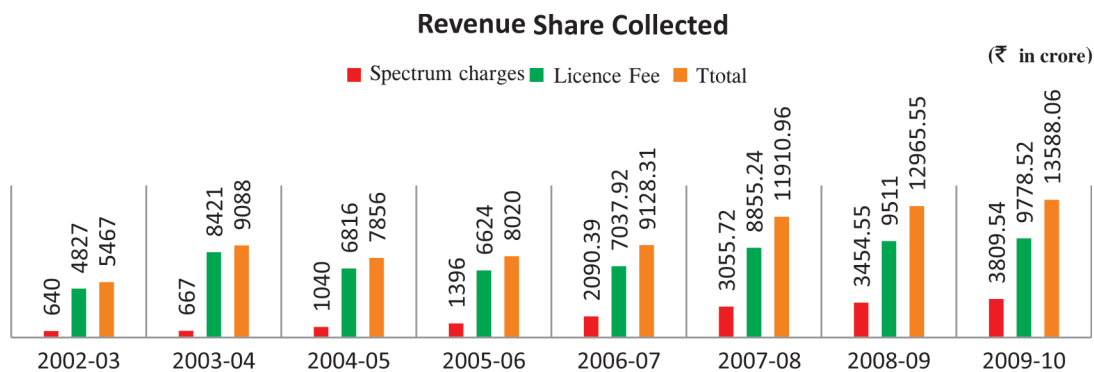
SUC as percentage of AGR (excluding Revenue from Wireline Subscriber)

GSM services		CDMA services	
From 1 August 1999 to 31 March 2010		From 25 January 2001 to 31 March 2010	
Spectrum	Rate (in per cent)	Spectrum	Rate (in per cent)
2x4.4 MHz	2	2x5.0 MHz	2
2x6.2 MHz	3	2x6.25 MHz	3
2x10.0 MHz	4	2x10.0 MHz	4

In addition to above main spectrum, Microwave Access and Microwave Backbone spectrum⁶ was also allotted to Cellular operators. Rate of SUC for Microwave Access and Microwave Backbone spectrum were revised with effect from 3 November 2006, but the same was challenged by GSM operators whereas it was accepted by CDMA operators and the matter was *sub-judice*.

1.8. Revenue share collected by DoT

Year wise details of revenue share collected by DoT from 2002-03 to 2009-10 are given below:



(Source: DoT Annual Reports)

⁶ Microwave transmission refers to the technology of transmitting information using radio waves. Microwave technology is widely deployed in mobile communications to provide point-to-point (PTP) Radio Frequency (R.F.) links in mobile backhaul as well as in the backbone network. Mobile backhaul is that portion of the network infrastructure that provides interconnectivity between the access and core networks. The backbone network is used to interconnect different nodes situated at different geographical locations.

1.9. Arrangements in DoT for collection and accounting of licence fee and SUC

The process of revenue share realization from telecom service providers involves the following important activities:

- Collection of licence fee and spectrum charges - deposit at Controllers of Communication Accounts (CsCA) office.
- Verification of proof documents submitted by telecom service providers for claiming deductions from Gross Revenue by the CsCA.
- Assessment of Revenue Share (RS) and issue of demand notes by DoT based on the annual audited accounts of the operator and the verification reports submitted by CsCA.

CHAPTER - II Audit Approach

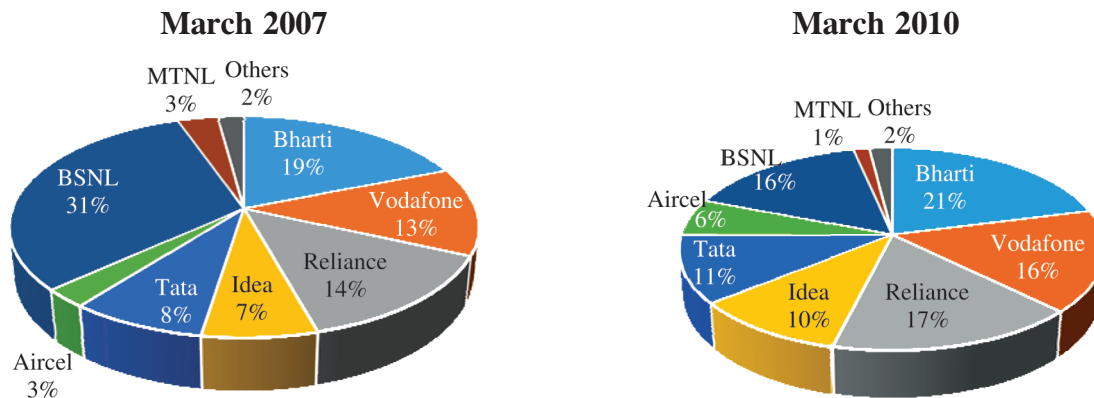
2.1 Scope of Audit

Revenue share payment is linked to the GR earned by service providers. The correctness and completeness of the revenue share paid to Government entails that the computation of GR/AGR by the operator was as per the licence conditions and the systems put in place by DoT was conducive for verifying/assessing the correctness of the same.

Comptroller and Auditor General of India took up verification of the basic accounting records and documents of six telecom service providers in 2014-15 covering the accounts of four years from 2006-07 to 2009-10 as mandated under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and Rule 5 (ii) of Telecom Regulatory Authority of India, Service Providers (Maintenance of Books of Accounts and other Documents) Rules, 2002 as upheld by Hon'ble Supreme Court of India's Judgement dated 17 April 2014. The service providers selected were:

- M/s Bharti Airtel Limited and its subsidiary Bharti Hexacom Limited
- M/s Vodafone India Limited and its subsidiaries
- M/s Reliance Communications Limited and its subsidiary M/s Reliance Telecom Limited
- M/s Idea Cellular Limited and its subsidiary Aditya Birla Telecom Limited
- M/s Tata Tele Services Limited and its associated company M/s Tata Teleservices (Maharashtra) Limited
- M/s Aircel Limited and its subsidiaries Aircel Cellular Limited and Dishnet Wireless Limited

The primary consideration in selecting the above mentioned six operators for this phase of audit was the fact that they were the early entrants into the telecom business after the sector was opened up for private participation. Again, these operators are the dominant players in the market and account for a significant share of the total licence fee receipts of the Government. Market shares of these Companies as of March 2007 and March 2010 were as shown below:



(Source: TRAI/COAI)

Further, audit of M/s Bharti Airtel Limited and M/s Bharti Hexacom Limited (BAL/BHL) was taken up first while commencing the audit of telecom revenue paid by private service providers considering their highest market share/revenue share. While preparing the report, audit view on the common issues identified has been deliberated in detail in the Chapter –III on BAL/BHL. To avoid repetition of the audit’s view in the other chapters, reference has been made to the detailed view of the audit given in Chapter-III.

The scope of audit also included examination of the process of verification of deduction to arrive at AGR, collection of Revenue Share (LF and SUC) and assessment of GR done by DoT.

2.2 Audit methodology

A) Prior to the commencement of audit, meetings were held with all the service providers separately wherein the scope and coverage of audit were explained. Company representatives explained to Audit their revenue recognition policies, system of recording revenue and preparation of AGR statements.

Audit at premises of these Private Telecom service providers was basically an IT system based audit. Access to General Ledger (GL) Enquiry Module of their financial system (Oracle Financial or SAP) was provided to audit. Audit scrutinized the account codes which had a bearing on the Gross Revenue on test check basis and the deductions for revenue share purpose in terms of the licence agreement to identify the issue for detailed examination. The licensee also provided reconciliations between AGR statements and Service Revenue, Other income and Finance income of Profit and Loss Accounts duly mapped with Trial Balances (TBs). Additional data, information and clarifications, if required, were obtained through issue of Audit queries and discussion with the respective operators.

B) The corporate income has been apportioned among the licences on the basis of percentage of GR as corporate income pertains to all service areas at the rates applicable to UAS Licence. LF and SUC has been calculated on the basis of rates applicable for respective services.

Audit considers this to be the most suitable and conservative method of determining the under reporting of revenue share.

In terms of clause 20.2 and 20.5 of Licence conditions, calculation of interest on unpaid amount of LF and SUC is due from next quarter. However, audit has calculated unpaid dues from beginning of next financial year and therefore; interest figures indicated in this report are lower than actual interest due as per licence conditions.

2.3 Audit criteria

Important criteria used in audit are:

- Provisions of Licence agreements as amended from time to time
- Various instructions issued by DoT on collection of licence fee and spectrum usage charges

2.4 Acknowledgement

We place our sincere appreciation for the cooperation extended by the Management of all the six telecom service providers and the Department of Telecommunications in facilitating this audit.

CHAPTER – III

Revenue shared by M/s Bharti Airtel Limited and M/s Bharti Hexacom Limited

3.1 Brief Profile of M/s Bharti Airtel Limited and M/s Bharti Hexacom Limited

Bharti Airtel Limited (BAL), formerly known as Bharti Televenture Limited (BTVL), was one of the first private telecom companies who was awarded licences for providing cellular services in November 1994 (licence was issued to the then entity named as “Bharti Cellular Limited). BAL had only two CMTS licences till January 2000. By the year 2004 the company was having a pan India presence with licences in all 23 LSAs. BAL was the first Indian Telecom service provider (TSP) to obtain the Pan India CMTS/UAS licence. The turnover of the company also grew continuously. BAL maintained its leadership position in Indian private telecom sector.

3.1.1 Licences granted to M/s Bharti Airtel Limited and M/s Bharti Hexacom Limited

BAL was awarded licences for providing cellular services in metro Licenced Service Area (LSA) of Delhi in November 1994¹ and later on for Himachal Pradesh LSA in December 1995.

BAL further acquired CMTS licences as detailed below:

Table 3.1

Period	Details of licences acquired
1999-2002	CMTS licences in five service areas by acquiring three companies ²
2001	CMTS licences in eight ³ service areas
2004	UASL licences in six ⁴ service areas

M/s Bharti Hexacom Limited (BHL), a subsidiary of BAL, acquired CMTS licences in North East and Rajasthan service areas in 2004. Hence, by the year 2004, BAL/BHL was having a pan India presence with licences in all 23 LSAs.

1 Licence was issued to the then entity named as “Bharti Cellular Limited”
 2 JT Mobile (Punjab, AP, Karnataka) , Skycell (Chennai) and Spice Cell (Kolkata)
 3 UP(W), ,Maharashtra, Haryana, Gujarat, Kerala, Mumbai, MP and Tamil Nadu
 4 Orissa, J & K, Bihar, UP(E), West Bengal and Assam

The details of other licences held by BAL and its subsidiaries are as on 1 April 2006 as given in Table below:

Table 3.2

SI No	Services	Remark
1	NLD	Original licence issued to Bharti Telesonic Limited (BTSOL) which merged with BAL.
2	ILD	Original licence issued to Bharti Telesonic Limited (BTSOL) which merged with BAL.
3	ISP-IT	Original licence issued to Bharti BT Internet Limited which merged with BAL.
4	VSAT	Original licence issued to M/s Wipro Infotech Limited which merged with BAL.
5	ISP	Original licence issued to Comsat Max which was taken over by Bharti Broadband Limited (BBL). BBL was merged with BAL.
		Original licence issued to M/s Bharti Acquanet Limited (BAqL) which merged with BAL.
6	VSAT	Original licence issued to Comsat Max which was taken over by Bharti Broadband Limited (BBL). BBL merged with BAL.
7	IP I	Originally registered with Bharti Telesonic Limited (BTSOL) which merged with BAL.
		Originally registered with Bharti Telenet Limited which merged with BAL.
		Registered with M/s Bharti Infratel Limited, a subsidiary of BAL.

3.1.2 Spectrum allotted to BAL/BHL

BAL/BHL are Global System for Mobile communication (GSM) operators. Initial start-up spectrum for subscriber access (Main Radio Spectrum) to a GSM operator was 2x4.4 MHz. LSA wise spectrum allotted to BAL/BHL as on 31 March 2010 were as follows-

Table 3.3

LSA wise spectrum allotted

Sl.No.	Spectrum	Licenced Service Area
1	2×10 MHz	Andhra Pradesh, Delhi, Karnataka
2	2×9.2 MHz	Bihar, Mumbai, Tamil Nadu (including Chennai)
3	2×8.2 MHz	Maharashtra, Rajasthan
4	2×8.0 MHz	Kolkata, Orissa
5	2×7.8 MHz	Punjab
6	2×7.2 MHz	UP East
7	2×6.2 MHz	Assam, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Kerala, Madhya Pradesh, North East, UP West, West Bengal

3.1.3 Subscriber base of BAL/BHL

The cellular subscribers of BAL and BHL grew from 3.71 crore as on 31 March 2007 to 12.76 crore as on 31 March 2010 registering a growth of 244 *per cent*. Wireline subscribers increased from 0.19 crore as on 31 March 2007 to 0.31 crore as on 31 March 2010. Bharti group remained on top of all the cellular operators during the years 2006-07 to 2009-10 and its market share was around 21 *per cent* as on 31 March 2010.

3.1.4 Gross Revenue, Deduction, Adjusted Gross Revenue reported and revenue share paid by BAL/BHL

As brought out in Para 1.5, Telecom Service Providers are required to pay LF and SUC at a percentage of AGR on quarterly basis on self-assessment basis. GR, Deductions, AGR reported and revenue shared (LF and SUC) by BAL/BHL during these years are as follows:

Table 3.4

(₹ in crore)

Year	GR	Deductions	AGR	Percentage of AGR to GR	Revenue share
					(LF+SUC)
2006-07	20133	5452	14681	72.92	1687
2007-08	29222	7139	22084	75.57	2516
2008-09	40997	11082	29915	72.97	3689
2009-10	43649	11357	32292	73.98	3889
Total	134001	35030	98972	73.86	11781

3.2 Under reporting of revenue by BAL/BHL

As mentioned in para 1.4 (a), the GR shall be inclusive of all types of revenue stated therein without any set-off for related item of expense, etc. and as brought out in Para 1.5, service revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately.

Audit examination of records/Books of accounts (Vouchers, General Ledger, Trial Balance, Profit and Loss Accounts, Balance Sheet, etc.) of BAL/BHL revealed that these companies had not adhered to the provisions of the Licence Agreement as brought out in the succeeding paras:

3.2.1 Under reporting of revenue due to netting off of revenue pertaining to Commission/offers/discounts to dealers/subscribers for prepaid services

From the examination of data/records pertaining to prepaid services furnished by BAL/BHL for the period from 2006-07 to 2009-10, it was observed that –

- The margin/commission given to distributors/agents was netted off from revenue pertaining to prepaid services.
- Offers to the subscribers viz. Free Air Time (FAT) to customers, Free of Cost (FOC) Coupons/Cards/SIMs to customers, Promotional offers to customers, Full talk time offered to customers, Adjustments offered to customers, etc, were set-off from the revenue pertaining to prepaid services.

The item wise details are furnished below-

A) Margin/Commission:

The licensee company appoints distributors/franchises/dealers for selling telecom services on commission basis. The company supplies to the distributors/franchises/agents the prepaid recharge coupons/e-top up for sale to subscribers and pays commission/margin to them. During review of data/records offered by BAL/BHL for the period from 2006-07 to 2009-10, it was observed that the Primary commission/margin paid to the distributors/franchises/dealers at the time of sale of prepaid recharge coupons/e-top up were deducted from the revenue. This resulted in revenue getting set-off of commission/margin in the books and as a result, Net Revenue was considered in AGR statements submitted to DoT. It was also noticed that Post sale Commission/Incentive paid to the distributors/franchises/dealers were booked in expenditure head under description “Sales Commission and Incentives”. Total amount deducted from revenue on account of commission/margin to the distributors/franchises/agents/dealers during 2006-07 to 2009-10 was ₹ 1070.78 crore.

Since, the commission/margin paid to the distributors/franchises/dealers is in the nature of business expenses (marketing expenses), therefore, set-off of such expenses with revenue was against the licence condition.

On being pointed out by audit, it was stated by Management that-

- The relationship between the company and distributors was on a Principal to Principal basis and accordingly the company was required to account for the transactions with such distributors as such on the amount realized from the distributors.
- Further, TDSAT in its judgment dated 23 April 2015 held that “In our view the definition of “gross revenue” cannot be construed as to bar the licensee from fixing a wholesale price for the service which is lower than its MRP. The test is how the

actual transaction takes place. If the sale and invoicing is on MRP and any discount is given separately, then in terms of clause 19.1, such discount is not deductible even if the revenue booked in the Profit and Loss account is after netting off the discount. On the other hand, if the sale is on a stated/agreed price, invoiced at that agreed price and booked under the revenue in the Profit and Loss account accordingly without netting off any discount, the actual selling price would be the revenue and the difference between the MRP and this selling price cannot be added to “gross revenue”.

- Out of Commission/Margin as pointed out by audit, ₹ 8.78 crore was knocked with the corresponding credit/contra entry.

Audit's view on the management reply is as follows-

Total amount deducted from revenue on account of commission/margin has been revised to ₹ 1062.00 crore (**Annexure - 3.01**) on the basis of the Management's reply. Resultantly, LF and SUC amounting to ₹ 89.79 crore and ₹ 45.40 crore respectively were not paid on the said revenue by the Company (**Annexure - 3.01**).

Regarding other issues, reply of the management is not tenable as -

- BAL is rendering the services ultimately and had BAL sold the cards directly to the customers, revenue would have been accounted for full value of service rendered and selling expenses would have been accounted as expenditure. On the same analogy, discount/commission accorded to distributors would be in the nature of Marketing Expenditure and thus, should not be deducted from Revenue. This is in accordance with stipulation in clause 19.1. Further, Audit opines that this transaction is not covered under Principal to Principal since the ultimate responsibility of rendering the service to the customer rests with BAL/BHL and not with the distributors.
- While the matter is sub-judice at Hon'ble Supreme Court, Audit view is that commission/margin paid to the distributors/franchises/dealers is in the nature of marketing expenses, therefore, set-off of such expenses with revenue was against the licence condition.

B) Offers/Discount/Rebates to customers/dealers: -

- **Free Airtime (FAT):** Subscriber account is credited on major festivals/occasions with extra talk time by the Company without any charge. The extra talk time so credited was referred to as Free Air Time (FAT).
- **Free of Cost (FOC) Coupons/Cards/SIMs to customers/dealers:** Similarly, free of cost coupons/cards/SIMs were given to customers/dealers on major festivals/occasions.

- **Promotional offers to customers:** Subscriber account was credited with additional/extra talk time by the Company without any charge as promotional offers.
- **Full talk time (FTT) offered to customers:** Subscriber account was credited with full talk time by the Company as part of promotions.
- **Adjustments offered to customers (Negative processing fee/Initial talk-time/Upsize or upfront hit on talk-time/various adjustments):** Subscriber account was credited with talk time by the Company more than the face value of the RCs/e-recharge or sometimes adjustments were made to facilitate the subscribers/dealers to gain talk-time as part of promotions.

During review of data/records furnished by BAL/BHL for the period from 2006-07 to 2009-10, it was observed that the cost of above offers provided to the subscribers was deducted from prepaid services revenue upfront and as and when the same was used by subscriber, the revenue was credited by the said amount. Resultantly, the Revenue on account of these offers to subscribers were not recognised in the GR/AGR. It was also observed that FOC/Promotional offer/Upsize etc. were also booked in the expenditure heads.

Since offers to customers (FAT/FTT/FOC/Extra talk time, etc.) were part of overall commercial strategy to enhance business, the cost of such offers/discounts/rebate were in the nature of expenses. Further, as per licence agreement, service revenue should be shown in gross without any set-off. Thus, the action of the Management in setting off the cost of offers/discounts/rebate from revenue was against the licence agreement and resulted in short payment of LF and SUC as detailed below:

Table 3.5

(₹ in crore)

Offers/Discount/Rebates to customers	Under reporting of GR	LF Impact	SUC Impact	Remarks
Free Airtime (FAT)	598.57	54.71	26.97	Annexure – 3.02
Free of Cost (FOC) Coupons/Cards/SIMs	40.62	3.61	1.58	Annexure – 3.03
Promotional offers to customers	74.76	5.88	2.88	Annexure – 3.04
Full Talk Time (FTT)	10.63	1.35	0.63	Annexure – 3.05
Negative processing fee/ Upsize /various adjustments	282.65	24.72	12.23	Annexure – 3.06
Total	1007.23	90.27	44.29	

On being pointed out by audit, it was stated by Management that:-

- The company offers additional talk time to its customers based on market demand/ Management decision as an additional benefit over and above the normal talk time based on various schemes run by company from time to time. Such additional talk time is known as Free Air time. FAT is provided on Start up Kit (SUK), Recharge Coupon (RC) or by way of Initial credit to prepaid customer. It is generally given during festival season to popularize new rate plans, to attract new subscribers, etc. Similarly, the amount of negative processing fee (which arises due to FAT) is in fact discount offered to the customer.
- FAT is in the nature of Planned Discount and part of Tariff plan filed with TRAI. It is given upfront to customers and such notional amount cannot be subject to LF.
- In terms of AS-9, “Revenue is the gross inflow of cash, receivable or consideration arising in the course of the ordinary activities of the enterprise from the sale of goods, from the rendering of services, and”
- Out of FAT/FTT/FOC, etc, as pointed out by Audit, ₹ 48.49 crore was knocked with the corresponding credit/contra/duplicate entry.

Audit views on the reply of the Management are as given below:-

- Contra entries amounting to ₹ 48.38 crore (out of ₹ 48.49 crore as stated by the management in its reply) in respect of initially commented FAT/FTT/FOC, etc. of ₹ 1055.60 crore have been considered and the figures have been accordingly revised to ₹ 1007.23 crore. Amount of ₹ 0.11 crore (₹ 48.49 crore - ₹ 48.38 crore) of management reply was not considered by audit, as this entry were not included in initially commented FAT/FTT/FOC, etc, of ₹ 1055.60 crore.
- The Management has accepted that Additional Talk Time/Free Air Time etc. was generally given during festival season to popularize new rate plans, to attract new subscribers, etc. Therefore, such offers/discounts/rebate was in the nature of expenses and hence, in terms of licence agreements should not be deducted from GR.
- The copy of the prepaid tariff plans submitted to TRAI (provided to audit), did not include any kind of FAT/discount etc. whether billable or otherwise.
- Audit is not questioning the accounting in accordance with AS-9 but contends that Airtime is not a free commodity, had an intrinsic value and by giving FAT/FTT/FOC etc, the licensees are foregoing the revenue instead of booking these as expenses resulting in avoidance of LF and SUC.

Thus, netting off of offers/discount/rebate amounting to ₹ 1007.23 crore given to pre-paid subscribers has resulted in understatement of GR/AGR, which ultimately resulted in short payment of LF and SUC to DoT amounting to ₹ 90.27 crore and ₹ 44.29 crore respectively.

C) Short accounting of revenue due to upfront debit in the revenue heads

As per the procedure followed by the company for accounting of revenue, while the revenue received in advance was accounted under liability, the Margin/Commission paid/FAT/FOC on this amount was debited to the current revenue. Due to this, the current revenue was short accounted to the extent of Margin/Commission paid/FAT/FOC resulting in deferment of LF and SUC on this amount.

On being pointed out by audit, the Management replied that these were already covered under reply to set-off/upfront charges para {para 3.2.1(A) and (B)}. However, from the accounting perspective, the revenue is being recognized on the basis of actual usage.

Audit is not questioning the accounting on the basis of actual usage. However, the fact remains that the upfront debit of Margin/Commission paid/FAT/FOC of revenue received in advance to the current revenue results in short payment of LF and SUC on the current revenue to the extent of amount debited.

3.2.2 Under reporting of revenue due to netting off of discounts/waivers granted to post-paid subscribers

From the examination of data/records pertaining to post-paid services furnished by BAL/BHL for the period from 2006-07 to 2009-10, it was observed that –

- Waivers (Installation Charges Waiver/Air Time Waiver/Other Fees and Charges Waiver/Rental Waiver/VAS Revenue Waiver) and Rental/Airtime/other discounts were offered to post-paid customers by the company. It was also noticed that the company debited the cost of discounts and waivers to Post-paid revenue heads instead of expense heads as a result of which the revenue considered for AGR was understated by ₹ 180.74 crore and ₹ 842.12 crore respectively (**Annexures- 3.07 and 3.08**).
- During reconciliation of revenue shown in AGR statements vis-a-vis Financial Statements of the company (TB/reconciliation statement given to audit), it was further observed that ₹ 112.93 crore was deducted from GR ab-initio to arrive at AGR on account of waivers. Detailed analysis revealed that these amounts were booked under expenditure heads pertaining to 'Waivers on account of goodwill gesture', Customer care expenditure, etc. (**Annexure - 3.09**).
- Further, Rental/Airtime/other discounts and Waivers were part of overall commercial strategy to enhance business and therefore, such offers/discounts were in the nature of expenses. Hence, in terms of licence agreements, these should not be deducted from GR.

On being pointed out by audit, it was replied that:-

- Service revenue was recognized as the services were rendered and stated net off of billable discounts, process waivers and taxes. As per Annexure-III of the licence agreement under the Norms of preparation of annual financial statements, accrued revenue shall include “all amounts billable for the period”, thereby all such amounts (billable discounts, process waivers, etc.) shall be excluded from the revenue while computing the GR.
- Process waiver were being granted due to errors in billing and were not billable under the category of accrued revenue as per Annexure-III of the licence agreement, as the services have not been rendered or incorrectly billed. The process waiver (₹ 842.12 crore) included billable discount of ₹ 624.44 crore, hence the actual process waiver was ₹ 217.67 crore.
- Goodwill waivers were in the nature of discounts offered for customer retention and maintaining relationship. Although they form part of service revenue, the company has reduced the amount of such waivers in the nature of goodwill waivers from the GR.
- Billable discount are part of tariff filing with TRAI, hence not part of revenue for the purpose of AGR as per the licence agreement.
- Out of Billable discount of ₹ 206.55 crore as pointed out by audit, ₹ 25.81 crore was knocked with the corresponding credit/contra entry.

Audit views on the reply of the Management are as given below:

- Contra entries amounting to ₹ 25.81 crore in respect of initially commented discount of ₹ 206.55 crore, as stated by the Management in its reply have been considered and the figure revised to ₹ 180.74 crore.
- Norms of preparation of annual financial statements under the Licence agreement states that Service revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately. This indicates that service revenue should be shown in gross, however the Management netted off the discounts/rebate while preparing the annual financial statements which was against the licence agreement. Further, Annexure-III of the licence agreement did not indicate that discounts, waivers, etc. shall be excluded from the revenue while computing the GR.
- The contention of the Management that waiver (₹ 842.12 crore) included billable discount of ₹ 624.44 crore was not in line with the Trial Balance (TB) submitted to audit and data extracted from Oracle Finance system as analysis of head of accounts of TB as well as the data extracted from general ledgers pertaining to these waivers

clearly indicated that these were Installation Charges Waiver/Air Time Waiver/ Other Fees and Charges Waiver/Rental Waiver/VAS Revenue waivers. It was not mentioned that these entries were due to wrong billing. In respect of remaining ₹ 217.67 crore it was observed that in case of billing to the post-paid customers if it is subsequently confirmed that there was a mistake in the bill, the same was reversed/adjusted in the respective revenue codes. It was noticed that there were several reversal and adjustment entries in the general ledger to this effect. Further, the Management did not furnish any document in support of its contention that these waivers were due to errors in billing.

- The Management accepted that Goodwill waivers were in the nature of discounts offered for customer retention and maintaining relationship and although they formed part of service revenue, same was reduced from GR. Since this was a part of overall commercial strategy to enhance business, therefore, they were in the nature of expenses and set-off for related items of expenses were not allowed as per the licence agreement. Hence these should be added back to GR.
- Copy of the tariff plans submitted to TRAI (provided to audit) did not include any kind of discount, whether billable or otherwise.

Thus, netting off of discounts and waivers amounting to ₹ 1135.79 crore given to post paid subscribers resulted in understatement of GR/AGR and short payment of LF and SUC to Government of India of ₹ 104.54 crore and ₹ 49.65 crore respectively (**Annexures - 3.07, 3.08 and 3.09**).

3.2.3 Under reporting of Roaming Revenue due to set-off of Inter Operator traffic (IOT) Discounts paid/credited to other Operators

Volume discount is a financial incentive for individuals or businesses that purchase goods/ service in multiple units or in large quantities. In telecommunications scenario, roaming agreements between operators provide for allowing discounts in case of the subscribers of a particular service provider using the 'sellers' network in bulk. Mutual allowance of discounts results in net payment of the incentive.

BAL and BHL have arrangements with other International Operators for providing roaming services. It was noticed that the Inter Operator Traffic (IOT) Discounts paid/credited to these Operators accounts was debited to/deducted from the revenue heads.

Having roaming arrangement with other national/international operators was a matter of mutual agreement between two operators and giving discounts over and above the agreed charges for roaming was part of overall commercial strategy to enhance business between the two operators. As such, these discounts were in the nature of expenses and hence, in terms of licence agreements, should not be deduced from revenue.

It was observed that Inter Operator Traffic (IOT) Discounts amounting to ₹ 165.59 crore during the period from 2006-07 to 2009-10 were debited to roaming revenue (**Annexure 3.10**).

On being pointed out by audit, it was stated by BAL Management that:-

- International roaming transactions are in nature of agreed volume based discounts.
- International Roaming Revenue is generated based on negotiation adopted by business. Further, the Operators agree on volume of traffic to be provided amongst them on any of the methodology based on volume discount. It is in the nature of trade/volume discounts and the same should not be considered as an expense.
- Out of IOT discount of ₹ 168.24 crore (initially pointed out by Audit), ₹ 2.58 crore was knocked with the corresponding credit/contra entry, ₹ 0.07 crore was considered twice and the entries pertaining to IOT amounting to ₹ (-50.89) crore not considered by Audit.

Audit views on the reply of the Management are as given below:-

- Contra entries and duplicate reflections amounting to ₹ 2.58 crore and ₹ 0.07 crore respectively as stated by the Management in its reply have been considered and the figures have been revised from ₹ 168.24 crore to ₹ 165.59 crore (₹ 168.24 crore - ₹ 2.58 crore - ₹ 0.07 crore).
- As already brought out in the para, giving discounts over and above the agreed charges for roaming was part of overall commercial strategy to enhance business between the two operators; hence these discounts were in the nature of expenses. Since the licence agreement does not permit any netting off, such expenditure cannot be deducted and therefore, have to be included in the GR.
- Regarding non consideration of entries pertaining to IOT amounting to ₹ (-50.89) crore as mentioned in the Management reply, it was observed that these entries were of the nature of IOT receipts (viz. Vodafone IOT compensatory receipt, etc.) and not in the nature of IOT discount paid to the other operators. They were not considered by audit, as no netting off was permissible under clause 19.1 of the licence agreement.

Netting off of IOT discounts amounting to ₹ 165.59 crore (**Annexure - 3.10**) given to international roaming operators resulted in reduction of GR/AGR and short payment of LF and SUC of ₹ 15.62 crore and ₹ 7.22 crore respectively.

3.2.4 Under reporting of revenue from Infrastructure sharing with other telecom operators for GR/AGR by BAL/BHL

As mentioned in para 1.4 (a), the GR shall be inclusive of revenue from permissible sharing of infrastructure and any other miscellaneous revenue without any set-off for related item of expense, etc.

Telecom infrastructure (towers, network equipment's etc.) owned by BAL/BHL were being shared with other telecom companies. BAL/BHL entered into agreements with other telecom companies for infrastructure (cell site) sharing. In terms of the agreements entered with the other operators, charges for sharing sites recoverable from other operators was based on a percentage of CAPEX⁵ cost of the sites and OPEX⁶ cost incurred by BAL/BHL.

Review of data/records pertaining to Infrastructure sharing charges furnished by BAL/BHL for the period from 2006-07 to 2009-10 revealed that:-

- a) Infrastructure sharing charges which were in the nature of Rent, recoverable/recovered were booked in the revenue heads relating to Infrastructure sharing partly and the remaining were netted off from the respective expense heads.
- b) Other Infrastructure sharing charges recoverable/recovered on account of Fuel (Diesel), Electricity, Repairs and Maintenance and Security were netted off from the expenses head and not included in the revenue at all.

The total amount netted off from the expense on account of site sharing revenue (Rent, Diesel, Electricity, Repairs and Maintenance and Security) during 2006-07 to 2009-10 was ₹ 224.22 crore (**Annexure – 3.11**). This amount should have been taken to GR/AGR.

On being pointed out by audit, it was replied by BAL/BHL that -

- the procedure of revenue booking in respect of Infrastructure site sharing has two elements-
 - a) OPEX Reimbursement- Commercial Power, Fuel (Diesel), Security and AMC, which was in the nature of reimbursement of actual expenses incurred, was credited under the respective head.
 - (b) CAPEX Recovery- This amount, which was in the nature of rent was recognized by Bharti Airtel under “Infrastructure Sharing Income”.

It was further stated that the part of rent which was credited in the expense head was in nature of OPEX recovery only and as per AS-29, the expenses relating to a provision may be presented net of the amount recognized for a reimbursement in the Profit and Loss statement.

- It was also stated that as per TDSAT judgment of August 2007, reimbursement of cost/expenses received from other companies should not form part of AGR.

Reply of the BAL Management is not tenable due to following reasons:

- In terms of licence agreement, GR specifically includes revenue from permissible sharing of infrastructure without any set-off for related item of expense. Further,

⁵ Capital Expenditure

⁶ Operating Expenditure

licence agreements do not distinguish infrastructure sharing revenue between CAPEX and OPEX. Hence, set-off of revenue from Infrastructure sharing against the expenses is not allowed. Further, licence agreement permits only three permissible deductions and no such deduction (i.e. on account of reimbursement of costs of Infrastructure sharing) was allowed.

- TDSAT judgment dated 30 August 2007 referred in the reply was set aside by the Honourable Supreme Court vide judgement dated 11 October 2011.
- Audit is of the view that revenue towards diesel expenses, security expenses, repair and maintenance expenses and electricity charges did not constitute reimbursement since they had to be incurred irrespective of whether the towers were shared or not. In fact, by sharing the expenditure the Company benefited through additional income.

Thus, netting off site sharing revenue received/receivable from other telecom operators from the cost during the period from 2006-07 to 2009-10 resulted in understatement of GR/AGR by ₹ 224.22 crore and short payment of LF and SUC by ₹ 19.30 crore and ₹ 9.08 crore respectively by BAL/BHL (**Annexure – 3.11**).

3.2.5 Under reporting of revenue from Forex gain for GR/AGR by BAL/ BHL

As per accounting policy adopted by BAL/BHL for the years 2006-07 and 2007-08, the resultant foreign exchange differences arising on payment or conversion of liabilities were recognized as income or expense in the year in which they arise except in respect of liabilities for acquisition of fixed assets where such exchange difference was adjusted in the carrying cost of the respective fixed asset.

Further, both the companies changed their policy with effect from 1 April 2008 to charge/credit fluctuation gain/loss in respect of loan/liabilities for acquisition of fixed assets directly to the P&L Account.

Review of data/records of BAL/BHL for the period from 2006-07 to 2009-10 revealed that the Realized gain during 2006-07 to 2009-10 was ₹ 221.58 crore out of which forex gain of ₹ 5.93 crore only was considered in GR/AGR during 2006-07 under UASL/NLD/ILD licences of BAL (**Annexure - 3.12**).

It is pertinent to mention here that the above realised gain calculated from the data extracted from the reports generated from Oracle Financial System did not represent the actual gain of that particular item since the company recasts the value of all the items included under the foreign exchange gains/losses head every year, the matured items are accounted under realised gains and the un-matured items remain under unrealised gain. Thus, the realised gain of a particular item in that year would not be the actual gain due to accounting of the gains /losses of that item during the intermediate period under unrealised. Audit could not arrive at the actual value of items accounted under realised gain every year for want of

original value of each item. Further, audit has considered the quarterly net gain, head of account-wise and LSA-wise, as it was not possible for audit to segregate/collect the figures of gains only from the data made available. The operator should calculate the gain of each item with reference to its initial value of accounting and include the total forex gain in GR/AGR.

On being pointed out by audit, it was stated by the Management that:-

- **Forex Gain was not Revenue:** As per the Accounting Standard 9 on Revenue Recognition, Foreign Exchange Gain has been specifically excluded from the definition of Revenue.
- **Forex Gain was Notional:** The realized forex was nothing but an overall business risk which each company would assume in foreign currency transactions. Such notional gains/losses on account of reduction/increase in the liabilities/loans cannot be considered to be revenue from operations and should not be included in the GR/AGR.
- **Forex Gains and losses was dynamic and indeterminable:** TRAI Recommendations dated 6 January 2015 on Definition of Revenue Base (AGR) states that the revenue/profit arising on account of fluctuation of foreign exchange should not be part of AGR for the purpose of computation of LF and SUC. Also TDSAT (August 2007) did not view forex gain/loss differently from TRAI.
- **Not related to Telecom activities:** The Notional foreign exchange fluctuation was a contingency which had impact on every business and was not specific and unique to telecom business. Also, as per TRAI recommendation dated 13 September 2006 on the AGR matter, forex was not related to telecom activities.
- Further, BAL intimated that ₹ 73.49 crore was the amount of realised forex gain during the years from 2006-07 to 2009-10.

Reply of the management is not tenable as -

- In terms of the licence agreement GR shall be inclusive of any other miscellaneous revenue and audit is of the view that any gain incidental to PSPs should be considered for GR.
- The company has been following mercantile method of accounting and as per commercial principle of accounting, “the profit/loss” is to be arrived after taking into account all accrued receipts and expenses and comparing of trading assets between two different dates. Under the mercantile system of accounting a forex gain (revenue)/loss (expenditure) incurred as a result of exchange differences are rational and cannot be considered as contingent/notional in nature. Further, audit has considered the realised gain only.

- Even as per accounting policy adopted by BAL/BHL during the years from 2006-07 to 2009-10, the resultant foreign exchange differences arising on payment or conversion of liabilities are recognized as income or expense in the year in which they arise. Further, company was reporting exchange differences (on net basis) in their financial statement.
- TDSAT judgment dated 30 August 2007 and TRAI recommendation dated 13 September 2006 referred in the reply has no relevance in the light of the Hon'ble Supreme Court judgement dated 11 October 2011 which stated "the TRAI and the Tribunal had no jurisdiction to decide on the validity of the definition of AGR in the licence agreement and to exclude certain items of revenue which were included in the definition of AGR in the licence agreement between the licensor and the licensee". Audit is of the view that forex gain is incidental to telecom activity for telecom operators.
- It is not true that foreign exchange gains/losses are neither covered in the definition of GR in the Licence Agreement nor disclosed in the Statement of AGR, as Licence Agreement provides that "GR shall be inclusive of any other miscellaneous revenue, without any set-off for related item of expense, etc," and forex gain was part of Miscellaneous Revenue.
- TRAI Recommendation dated 6 January 2015 referred to in the reply has not finally been accepted by DoT.
- Aforesaid realised forex gain of ₹ 73.49 crore has been arrived by the TSP after considering yearly net gain only of all the account codes booked for forex gain/loss in a business unit/licences. However, audit considered the quarterly net gain LSA-wise as the LF and SUC are payable LSA-wise every quarter and hence, the difference in figures.

Thus, non-inclusion of foreign exchange gains pertaining to period from 2006-07 to 2009-10 resulted in understatement of GR/AGR by ₹ 216.84 crore. Resultantly, LF and SUC amounting to ₹ 17.46 crore and ₹ 6.74 crore respectively was not paid by BAL/BHL (Annexure - 3.12).

3.3 Under reporting of revenue in the Statements of Revenue and LF (AGR Statements) though reported in the books of accounts.

3.3.1 Non consideration of Interest Income for GR/AGR.

Review of data/records furnished by BAL/BHL for the period from 2006-07 to 2009-10 revealed that interest income accounted in the books of accounts of BAL was partially

considered for GR/AGR in the years 2006-07 and 2007-08 but not considered at all in the years 2008-09 and 2009-10. Amount of interest income accounted in the books were ₹ 340.74 crore out of which ₹ 1.61 crore only was considered for GR/AGR during 2006-07 to 2009-10 resulting in non-consideration of interest income amounting to ₹ 339.13 crore for the purpose of GR/AGR. Business unit/ licences wise details are furnished in **Annexure 3.13**.

Similarly, interest income accounted in the books of accounts of BHL was fully considered for GR/AGR in the year 2006-07 and partially considered in the year 2007-08 but not considered at all in the years 2008-09 and 2009-10. In the year 2007-08, out of total interest income of ₹ 2.37 crore accounted, ₹ 1.74 crore was considered for GR/AGR and ₹ 0.63 crore was not considered. In the years 2008-09 and 2009-10, interest earned amounting to ₹ 1.23 crore and ₹ 3.96 crore were not considered for GR/AGR.

BHL Management stated that –

- Interest income accounted under corporate trial balances (TBs) was not considered as it was not related to telecom operations. It further stated that the interest accounted in the corporate TBs was earned from deployment of surplus funds/borrowed funds and it being a non-telecom revenue needed to be excluded from AGR.
- It also stated that sometimes funds borrowed for CAPEX were invested and interest earned and this interest being always less than the interest payable/paid on borrowings, no interest income was left for inclusion in AGR for levy of revenue share.
- Considering the TDSAT judgement dated 30 August 2007, interest income accounted under Trial balances of UASL/NLD/IP1/ILD/ISP/VSAT were not considered for AGR.

BAL/BHL's Management contention for non-inclusion of interest income for AGR is not tenable as

- Audit is of the view that definition of GR in licence agreements expressly provides for inclusion of interest income for GR/AGR for computation of revenue share;
- TDSAT judgement dated 30 August 2007 has become null and void after Honourable Supreme Court judgement dated 11 October, 2011.

Thus non-inclusion of Interest income pertaining to period from 2006-07 to 2009-10 resulted in understatement of GR/AGR by ₹ 344.95 crore. Impact on short payment of LF and SUC due to non-consideration of interest income in GR/AGR was ₹ 28.51 crore and ₹ 11.80 crore respectively (**Annexure - 3.13**).

3.3.2 BAL's interest free loan to subsidiary resulted in avoidance of payment of LF/SUC

Audit observed that BAL gave ₹ 1487.95 crore as interest free un-secured loan in 2009-10 to M/s Bharti Telemedia Ltd (BTL), a 95 *per cent* subsidiary of the BAL. Grant of interest free unsecured loan was in violation of Section 372(A) of Companies Act, 1956 and not in line with the arm's length relation to be maintained between the holding company and subsidiary company.

As a result, BAL's revenue was lower by the amount of interest receivable from BTL and ultimately the LF and SUC thereon was short-paid to the Government of India to that extent. The impact on short payment of LF and SUC could not be quantified since the date of release of loan and period for which above interest free loan remained outstanding was not available.

3.3.3 Non consideration of Profit on sale of Investment for GR/AGR for payment of revenue share by BAL.

Format of Statement of Revenue and LF (AGR Statement) prescribed as Appendix II to Annexure -II as referred in Clause 20.4 of the UASL agreement is an integral part of the Licence Agreement. In the Statement, item 4 has been prescribed to reflect the "Income from Investment".

Review of data/records furnished by BAL/BHL for the period from 2006-07 to 2009-10 revealed that gross income on account of Income from Investments were ₹ 34.14 crore, ₹ 57.75 crore, ₹ 235.48 crore and ₹ 183.82 crore in the year 2006-07, 2007-08, 2008-09 and 2009-10 respectively (**Annexure - 3.14**). Above income had not been considered in GR/AGR for computation of revenue share.

BAL Management stated that considering the TDSAT judgement dated 30 August 2007, income from investment accounted under corporate trial balance was not considered for AGR. It further stated that this corporate income was generated from treasury function which was a separate and distinct function from licenced activity and this income was a non-licenced activity/non-operational income. Therefore such corporate income should not form part of GR.

BAL's Management contention for non-inclusion of income from investment for GR is not tenable as TDSAT judgement dated 30 August 2007 became null and void after Honourable Supreme Court judgment of 11 October 2011. Further, Audit opined that licence agreements provide for inclusion of income from investment in GR/AGR for computation of revenue share.

Thus non-inclusion of Income from investment pertaining to period from 2006-07 to 2009-10 resulted in understatement of GR/AGR by ₹ 511.19 crore. Impact on short payment of LF and SUC due to non-consideration of income from investment in GR/AGR was ₹ 42.45 crore and ₹ 17.45 crore respectively (**Annexure - 3.14**).

3.3.4 Different standards for payment of dividends

As mentioned in para 1.4 (a) GR shall be inclusive of dividend along with other revenue stated therein. Thus the revenue from investment (dividend) was to be included for the purpose of revenue share. An analysis of the annual accounts of BAL for the period from 2006-07 to 2009-10 indicated that BAL's investments in form of equity shares in its subsidiaries, Joint Ventures, associates and others (**Annexure - 3.15**) increased by more than 19 times from ₹ 580.24 crore in 2006-07 to ₹ 11,153.51 crore in 2009-10 (**Annexure - 3.16**).

BAL was the majority shareholder in most of these subsidiaries, Joint Ventures, associates, subsidiary's subsidiary and other entities. However, BAL did not receive any return on these investments during this period in form of dividend or otherwise in spite of the fact that the total profit of these companies after tax was ₹ 157.04 crore, ₹ 415.64 crore, ₹ 905.44 crore and ₹ 893.68 crore during each of the four years from 2006-07 to 2009-10 respectively (**Annexure - 3.17**).

It was seen in audit that BAL had adopted different standards for declaration of dividend in respect of BAL itself and for other non-licensee companies where it had investments and majority shareholdings. While BAL had declared a dividend of 20 *per cent* on face value of shares for 2008-09 and 2009-10, no dividend was declared by any of the subsidiaries, Joint Ventures, associates and others where BAL had a majority shareholding. While dividend paid by BAL was an expense for it and was not subject to LF and SUC, the dividends received by it from companies/entities it had invested in would have attracted imposition of LF and SUC as per terms of the licence agreement.

Thus non-declaration of dividend by subsidiaries, Joint Ventures, associates and other entities in which BAL had invested was not in accordance with BAL's own action of declaration of dividend and resulted in reduction of revenue of BAL and consequently lower payment of LF and SUC.

3.3.5 Non Consideration of revenue accounted under Global Operations (BILGO) for LF

BAL had set up its own branch at USA under brand name BILGO which carries the hubbing of traffic and does the switching of traffic arising out of bilateral agreements between BAL (ILD division) and various foreign operators located across the globe. BAL maintains a separate book of accounts to book the income/expenses relating to BILGO. The details of the operation carried out by BILGO and mechanism between the two segments (BILGO and BAL-ILD) are as follows-

- (a) For call traffic originating from USA – BILGO switch hands over the outgoing traffic from other operator's to BAL-ILD's network for terminating anywhere in the world. For this service, BILGO retains five per cent and transfers 95 per cent of the amount billed to the foreign telecom operators to BAL – ILD.

- (b) For call traffic terminating in the USA – BILGO switch handles the call traffic from BAL-ILD and hands over the same to other operators in the USA. For this service, BILGO charges to BAL-ILD at 105 *per cent* of what is payable by BILGO to the foreign terminating operators and retains five *per cent*.

However it was noticed that during 2006-07 and 2007-08, this margin was 2.87 *per cent* and 4.03 *per cent* only. Amount of revenue and access charges booked in BILGO's books of accounts are as follow-

Table 3.6

(₹ in crore)

Year	Total revenue	Total Access Charges	Excess revenue over access charge (Margin)	Margin (in <i>per cent</i>) {Percentage of "d" w.r.t "c"}
(a)	(b)	(c)	(d)	(e)
2006-07	285.48	277.51	7.97	2.87
2007-08	340.73	327.53	13.20	4.03
2008-09	230.10	218.76	11.34	5.18
2009-10	312.62	297.23	15.39	5.18
Total	1168.93	1121.03	47.90	4.27

Revenue over access charges amounting to ₹ 47.90 crore was not considered for GR/AGR.

BAL's Management stated that –

- BILGO was operating on a foreign soil (USA) as a gateway station (POP) for which licence/permission had been obtained from USA authorities, not from Indian authorities and it had a separate identity from US Tax and regulatory perspective and
- This five *per cent* retention by BILGO was taxable in the USA as per Tax and regulatory laws. As such revenue and access charges accounted in BILGO's books of accounts should not be considered for GR/AGR for LF.

BAL's Management contention is not tenable as:

- Setting up of the BILGO is only a technical arrangement made by BAL to manage its ILD traffic and BAL had got ILD licence from the Indian authorities. BAL is providing telecom service under the name of BILGO and was not a separate legal entity. Even the transactions accounted in BILGO's books of accounts are part of telephone traffic of BAL's ILD network and included in the financial statements of BAL. Further, as per the definition of GR, GR shall include all revenue accruing to the Licensee without any set-off for related item of expense. Hence the revenue of BILGO should be included for GR.

- Audit does not dispute the taxability of five *per cent* retained by BILGO in USA as per Tax and regulatory laws but contends that since this constituted the income of BAL, the same should be a part of the sharable revenue under ILD licence.

Accordingly, BAL's ILD AGR was under reported by ₹ 47.90 crore (₹ 7.97 crore, ₹ 13.20 crore, ₹ 11.34 crore and ₹ 15.39 crore for the years 2006-07, 2007-08, 2008-09 and 2009-10 respectively) which should be added back to AGR for computation of LF for BAL's ILD licence. Impact on short payment of LF (ILD) due to non-consideration of BILGO revenue was ₹ 2.87 crore (₹ 0.48 crore, ₹ 0.79 crore, ₹ 0.68 crore and ₹ 0.92 crore for the years 2006-07, 2007-08, 2008-09 and 2009-10 respectively).

3.3.6 Non Consideration of revenue of erstwhile SBEL

Satcom Broadband Equipment Limited (SBEL) was a subsidiary of BAL prior to 1 October 2005. SBEL was in the business of selling VSAT hardware. SBEL got amalgamated with BAL effective from 1 October 2005 as per certificate of registration received on 27 July 2007. Though SBEL was amalgamated with BAL, BAL maintained separate trial balances for accounting transactions relating to erstwhile SBEL's domestic and international transactions. The total revenue amounting to ₹ 116.24 crore booked under these trial balances was not considered for GR/AGR under any licence during the period from 2006-07 to 2009-10 except in the year 2008-09 when Service Revenue amounting to ₹ 0.18 crore was considered in the GR of VSAT.

BAL's Management stated that SBEL was incorporated as a separate legal entity and prior to its merger with BAL, it was engaged in –

- i) trading in telecom equipment,
- ii) trading in VSAT equipment across the world, and
- iii) turn-key project for VSAT installations.

These are mainly trading and international activities and not governed by the Telecom licence. Post-merger, the accounts of BAL included the accounts for activities undertaken by Satcom for which separate books of accounts were maintained. Further, the activities carried on by Satcom are not linked with the telecom services being provisioned by units of BAL. Activities were continued to be carried on by Satcom under BAL as were being carried on prior to merger. Management further stated that merger changed the structure of the entity but it did not change the nature of transaction being carried on. An activity which was a non-licensed activity cannot become a telecom service post merger. Thus, just because two companies have merged does not make a non-telecom activity a telecom activity thereby subjecting it to LF. Post-merger, its business (which is non-telecom in nature) was being carried on by BAL. Thus, the company is under no obligation to pay LF on such activities/transactions as were carried on by Satcom.

Reply of the Management is not tenable as SBEL was a separate legal entity prior to 1 October 2005 and it had not got any licence from Government of India for its activities which were primarily dealing in VSAT equipment. However, it got merged with BAL with effect from 1 October 2005 and transactions recorded in its books of accounts show that revenue accounted are from telecom services (bandwidth charges, IRU charges, installation charges, data services, equipment rental etc.) as well as sales of hardware to foreign/ domestic telecom companies. This revenue also formed part of revenue of BAL and in terms of definition of GR, GR shall include all revenue accruing to the Licensee without any set-off for related item of expense. Accordingly the revenue of ₹ 20.85 crore, ₹ 36.04 crore, ₹ 22.70 crore (out of it ₹ 0.18 crore already considered) and ₹ 36.65 crore accounted under the books of accounts for the years 2006-07, 2007-08, 2008-09 and 2009-10 of erstwhile SBEL should be included in the GR. Impact on short payment of LF (VSAT) due to non-consideration of revenue booked in erstwhile SBEL accounts was ₹ 1.25 crore, ₹ 2.16 crore, ₹ 1.35 crore and ₹ 2.20 crore for the year 2006-07, 2007-08, 2008-09 and 2009-10 respectively.

3.3.7 Non consideration of revenue accounted under Infrastructure Provider (IP)-1 service for computation of revenue share by BAL

BAL had got two registrations for Infrastructure Provider 1 (IP1) from DoT (October 2000 and February 2001)⁷ for providing infrastructure services. The scope of services under IP1 registration covers the business of providing assets such as Dark Fibre, Right of Way, Duct Space and Towers on lease/rent out/sale basis to Telecom licensees. However, BAL had maintained separate books of accounts (TBs) for recording transactions of IP1 services. Revenues booked under IP1 include Service Revenue, Interest Income and Other Income which form part of Profit and Loss Account of BAL. Further, service revenue for the period from 2006-07 to 2009-10 pertaining to IP1 services (₹ 435.73 crore) includes revenue from BAL's NLD division (₹ 221.40 crore), ISP division (₹ 9.13 crore) and from other operators (₹ 205.20 crore).

However, the whole service revenue accounted under IP1 Trial Balances was not considered for AGR for payment of LF despite the fact that this revenue formed part of revenue of BAL and in terms of definition of GR, it shall include all revenue accruing to the Licensee without any set-off for related item of expense.

BAL's Management stated that the IP1 registration had nothing to do with the licence agreement and the activities taken there under. The IP1 registration enables any company incorporated in India to install and provide passive infrastructure to the Telecom Service Providers and as per the existing policy, there was no imposition of LF on the companies

⁷ Original registrations were in favour of Bharti Telesonic Limited (BTSOL) and Bharti Telenet Limited (BTL). Bharti Telesonic Limited and Bharti Telenet Limited were subsumed in BAL {Formerly Bharti Televenture Limited (BTVL)}.

having IP1 registration. The income earned from these services was accounted for separately which therefore resulted in separate trial balances maintained by the company so as to distinguish the same from other licenced income.

Audit accepts that the revenue from NLD division included in IP1 revenue is not subject to LF but contends that income from ISP division and other operators should be considered for revenue sharing. Accordingly, ₹ 214.33 crore (₹ 47.03 crore, ₹ 54.01 crore, ₹ 65.26 crore and ₹ 48.03 crore for the years 2006-07, 2007-08, 2008-09 and 2009-10 respectively) should have been considered in AGR for the calculation of LF. Impact on short payment of LF (NLD) due to non-consideration of IP1 revenue was ₹ 12.86 crore (₹ 2.82 crore, ₹ 3.24 crore, ₹ 3.92 crore and ₹ 2.88 crore for the years 2006-07, 2007-08, 2008-09 and 2009-10 respectively).

3.3.8 Non consideration of miscellaneous income for AGR for computation of LF/SUC by BAL

As per schedule of Other Income forming part of Profit and Loss Account of BAL, Miscellaneous Income for the years 2006-07, 2007-08, 2008-09 and 2009-10 was ₹ 79.87 crore, ₹ 200.61 crore, ₹ 87.08 crore and ₹ 45.28 crore respectively. Service area wise details of such miscellaneous income are furnished in the **Annexure - 3.18**. From the AGR statements vis-à-vis Trial Balances/Reconciliation statements furnished to audit, it was noticed that an amount of ₹ 96.19 crore being the miscellaneous income was not included in GR/AGR for computation of revenue share.

BAL's Management stated that -

- Miscellaneous income on account of insurance claim, notice pay, scrap sale in UASL and NLD/ILD/ISP/VSAT/Corporate segments was not included in GR/AGR as per TDSAT judgment of August 2007.
- It is an income from non-licenced activity.
- Miscellaneous/Other Income (insurance claim) of 2006-07 of UASL segment is not subject to LF as it is a capital receipt and it cannot be termed as revenue in ordinary course of business.
- Miscellaneous income of ₹ 2.37 crore in 2006-07 in ISP and VSAT segment were in the nature of liability written back.

Audit view on the management reply is as follows:-

- Income from insurance claim has been excluded and the Miscellaneous income considered by audit revised from ₹ 140.21 crore to ₹ 96.19 crore.
- TDSAT judgment of August 2007 was set aside by the Hon'ble Supreme Court of India (October 2011)

- Management contention that these miscellaneous incomes are from non-licenced activity and hence not liable to be included in AGR is not acceptable since definition of GR expressly provides that miscellaneous income should be included in GR for computation of revenue share.
- ₹ 2.37 crore had been booked in miscellaneous Income in Trial Balances of 2006-07 related to ISP and VSAT segments. Whereas amount in the nature of liability written back were booked in separate account heads. Hence, it cannot be stated to be in the nature of liability written back.

As such, items of miscellaneous income as stated above amounting to ₹ 96.19 crore not considered in respective AGR should be included in AGR for computation of LF/SUC. Impact on short payment of LF and SUC due to non-consideration of miscellaneous income in GR/AGR was ₹ 6.94 crore and ₹ 1.74 crore respectively (**Annexure - 3.18**).

3.3.9 Non consideration of Income from profit on sale of fixed assets for AGR for payment of revenue Share by BAL

From the examination of data/records furnished by BAL/BHL for the period from 2006-07 to 2009-10, it was observed that revenue on account of “Profit on sale of Fixed Assets” was ₹ 8.75 crore, ₹ 12.04 crore, ₹ 7.24 crore and ₹ 1.92 crore during the years 2006-07, 2007-08, 2008-09 and 2009-10 respectively.

From the AGR Statements, it was found that amount of Profit on Sale of Fixed Assets was considered for computation of AGR in the year 2006-07 but such income of ₹ 21.20 crore was not considered for AGRs in the later three years i.e. 2007-10.

BAL’s Management stated that -

- Considering the TDSAT judgement dated 30 August 2007, the revenue on account of profit on sale of fixed assets had not been considered for AGR.
- This revenue was in nature of capital revenue and it was not derived from licenced activity and hence it should not be included in AGR for computation of LF.

The contention of the BAL’s Management is not tenable since-

- TDSAT judgement dated 30 August 2007 has become null and void after Hon’ble Supreme Court judgment dated 11 October 2011.
- Licence agreements did not differentiate between licenced activity and non-licenced activity. In terms of definition of GR, GR shall include all revenue accruing to the Licensee without any set-off for related item of expense and the company had also considered it for inclusion in AGR in the year 2006-07. Thus, income of ₹ 21.20 crore on account of profit on sale of fixed asset accounted in the books of accounts

of the company should be included in GR/AGR for computation of Revenue Share payable by the company to Government of India.

Impact on short payment of LF and SUC due to non-consideration of profit on sale of fixed asset in GR/AGR was ₹ 1.91 crore and ₹ 0.83 crore respectively (**Annexure - 3.19**).

3.4 Short/ non-payment of revenue share due to other issues.

3.4.1 Irregular Deduction of Bad debts written off from GR to arrive at AGR by BAL/BHL

Review of data/records furnished by BAL/BHL for the period from 2006-07 to 2009-10 revealed that the amount of “Bad debts Written Off” accounted during the year 2006-07 to the tune of ₹ 105.51 crore in UASL segment had not been deducted from GR to arrive at AGR. However, in the years 2007-08, 2008-09 and 2009-10, “Bad debts Written Off” accounted in UASL segment of ₹ 181.13 crore, ₹ 63.18 crore and ₹ 41.13 crore respectively was deducted while arriving at AGR.

Similarly, as per AGR Statements and TBs of BHL, it was found that no amount of “Bad debts Written Off” had been deducted from GR in 2006-07 and 2007-08. However, in the years 2008-09 and 2009-10, amount of “Bad debts Written Off” accounted in UASL/CMTS segments of ₹ 2.25 crore and ₹ 0.03 crore was deducted while arriving at AGR.

Management stated that -

- Considering the TDSAT judgement dated 30 August 2007, the amount of “Bad debts Written Off” had been deducted from GR.
- Bad debt was revenue not realized by the company and as per AS-9, revenue includes gross inflow of economic benefits received and receivable by the entity on its own account.
- When a particular receivable is known to be bad and unrecoverable, such bad debts during the particular period must be excluded from GR.

The contention of the Management is not tenable since

- TDSAT judgement dated 30 August 2007 has become null and void after Hon’ble Supreme Court judgment dated 11 October 2011.
- While audit does not question accounting as per AS-9, it contends that any amount of revenue becoming unrecoverable is treated as bad debts which form part of Administrative and other expenses in the Profit and Loss Account.
- The licence agreement does not provide deduction of bad debt from GR to arrive at AGR. The licensee itself did not deduct the bad debts written off from GR to arrive at AGR during the year 2006-07 and 2007-08.

Thus, bad debts written off amounting to ₹ 287.72 crore and deducted from GR to arrive at AGR in UASL/CMTS segments should be added back to AGR for computation of Revenue Share payable by the companies to DoT. Impact on short payment of LF and SUC due to deduction of bad debts from GR to arrive at AGR was ₹ 25.55 crore and ₹ 11.44 crore respectively (**Annexure - 3.20**).

3.4.2 PSTN Deduction claimed against Leased Line Charges in 2006-07.

Review of data/records furnished by BAL/BHL for the period from 2006-07 to 2009-10 revealed that Lease Line charges payable by UASL Circles (Mobile and Fixed services) of BAL/BHL to BAL's NLD division was claimed under PSTN deduction in the year 2006-07 to the tune of ₹ 327.09 crore. LSA wise details are furnished in the **Annexure - 3.21**.

Management stated that in terms of TRAI's Interconnect Usage Charges Regulation (sixth amendment) (February 2006), TSPs have been given liberty to decide carriage charges to be paid to NLDO and hence they are under forbearance. TRAI has left the rates to be charged on the mutual agreement between the service providers based on various service elements being offered by NLDO which may include some fixed/minimum commitment in terms of traffic minutes and creation of Point of Interconnection (POI). It was also stated that the above transactions were in nature of a minimum commitment charge which can be attributable to minute based carriage charge and the charges for setting up the POI.

The reply of the Management is not acceptable as in terms of UASL agreement (clause 19.2) and clarifications issued by DoT, lease line charge is not to be deducted from GR to arrive at AGR. Further, TRAI Interconnect Usage Charges Regulation (sixth amendment) provides that carriage charges per minute for long distance calls within India would be as per mutual agreement between the service providers subject to a ceiling of ₹ 0.65 per minute irrespective of the distance. As evident, it does not mention about any fixed/minimum commitment charges but prescribes only minutes' based charges which were claimed as IUC deduction payable to NLD in addition to above mentioned lease line charges. Also, the BAL/BHL themselves stopped claiming such deduction from 2007-08 onwards.

Inclusion of Lease Line Charges under PSTN deduction resulted in understatement of AGR of UASLs of BAL/BHL by ₹ 327.09 crore for the year 2006-07. Resultantly, LF and SUC was short paid in the year 2006-07 by ₹ 26.47 crore and ₹ 11.71 crore respectively in respect of BAL and ₹ 1.56 crore and ₹ 0.92 crore respectively in respect of BHL (**Annexure - 3.21**).

3.4.3 Non consideration of revenue from sale/lease of bandwidth charges for AGR for payment of SUC.

UASL agreement provides that "While calculating AGR for limited purpose of levying Spectrum Charges based on revenue share, revenue from Wireline Subscribers shall not be

taken into account”. Further, in the format of statement of revenue and licence fee (AGR Statement) prescribed for the UASL agreement-

- Item 1 A has been prescribed to reflect the “Revenue from Wireline Subscribers” and
- Item 8 has been prescribed to reflect the “Revenue from sale/lease of bandwidth, links, R and G cases, turn key projects etc.”

During the review of the AGR Statements, it was noticed that “Revenue from sale/ lease of bandwidth, links, R and G cases, turn key projects etc.” amounting to ₹ 93.29 crore, ₹ 98.67 crore, ₹ 188.57 crore and ₹ 92.81 crore in the years 2006-07, 2007-08, 2008-09 and 2009-10 respectively was included in the AGR Statements for computation of LF but not considered in the AGR for computation of SUC which was in contravention of the provisions of the Licence agreements. LSAs wise details are furnished in the **Annexure - 3.22.**

Management stated that above revenue were pertaining to wireline services and hence it was not considered for levy of spectrum charges.

Management contention is not tenable as in terms of clause of 18.3 of UASL agreement, revenue from wireline subscribers only needs to be excluded for spectrum charges. As provided in the AGR statement, revenue from wireline subscriber is in item 1A and Revenue from sale/lease of bandwidth, links, R and G cases, turn key projects, etc. is in item 8. Thus, revenue from sale/lease of bandwidth is different from revenue from wireline subscribers. As such, above revenue should be considered for computation of spectrum charges also.

Thus, revenue from sale/lease of bandwidth, links, etc. amounting to ₹ 473.34 crore should be added back in AGR for computation of SUC. Resultantly, SUC amounting to ₹ 20.70 crore was not paid on the said revenue by the company (**Annexure-3.22**).

3.5 Transfers of telecom infrastructure assets by BAL to its subsidiary (BIL) at NIL value

M/s Bharti Infratel Limited (BIL) was incorporated as a subsidiary of BAL on 30 November 2006 with the object of inter-alia, setting up, operating and maintaining wireless communication towers, provide network development services and to engage in video, voice, data and internet transmission business in and out of India. BIL received the certificate of commencement of business on 10 April 2007 from the Registrar of Companies.

Audit observed from BAL’s Annual Report for the year 2007-08 that the Scheme of Arrangement⁸ between BAL and BIL was approved by the Hon’ble High Court of Delhi

⁸ Under sections 391 to 394 of the Companies Act, 1956, for transfer of telecom infrastructure assets from BAL to BIL

on 26 November 2007 and filed with the Registrar of Companies, Delhi and Gurgaon on 31 January 2008 i.e. the Effective Date of the Scheme. Pursuant to the scheme, the telecom infrastructure of BAL was transferred to and vested with BIL with effect from 31 January 2008. BAL transferred the Telecom Infrastructure worth ₹ 5739.60 crore to BIL at Nil value and BIL recorded the value of assets received from BAL at fair value of ₹ 8235.97 crore.

BAL and BIL being separate entities and also BIL was not a fully held subsidiary of BAL⁹, transfer of assets was not a transaction at arm's length. As the market value of the assets was ₹ 8235.97 crore as revalued by BIL, the difference between the book value and the value as accounted by BIL was profit foregone (₹ 2496.37 crore) on transfer of asset. In accordance with licence agreement, this profit foregone on transfer of asset should be considered for computation of LF and SUC.

Thus non consideration of the amount of ₹ 2496.37 crore resulted in short payment of LF and SUC of ₹ 226.40 crore and ₹ 108.52 crore respectively for the year 2007-08 (**Annexure 3.23**).

3.6 Interest on short/non-payment of LF and SUC

On issues raised above (from paras 3.2 to 3.5) short/non-payment of LF and SUC worked out to ₹ 719.46 crore and ₹ 347.49 crore respectively. The interest on this short/non-payment of LF and SUC is ₹ 1584.94 crore (**Annexure- 3.24**). The calculation of interest was based on the rate prescribed in the Licence agreement i.e. 2 *per cent* above the Prime Lending Rate of State Bank of India existing as on the beginning of the financial year and the period considered for the calculation was from the end of the concerned financial year up to March 2015. The interest has been compounded monthly as prescribed in the licence agreement.

3.7 DoT's response to the audit observations

Audit observations on the revenue shared by M/s BAL were communicated to DoT in May 2015. DoT in reply (January 2016) informed that demands for understatement of GR were raised on the PSP in 2012 for the years 2006-07 and 2007-08, based on the report of Special Audit conducted in 2009. These pertained to issues raised in paras on commission/discount to dealers netted off from revenue and free airtime given to prepaid subscribers not recognized as revenue (3.2.1(A)); understatement of GR due to non-inclusion of revenue from infrastructure sharing in full (3.2.4); under reporting of revenue due to non-inclusion of revenue/income in GR/AGR from forex gain (3.2.5), interest income (3.3.1), profit from sale of investment (3.3.3), revenue from BILGO (3.3.5), revenue from IP-1 services (3.3.7), miscellaneous revenue (3.3.8), profit on sale of assets (3.3.9); deduction of bad

⁹ BAL was holding only 92.89 *per cent* of the Share in BIL as on 31 March 2008.

debts from GR (3.4.1) and gain on successive transfer of passive infrastructure (3.5). However, the demands were challenged by the operator in TDSAT/High Courts. It was also informed that action would be taken as and when the final court judgement would be pronounced.

Thus, DoT, without disputing the issues raised by Audit, has stated that the demands could not be realized as the matter was *sub-judice*. The fact that DoT could not get/obtain the revenue due indicated to the need for a more pro-active approach on part of DoT as substantial amount of government revenue was involved.

DoT also stated that there were differences in the amounts objected to by DoT consequent to the Special Audit and that pointed out by CAG audit. These variations may be on account of differences in methodology adopted in quantifying the understatement of revenue for which details of working paper of Special Auditors were not seen by CAG audit. However, CAG audit has quantified the amount of short/non realization of revenue (LF and SUC) on the basis of the actual entries identified through clear description in the books of accounts of BAL for 2006-07 to 2009-10.

In respect of paras pertaining to netting off of discount/waiver given to post paid subscribers from revenue (3.2.2); roaming revenue understated due to netting off inter-operator traffic discount paid to other operators (3.2.3) and non-inclusion of revenue of erstwhile SBEL (3.3.6), DoT stated that replies received from the PSP were under examination.

In respect of paras pertaining to different standards for payment of dividends (3.3.4); irregular deduction claimed for lease line charges (3.4.2) and non-consideration of bandwidth charges for SUC (3.4.3), it was stated that replies from respective wings of DoT were awaited.

In respect of para pertaining to interest free loan to subsidiary (3.3.2), it was stated that DoT had taken a decision in 2005, in consultation with Ministry of Law and learned AG, that notional interest can neither be reckoned nor included in AGR.

Audit view is that DoT's decision of not reckoning the due interest on interest free loan given to subsidiaries which are not fully owned, for AGR purpose was not in line with the provisions of the Companies Act, 1956. By providing interest free loan to other than fully owned subsidiary, BAL's revenue was lower by the amount of interest receivable and ultimately the LF and SUC thereon was short-paid to the Government of India to that extent.

DoT's response to para 3.2.1 (B) and (C) on under reporting of revenue due to offers/ discounts to customers and dealers for pre-paid services and short reporting of revenue due to upfront debits in revenue heads was awaited (January 2016).

DoT also stated that the basic definition of GR and AGR was challenged by the TSP's in 2002-03. Since then, there has been protracted litigation and is continuing till date. Also, some of the licensees have also filed (in 2012) writ petitions before various High Courts invoking the writ jurisdiction under Article 226 of the Constitution challenging the Section-4 of Indian Telegraph Act, 1885, as violative of the Article 14 and 19(1) (g) of the Constitution of India. The process of deduction verification by the CCA offices and the LF assessment work by the DoT Headquarters was adversely impacted due to this. DoT admitted that the numerous disputes are causing delays in assessment of the revenue share due from the operator.

The response of DoT proves that though the revenue share regime was introduced as part of NTP-1999, the Department has not been able to realise its due revenue share as envisaged in the Licence agreement even after more than 16 years of its implementation.

It would be pertinent to mention here that when the Government decided to reduce the LF for all operators by two *per cent* effective from April 2004, DoT expected that the reduction would prompt operators to withdraw the challenges against the Government. However, the reduction in LF did not have the expected impact and the operators continue to institute litigations against the Government challenging the definition of GR/AGR and demand notes. Thus the PSP got the benefit of reduction in rate of LF but the Government didn't get the reciprocal benefit of reduction in litigations.

CHAPTER – IV

Revenue Shared by Vodafone India Limited

4.1 Brief Profile of M/s Vodafone India Ltd

Brand Vodafone was launched in India in 2007 when Vodafone Plc, the British multinational communications company, acquired majority stake in M/s Hutchinson Essar which was providing GSM based cellular mobile services in sixteen¹ licenced service areas in the country. The decision of the Government of India in 2005 to raise the Foreign Direct Investment (FDI) in telecom sector to 74 per cent helped the British company to make major foray into the Indian telecom space. By 2007-08, the operator was allotted seven² more licences and had established pan India presence with operations in all existing twenty three Licensed Service Areas (LSA) in the country. Vodafone India provides wireless mobile telephone services which include voice/data and total high-quality, innovative communication solutions.

4.1.1 Licences held by Vodafone Group

In addition to access service licence in 23 service areas, Vodafone Group has carriage licences i.e. National Long Distance (NLD) as well as International Long Distance (ILD) and Internet Service Provider (ISP) licence.

The LSA/Circle wise service provision and related accounting activities are performed under the aegis of the Corporate Head Office of Vodafone India Limited (erstwhile Vodafone Essar Ltd) at Mumbai and its seven subsidiary Companies.³

4.1.2 Radio frequency spectrum held by Vodafone

All Vodafone group companies are GSM operators. LSA-wise quantum of spectrum allotted to them as on 31 March 2010 were as follows-

Table 4.1

Sl.No	Spectrum (in MHz)	Names of LSA
1	2 × 10	Delhi, Mumbai
2	2 × 9.8	Gujarat, Kolkata
3	2 × 8.2	UP(E)
4	2 × 8.0	Chennai, Karnataka
5	2 × 7.2	Tamil Nadu
6	2 × 6.2	Andhra Pradesh, Haryana, Kerala, Maharashtra, Punjab, Rajasthan, UP(W), West Bengal
7	2 × 4.4	Assam; Bihar, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, North East, Odisha

1 Mumbai ,Delhi, Kolkata, Gujarat ,Karnataka, Andhra Pradesh, Chennai ,Rajasthan, UP(E), Haryana, Punjab, UP(W), West Bengal, Tamil Nadu, Kerala, Maharashtra

2 Orissa, Bihar ,NE, Assam, J&K, Himachal Pradesh, Madhya Pradesh

3 Vodafone Essar Cellular Ltd, Vodafone Essar Digilink Ltd, Vodafone Essar Gujarat Ltd, Vodafone Essar Ltd, Vodafone Essar Mobile Service Ltd, Vodafone Essar South Ltd, Vodafone Essar Spacetel Lt/d.

4.1.3 Subscriber base growth - 2006-07 to 2009-10

As on March 2007, with a subscriber base of 2.64 crore, Vodafone occupied third place behind Bharti Airtel and the combined strength of the PSUs (BSNL and MTNL). By 2007-08, the Company established its foot print in all 23 LSAs and consolidated its position to become the second largest GSM based cellular mobile service provider in the country. By March 2010, the subscriber base grew to 10.09 crore with market share of 16 *per cent* registering a growth of 281 *per cent* from 2006-07.

4.1.4 Financial data on GR/Deductions/AGR and revenue share paid by Vodafone India Limited

Telecom Service Providers (TSPs) are required to pay LF and SUC at a percentage of AGR on quarterly basis on self-assessment basis. The combined GR reported and revenue share paid by Vodafone India Limited (VIL) for the four years from 2006-07 to 2009-10 is as shown below:

Table 4.2

(₹ in crore)

Year	GR	Deductions	AGR	Percentage of AGR to GR	Revenue share
					(LF+SUC)
2006-07	10399	1853	8545	82.17	1153
2007-08	16063	3713	12350	76.88	1606
2008-09	22217	5897	16320	73.46	2221
2009-10	25289	6695	18594	73.53	2399
Total	73968	18158	55809	75.45	7379

(Source: DoT records)

4.2 Audit verification of accounting and reporting of GR by Vodafone

As mentioned in para 1.4 (a), the GR shall be inclusive of all types of revenue stated therein without any set-off for related item of expense, etc.

Further as mentioned in Annexure III of UASL agreements, service revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately.

Audit examination of the records alongwith the books of accounts of Vodafone revealed incidences of non-compliance with the conditions of the licence agreement in recording and reporting revenue. The occurrence was not universal throughout the different LSAs as there was no uniform procedure for accounting revenue for the purpose of revenue share payment. The nature of non-compliances were-

- Setting-off related expenditures from revenue.
- Non-inclusion of revenue earned from all categories in GR.

Audit findings on GR computation by Vodafone for the period from 2006-07 to 2009-10 are discussed below. As no separate GLs were maintained for pre-paid and post-paid services, no segregation of service wise understatement of revenue and revenue share impact was done.

4.2.1 Commission/discounts to dealers netted off from pre-paid and post-paid revenue

Vodafone provides prepaid and post-paid services in their licenced network using Subscriber Identification Module (SIMs). The sale of SIMs, Prepaid recharge vouchers (ECV), e-top ups, etc. are through retailers/agents (dealers, franchisees, distributors) who are allowed discounts by the Company. As per the licence conditions, GR has to include revenue from sale of SIM/ECV, etc. without set-off.

Verification of General Ledgers (GL) of LSA-wise accounts revealed debits under certain revenue account heads on account of expenses described as payment of 'commission, discount, additional margin to retailers, franchisees/dealers/agents/distributors', 'trade margin', etc., related to the sale of SIM/RCV (recharge vouchers)/Top up cards, etc. All debits with the above descriptions under various revenue GLs were identified for all the four years to ascertain the total amount netted off from revenue and it was seen that a total amount of ₹ 1352.75 crore was debited from revenue during the period from 2006-07 to 2009-10 (**Annexure- 4.01**). It is important to mention here that details of cases where revenue was captured in the Company's financial system after net offs could not be identified and hence audit had quantified only those transactions where the LSAs had recorded them manually in the books of accounts with clear narratives on the nature of the debits. Though the Company was required to report the amount netted off to DoT along with the AGR statement it was seen that none of the LSAs except VCL⁴ in 2006-07 had disclosed the amount netted off as discounts.

Management stated (May/August 2015) that the Company appoints distributors/dealers/franchisees depending on the business needs and the arrangement with them is on Principal-to-Principal basis from January 2007. Discounts given to them at the time of primary billing were debited to revenue. As per the accounting policy followed, the actual inflow to the Company i.e. the amount paid by the distributor only is carried to the Profit and Loss Account (P & L account) and not the Maximum Retail Price of the product sold through the distributor/franchisee/dealer. It was also explained that the sale of products to the franchisee was on agreed price and that price is reflected in the P & L account and there is no netting off of any expense and TDSAT also in their judgment of April 2015 had held that there was no netting off in cases where revenue is recorded on the agreed price. It was further informed that appeals have been filed in the Hon'ble Supreme Court, both by the Operators and DoT, against the TDSAT judgment and hence the above positions of the Company were subject to the final ruling by the highest Court.

⁴ Maharashtra & Goa, Tamil Nadu and Kerala LSAs

Audit view on the reply of the management is as explained in para 3.2.1 (A). The amount brought out in Audit is only a portion of the actual amount paid by the Company as discount/commission to franchisees/dealers, etc. Reply confirming the LSA wise facts and figures brought out by Audit and details on total value of upfront discounts/free air time allowed from revenue on the discount/commission paid for the four years was awaited from the Management (December 2015). While the matter is *sub-judice* at the Hon'ble Supreme Court, Audit is of the view that netting of commission/discounts given to dealers from revenue was a deviation from the UASL agreement and has resulted in understatement of revenue by ₹ 1352.75 crore for the period 2006-07 to 2009-10 leading to short payment of LF & SUC amounting to ₹ 119.59 crore and ₹ 53.30 crore respectively (**Annexure - 4.01**).

4.2.2 Airtime Discounts to customers

From the audit scrutiny of Trial Balances, furnished to audit by Vodafone, it was noticed that the airtime discount offered to post paid subscribers as well as promo talk time given to pre-paid subscribers were debited to a revenue heads. These heads would invariably reflect a debit balance at the end of the year. Debit balances under a revenue GL head thus would have the effect of a set-off from the total revenue. The total amount of set-off on account of this accounting treatment worked out to ₹ 444 crore for the four years from 2006-07 to 2009-10.

The Company intimated that discounts in post-paid airtime were nothing but the amount of usage by the customer against post-paid rental. As an illustration it was stated that if a subscriber opts for a rental plan of ₹ 100 and the Company offers free talk time ₹ 100, the Company would book ₹ 100 as rental revenue, ₹ 100 as usage revenue and ₹ 100 as Airtime discount and there was no debit in revenue.

Free airtime given to post-paid subscriber against the rental as per tariff plans submitted to TRAI as illustrated above was justified. Debit to revenue heads for the amount of promo talk time given to prepaid subscribers not covered under tariff plans submitted to TRAI was not consistent with the provisions of the licence agreement as explained in para 3.2.1 (B). However, amount of promo talk time given to prepaid subscribers and free airtime given to post paid subscribers could not be segregated easily as the Company had accounted it in one GL code only.

4.2.3. Roaming revenue understated due to netting of Inter Operator traffic (IOT) Discounts paid/credited to other Operators

Revenue earned by the different LSAs of Vodafone from roaming services was disclosed under item no. 3 of the AGR statement. On a review of the revenue accounted under various heads operated to account roaming revenue, debits on account of 'discounts were seen effected. These discounts were ultimately credited under provision for contingencies (roaming), which was further set-off with roaming commission receivable from other

operators. During the four years, 2006-07 to 2009-10, ₹ 242.69 crore, as confirmed by the Management, was debited from revenue (**Annexure - 4.02**).

On being pointed out, the Company, replied that the revenue recognition on account of roaming discount was as per AS-9 where Revenue was defined as “*Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends. Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them...*” Accordingly, the Company did not include discount allowed on International roaming charges to international operators in the GR as such discounts were not in the nature of revenue but were discounts on volume of international roaming traffic as agreed with the roaming partners. Revenue from both in-roaming and out-roaming calls are recorded net off discounts offered/received. It was also informed that TDSAT in its judgment of April 2015 had held that discounts are to be added to the revenue and the Company has preferred an appeal against it in the Hon’ble Supreme Court of India.

Audit view on the reply of the Management is as explained in para 3.2.3 of this Report. Further, regarding revenue recognition as per AS-9 stated by Management, Audit was not challenging the accounting methodology adopted by the Company but for the purpose of Licence fee, the revenue is to be recognised “Gross” without set-off of related expenses as mandated under licence agreement. While the issue is *sub-judice* at the Hon’ble Supreme Court, Audit view is that setting off discounts paid to international roaming partners from roaming revenue was in violation of the licence conditions.

Taking into account the amount accepted by the Management as roaming discounts the LF and SUC short paid worked out to ₹ 23.07 crore and ₹ 10.23 crore respectively (**Annexure - 4.02**).

4.2.4 Understatement of GR due to Service Tax being set-off from revenue on schemes like ‘Full Pe Full’, ‘Full Talk Time’ etc.

When the validity on the prepaid card was extended through recharge, additional talk time through schemes like ‘Full Pe Full’/ ‘Full Talk Time’ etc., was allowed to the subscribers as an incentive to retain the potentially floating subscriber base. As per the revenue recognition policy of the Company, revenue from sale of recharge coupons, was recognized exclusive of service tax and if free air time was given to customers as part of any scheme, the Service Tax component was borne by the Company. For example, in a recharge of ₹ 120 customer would be getting talk time of ₹ 120 where as in other normal plans the Service Tax (ST) component would be deducted from the recharge value. So apparently, even though talk time was allowed in full, the liability of Service Tax was being borne by the Company.

It was seen that the revenue from schemes (Full Pe Full, Full Talk Time etc.), where FAT was given to users, the liability of Service Tax (ST) was being deducted from outgoing call/access revenue and revenue on account of FAT was not being recognised in GR. This was not consistent with clause 19.1 of the UAS licence agreement. ST being allowed to be deducted from revenue when its receipt in full for services rendered was not accounted in GR was equivalent to revenue being understated to the extent ST paid and resulted in Government dues being short paid.

Vodafone Management responding to the audit observation stated that the Company offers full talk time schemes to selected customers as per various marketing schemes and these schemes were generally informed to TRAI. In cases where full talk time was offered customer got talk time for the full value of the recharge and revenue recorded is after providing for service tax from the value of recharge. Talk time offered to the subscriber was not relevant in such cases as the receipt of the amount from customer was recorded in books as such and included in revenue and service tax paid on it.

The reply was not tenable as Audit opines that the value of the talk time availed by the user was to be reckoned as call revenue and the admission that revenue component was recognised after providing for service tax substantiated the fact that expenditure towards service tax was set-off from the revenue received for the services provided by the Company. Thus the Service Tax absorbed by the Company was the revenue foregone since it would have been recovered from the end-users. Audit could identify the amount of service tax paid by debiting revenue in 12 LSAs during the four years covered and this worked out to ₹ 222.54 crore resulting in short collection of LF and SUC amounting to ₹ 18.45 crore and ₹ 9.27 crore respectively (**Annexure - 4.03**).

Management (December 2015) confirmed the amount of understatement worked out in audit.

4.2.5 Understatement of GR due to non-inclusion of revenue from Infrastructure sharing in full

As mentioned in para 1.4 (a), the GR shall be inclusive of revenue from permissible sharing of infrastructure and any other miscellaneous revenue without any set-off for related item of expense, etc.

Audit noticed that during the four years from 2006-07 to 2009-10, Vodafone had invoiced ₹ 807 crore towards Cell sites sharing revenue but the amount included in the AGR statements for these years was only ₹ 253 crore leading to understatement of GR by ₹ 554 crore. Audit quantified infrastructure revenue only in LSAs where invoice details were clearly available in the accounting system. Those accounts had shown income from renting/leasing infrastructure net of amounts received towards OPEX.

Vodafone Management responded (September 2015) stating that the Company had entered into arrangements with other telecom operators for sharing of infrastructural facilities and the operational expenditure for running and maintaining such facilities were shared between Vodafone and other operators. The arrangement was meant to defray the cost incurred for operating the infrastructural facilities and hence the amount received from the other operators was in the nature of their contribution towards operational expenditure and hence do not qualify as revenue. Amount received on account of CAPEX was being included in the GR. It was also stated that the TDSAT in its ruling of April 2015 had held that reimbursements were not to be included in the revenue. The issue is *sub-judice* as appeals have been filed in the Hon'ble Supreme Court of India on the TDSAT judgment.

Reply of the Management was not tenable in view of the following:

- In terms of licence agreement, GR specifically includes revenue from permissible sharing of infrastructure without any set-off for related item of expense and licence agreements do not distinguish infrastructure sharing revenue between CAPEX and OPEX. Hence, set-off of revenue from infrastructure sharing against the expenses is not allowed. Revenue towards diesel expenses, security expenses, repair & maintenance expenses and electricity charges did not constitute reimbursement since they had to be incurred irrespective of whether the towers were shared or not. In fact, by sharing the expenditure the company benefited through additional income.
- Further, it was noted that DoT had filed an appeal before Hon'ble Supreme Court against the TDSAT Judgment dated 23 April 2015 as referred in the reply. While the matter is *sub-judice* at the Apex Court, Audit view is that as UASL does not provide for any deductions from revenue other than those permitted under Clause 19.2 deducting OPEX from infrastructure sharing revenue was not in conformity with the UASL agreement.

The Management informed (December 2015) that the OPEX reimbursement was ₹ 514.49 crore in respect of cases pointed out by Audit and the reason for mismatch between the amount worked out by Audit and validated by the Management was on account of inclusion of service tax element also by Audit. While the fact of inclusion of service tax was accepted, on an analysis of the reply it was seen that the amount confirmed by the Management was short by ₹ 21.78 crore as information on one LSA (UP-W) was not included. Thus, the total amount of OPEX not included in GR worked out to ₹ 536.27 crore leading to short payment of LF and SUC of ₹ 46.90 crore and ₹ 21.02 crore respectively (**Annexure - 4.04**).

4.2.6 Under reporting of revenue from forex gains for GR/AGR

Audit noted that the Company accounted its gain/loss under five account heads (in four revenue heads and one expenditure head). Audit scrutiny of the Trial Balances, Audited

AGR statements Auditors Report, Notes on Accounts/Statements and Revenue Reconciliation Statements etc. revealed that different LSAs of the Company followed different methods in recording their Forex transactions as detailed below:

- Amounts net of gain or loss were shown in the Revenue Reconciliation Statements only
- Net forex loss was debited in the AGR under different types of income viz., miscellaneous income, any other income etc.
- A net amount was shown in their AGR in which case it had a direct impact on the revenue share paid.

Foreign exchange gain realised by the various LSAs during 2006-07 to 2009-10 was ₹ 155.44 crore but these gains were not offered for revenue share in these years. Audit could not arrive at the actual value of items accounted under realised gain every year for want of original value of each item as brought out in para 3.2.5. Further, Audit has considered the net gain, head of account-wise and LSA-wise, as it was not possible for Audit to segregate/collect the figures of gains only from the data made available. Interim gains if any, was not considered. Vodafone Management replied (September 2015) that-

- The income from fluctuations in foreign exchange(s) was notional in nature and not revenue. The accounting standards require this notional gain or loss on forex fluctuations to be accounted at the end of the year so that the profit/loss of the company was fairly stated as on the balance sheet date. It is reiterated that in respect of cost or purchase items like operating expense on account of consultancy, purchase of equipment or loan taken in foreign currency, the fluctuations due to foreign currency do not form part of revenue as such fluctuations ultimately result in increase or reduction in cost or purchase price and have no linkage with the revenues.
- TDSAT (April 2015) had ruled that Forex gains are not to be included in the AGR.

Contention of the Management was not acceptable. Audit view on the treatment of forex gains for revenue share has been explained under Para 3.2.5 of this Report. Audit noted that DoT had gone on appeal against the TDSAT judgement of April 2015. While the matter is *sub-judice* at the Hon'ble Supreme Court, Audit view is that forex gains should be a part of the GR computed for payment of revenue share since it falls within the broad definition of GR given in the UASL agreement.

Short payment of LF and SUC on account of the deviation from licence conditions worked out to ₹ 14.19 crore and ₹ 6.12 crore respectively (**Annexure - 4.05**).

4.2.7 Debits from revenue as Waiver- Goodwill waiver, rebates etc.

Review of revenue of Vodafone revealed debits on account of 'waiver' from revenue captured under 'Access Fee'; 'Itemized Billing Rental'; 'Caller Tune Rental' etc. leading to understatement of revenue. During the four years under audit coverage, an amount of ₹ 105 crore was seen set-off from revenue in eleven LSAs⁵.

Waiver was an inducement or supplemental reward given by the Management of a Company/ service provider- to a client/subscriber which serves as a motivational device for a desired action or behaviour. This could be in the form of concession in rates, waiver of a percentage of the dues etc. Deducting the revenue foregone in this process from GR was a deviation from the conditions of licence agreement. Management (December 2015) confirmed that only ₹ 7.87 crore was set-off towards Waiver but year wise/LSA wise details of the amount was not provided to audit. It was also informed that waivers as pointed in audit pertained to billing disputes and the same were not added to revenue. TDSAT also had ruled that in case a subscriber was billed wrongly, discounts given for such wrong billing was a revision of bill and hence cannot be a part of GR.

The justification that all the waivers were on account of wrong billing is not accepted by audit as in no cases the descriptions of the transactions as appeared in the documents/ records made available to Audit mentioned billing errors. Waivers on other accounts should not be deducted from revenue as explained under para 3.2.2 of this Report. The setting off of waivers from different GL codes led to short payment of ₹ 0.63 crore towards LF and ₹ 0.31 crore towards SUC (**Annexure - 4.06**). In the absence of year wise/LSA wise details, Audit computed the LF and SUC impact by apportioning the amount confirmed by the Management amongst the LSAs where the set-off was noticed proportionate to their GR for the relevant years. DoT may get the details from the PSP for the balance amount of ₹ 97.13 crore as seen in audit and ensure that there was no short payment of revenue share.

4.3 Other Income not included in Gross Revenue

Review of the reconciliation statements with the trial balances, audited AGR statements and notes on accounts prepared by the Statutory Auditors submitted along with Auditors' Report and comparing them with primary accounting records of all the LSAs for the years 2006-07 to 2009-10 showed that income under some categories appearing in the company's accounts were not considered for computation of GR/AGR and payment of revenue share. These revenues, though should have been a part of GR for revenue share payment was included separately in reconciliation statements thereby avoiding payment of revenue share on them. Income thus excluded are discussed below:

⁵ GL codes in LSAs with clear mention as 'waiver' only has been included. Hence the amount set-off cannot be taken as absolute

4.3.1 Interest Income

Vodafone had accounted Interest income under different account heads. Audit noticed that Vodafone had included interest Income in full in the GR/AGR in the year 2006-07 but during the years 2007-08 and 2008-09 the income was only partially captured in the GR. In the year 2009-10, income on this account was not at all included for payment of LF/SUC. The extent of interest income not included in the GR/AGR during the four years from 2006-07 to 2009-10 worked out to ₹ 2741.37 crore.

Vodafone management replied that the company was of the view that interest on inter-corporate loans and interest from banks on short term deposits cannot be treated as revenue generated from service. The matter was *sub-judice* (September 2015) as the Company had filed an appeal in the Hon'ble Supreme Court of India against the TDSAT ruling (April 2015) which held that interest income was to be added to revenue.

Vodafone management (December 2015) accepted that interest income of ₹ 2738 crore was not offered for revenue share against the figure of ₹ 2741.37 crore as pointed out by audit. However, the Management did not provide details of the difference in figures as pointed out in audit and confirmed by it. In the view of Audit, licence agreement expressly provides for inclusion of interest income for GR/AGR for computation of revenue share. LF impact due to the non-inclusion of interest income of ₹ 2741.37 crore worked out to ₹ 250.73 crore and the impact on SUC worked out to ₹ 105.30 crore (**Annexure - 4.07**).

While the matter is *sub-judice* at the Hon'ble Supreme Court, Audit view is that interest income should be part of the GR of the Company as per the conditions of UASL.

4.3.2 Income received on profit of Sale of fixed assets not included in GR

Audit observed from the LSA-wise books of accounts⁶ that 'profit on sale of fixed assets' by Vodafone during the years 2006-07 to 2008-09, was not considered for computation of GR/AGR in the respective years and was reported only in the 'Revenue Reconciliation Statement'. Further, as income was taken net of loss from sale under the category, in cases where loss exceeded gains in any year, the gains were not included in the GR. Total "profit on sale of fixed assets" received during the years 2006-07 to 2008-09 but not considered for payment of revenue share worked out to ₹ 200.81 crore.

Vodafone management stated that in the financials, the net profit or loss on sale of capital assets during a year was shown as one net item and profits if any, were in the nature of capital assets. It was also stated that TDSAT had upheld the views of the Company in its ruling of April 2015. The management confirmed (December 2015) that an amount of ₹ 200.76 crore was not considered while computing GR for revenue share payment against

⁶ Company Trial Balance, Audited AGR statements, Auditors Report, Notes on Accounts / Statements and Revenue Reconciliation Statements etc.

₹ 200.81 crore as pointed out by audit. However management did not provide details of the difference in figures.

The opinion of the company was not acceptable as:

- The source from which an asset was purchased has no relevance in the context of the conditions in the licence agreement.
- Definition of GR in licence agreements expressly provides for inclusion of miscellaneous income in GR/AGR for computation of revenue share.
- Regarding TDSAT judgment of 23 April 2015, audit noted that an appeal was filed by DoT before Hon'ble SC against the judgment.

While the matter is *sub-judice* at the Hon'ble Supreme Court, Audit view is that profit from sale of fixed assets should be a part of the GR of the Company as per the conditions of UAS licence.

Non-consideration of profit from sale of fixed assets in the GR had led to short payment of ₹ 19.45 crore towards LF and ₹ 8.72 crore towards SUC (**Annexure - 4.08**).

4.4 Bad debts deducted from GR

On a review of the AGR statements submitted by Vodafone during 2007-08 to 2009-10, it was noticed that deduction on account of bad debts were being claimed and revenue share was being paid only on the AGR arrived at after such deduction.

Total amount of bad debts deducted from revenue came to ₹ 311.91 crore which had an adverse impact of ₹ 29.55 crore on LF and ₹ 13.02 crore on SUC paid for the three years (**Annexure - 4.09**).

Definition of GR/AGR does not permit for deduction of expenses on account of bad debts written off.

The Management, in response, stated that:

- Under the licence agreement, bad debts are not required to be added to AGR. Bad debts represent income that has not been received and is notional in nature and hence cannot be considered as revenue.
- TDSAT had held (April 2015) that bad debts are to be added to revenue and the Company had filed appeal in the Supreme Court against the TDSAT ruling.

The contention of the Management was not tenable, as:-

- The licence agreement does not provide deduction of bad debt from GR to arrive at AGR.

- Though the Company has filed an appeal against the TDSAT judgment and the matter is *subjudice* at the Hon'ble Supreme Court, Audit is of the view that since the licence agreement permits only three deductions from the GR, deducting bad debts from the AGR was not in conformity with the licence conditions.

4.5 Transfer of assets to subsidiary Company

Vodafone Essar Infrastructure Limited (VEIL) was incorporated in 2007 as a fully owned subsidiary of Vodafone India Limited. The main objective VEIL was to provide infrastructure service to telecommunication operators, including construction, leasing and maintenance of passive infrastructure assets. As per the Scheme of Arrangements approved by the various jurisdictional High Courts, Vodafone East Limited (VEL) (20 October 2009) and Vodafone Cellular Limited (VCL) (17 November 2009), the passive infrastructure assets of these two companies were to be transferred to VEIL without any consideration.

The appointed date of the Scheme was from April 2009. Though the effective date for the transfer of assets for the two companies was November 2009, the financial impact of the transfer of passive infrastructure was not reflected in their 2009-10 annual accounts as per the Annual Reports of VCL, VEL and VEIL.

Further, the assets transferred to VEIL were yet to be revalued as of 31 March 2010 as seen from the Annual Report of VEIL. Due to non-revaluation of the assets transferred as of 31 March 2010, the difference between the fair value (after revaluation) and book value could not be ascertained as in case of BAL (Para No. 3.5). In the absence of the same, profit foregone on transfer of assets that would have accrued to VEL and VCL could not be ascertained. Further, transfer of assets at NIL consideration was not an arm's length transaction.

Audit could not ascertain the impact of the transfer of assets at NIL consideration on computation of LF and SUC for want of details.

4.6. Interest on revenue share short paid

On issues raised above (from paras 4.2 to 4.5) short/non-payment of LF and SUC worked out to ₹ 522.56 crore and ₹ 227.29 crore respectively. The interest on this short/non-payment of LF and SUC was ₹ 915.54 crore (**Annexure-4.10**). The calculation of interest was based on the rate prescribed in the Licence agreement i.e. 2 *per cent* above the Prime Lending Rate of State Bank of India existing as on the beginning of the financial year and the period considered for the calculation was from the end of the concerned financial year up to March 2015. The interest has been compounded monthly as prescribed in the licence conditions.

4.7. DoT's response to the audit observations

Audit observations on the revenue shared by Vodafone India were communicated to DoT in August 2015. DoT in reply (January 2016) informed that demands for understatement of GR as pointed out in paras pertaining to Commissions/discounts to dealers netted off from revenue (4.2.1); understatement of GR on airtime discount to subscribers (4.2.2); roaming revenue understated due to netting of inter-operator traffic discounts paid to other operators (4.2.3); understatement of GR due to non-inclusion of revenue from Infrastructure sharing in full (4.2.5); under reporting of revenue due to non-inclusion of revenue/income in GR/AGR from forex gain (4.2.6) and Interest Income (4.3.1) were raised on the PSP in 2012 for the years 2006-07 and 2007-08, based on the report of the Special Audit conducted in 2009. But the demands have been challenged by the operator in TDSAT in 2012. The matter was *sub-judice*. It was also informed that action will be taken as and when the final court judgment is pronounced.

Thus, DoT agreed to the issues raised by Audit. However, it pleaded helplessness in realising the revenue from Vodafone India on account of these issues being *sub-judice*. Considering that a substantial amount of government revenue is blocked for many years on account of litigation, DoT should play a proactive role in getting these legal issues settled at the earliest.

DoT also pointed out to the variation in the amounts quantified by CAG and the demands raised by DoT as a consequence of the Special Audit in its reply. These variations could be on account of the differences in methodology adopted in quantifying the understatement of revenue. Audit has determined the understated amounts on the basis of actual entries identified through clear descriptions in the books of accounts of Vodafone India for 2006-07 to 2009-10. However, details of working papers of Special Auditors were not seen by CAG audit.

In respect of paras 4.2.4 and 4.2.7 of this Report, pertaining to understatement of GR due to service tax being set-off from revenue on schemes like 'Full Pe Full', 'Full Talk Time' etc. and debits from revenue as Waiver - goodwill waiver, rebates etc. respectively, DoT stated that it has sought the response of the Company on the audit observations and action would be taken after examining them.

On the audit observation mentioned under Para 4.3.2 on Income received on profit of sale of fixed assets not included in GR, it was informed that demands in respect of seven LSAs have been prepared and are in the process of issue to the Operator and demands for the remaining circles would be issued soon.

For Para 4.4 on bad debts deducted from GR, DoT stated that "as correctly pointed out in CAG report the deductions on account of bad debts is not permitted in the revenue and

licence fee statement..... DoT does not permit such deductions at the time of verification and the amounts so claimed are being added back to GR/AGR at the time of assessment”.

In respect of para relating to transfer of passive infrastructure (4.5), reply from DoT was awaited.

DoT also stated that the basic definition of GR and AGR was challenged by the TSP's in 2002-03. Since then, there has been protracted litigation and is continuing till date. Also, some of the licensees have filed (in 2012) writ petitions before various High Courts invoking the writ jurisdiction under Article 226 of the Constitution challenging the Section-4 of Indian Telegraph Act, 1885, as violative of the Article 14 and 19 (1) (g) of the Constitution of India. The process of deduction verification by the CCA offices and the LF assessment work by the DoT Headquarters was adversely impacted due to this. DoT admitted that the numerous disputes are causing delays in assessment of the revenue share due from the operator.

The response of DoT prove that though the revenue share regime was introduced as part of NTP 1999, the Department has not been able to realise its due revenue share as envisaged in the licence agreement even after more than 16 years of its implementation.

Chapter V

Revenue shared by M/s Reliance Communications Limited and M/s Reliance Telecom Limited

5.1 Brief Profile of M/s Reliance Communications Limited (RCL) and Reliance Telecom Limited (RTL).

Reliance Infrastructure Developers Private Limited was incorporated on 15 July 2004 as a private limited company. During July-August 2005, the company changed its name to Reliance Communication Ventures Limited (RCoVL) and converted into a public limited company. In March 2006, RCoVL merged with Reliance Infocomm Limited (RIC) which had originally obtained telecom licences in 1997 and renamed as Reliance Communications Limited (RCL) (June 2006).

Reliance Telecom Limited (RTL) was incorporated on 1 March 1994.

5.1.1 Licences granted to RCL and RTL

RIC obtained its first licence for Basic Services (Basic licence) in Gujarat in September 1997 and basic licences in eighteen¹ more LSAs in July 2001. These basic licences migrated to UASL in November 2003. It obtained UASL for Jammu and Kashmir in September 2004. Thus by September 2004, RCL (formerly RIC) held UASL in all LSAs except Assam and North East. It also obtained NLD and ILD licences in January-February 2002.

RTL obtained original CMTS licences in seven² LSAs in December 1995 (migrated to UASL in October 2007) and acquired one more CMTS licence in Kolkata in September 2001 (migrated to UASL in April 2009). Thus, both RCL and RTL were simultaneously holding UAS and CMTS Licences respectively in six LSAs of Bihar, HP, MP, Kolkata, Orissa and WB.

Reliance Communications Infrastructure Limited (RCIL) and Reliance WiMax Ltd, both subsidiaries of RCL, hold ISP licences and another subsidiary, Reliance Infratel Ltd (RITL) (Formerly in 2006-2007 known as Reliance Telecom Infrastructure LTD (RTIL)) had registration for IP-I services.

5.1.2 Spectrum allotted to RCL/RTL

Initially RCL was a CDMA operator whereas RTL was a GSM operator. In 2008, RCL obtained GSM spectrum and RTL got CDMA spectrum and hence they provide services on dual technology³. LSA wise spectrum allotted to RCL/RTL as on 31 March 2010 was as follows:

- 1 AP, Bihar, Delhi, Haryana, HP, Karnataka, Kerala, Kolkata, MP, Maharashtra, Mumbai, Orissa, Punjab, Rajasthan, Tamil Nadu, UP (E), UP (W), WB,
- 2 Assam, Bihar, HP, MP, NE, Orissa, WB.
- 3 Though RTL obtained CDMA spectrum but it didn't provide services using CDMA spectrum.

Table 5.1

Reliance Communications Limited			
Sl.No.	Technology	Spectrum	Licenced Service Area
1	GSM	2 × 4.4 MHz	Andhra Pradesh, Delhi, Gujarat, Haryana, J&K, Karnataka, Kerala, Maharashtra, Mumbai, Punjab, Rajasthan, TN, UP(E) and UP(W)
2	CDMA	2 × 5 MHz	Andhra Pradesh, Bihar, Delhi, Karnataka, Kerala, Kolkata, MP, Maharashtra, Mumbai, TN, UP(E) and UP(W)
3	CDMA	2 × 3.75 MHz	Gujarat, Haryana, Orissa, Punjab, Rajasthan, WB
4	CDMA	2 × 2.5 MHz	HP, J&K
Reliance Telecom Limited			
1	GSM	2 × 8 MHz	Bihar
2	GSM	2 × 6.2 MHz	HP, Assam, MP, Orissa, Kolkata, NE, WB
3	CDMA	2 × 2.5 MHz	Assam, NE

5.1.3 Subscriber base of RCL/RTL

RCL provides both wireless and wireline services whereas RTL provides only wireless services. Wireless subscribers of RCL/RTL increased from 2.80 crore as on March 2007 to 10.24 crore as on March 2010 and wireline subscribers of RCL increased from 0.06 crore to 0.12 crore during the period. The market share of Reliance Group was 14 *per cent* as on March 2007 which increased to 17 *per cent* as on March 2010.

5.1.4 Gross Revenue (GR), Deduction, Adjusted Gross Revenue (AGR) reported and revenue share paid by RCL/RTL

As brought out in Para 1.5, Telecom Service Providers are required to pay LF and SUC at a percentage of AGR on quarterly basis on self-assessment basis. The GR, Deductions and AGR of RCL/RTL for the years 2006-07 to 2009-10 are as shown in the table below.

Table 5.2

(₹ in crore)

Year	GR	Deductions	AGR	Percentage of AGR to GR	Revenue Share (LF + SUC)
2006-07	14264	4229	10035	70.35	1043
2007-08	16997	5158	11839	69.65	1229
2008-09	17507	5557	11950	68.26	1249
2009-10	17392	6000	11392	65.50	1163
Total	66160	20944	45216	68.34	4684

5.1.5 Arrangement between RCL and its subsidiary RCIL for Value added Services, Selling/Marketing and Billing:

RCL and its subsidiary RCIL entered into Value Added Services (VAS) and Selling/Marketing agreements as detailed below to carry out their business:

i) Value Added Services (VAS) agreement:

Reliance Communications Infrastructure (RCIL) is a subsidiary having 'A' category ISP licence and is in the business of providing internet, miscellaneous applications, content and other allied services under the brand names R Connect, R World, Reliance World, 1234, 2345 and SMS content services. An agreement was signed between RCL (UAS Licence holder) and RCIL in April 2006 for three years and was subsequently extended up to March 2012.

As per this agreement, RCIL was to provide all the above services to RCL's subscribers and RCL would provide the access services required to facilitate the same.

'R Connect' is an internet service and the same is provided to RCL subscribers through dial up. As per the agreement, the revenue was to be shared between RCIL and RCL for 'R Connect' services.

'R world' is a one-stop-shop for applications and content which include mobile TV, videos, games, cricket updates, music and ring tones, etc. As per the agreement, revenue was to be shared between RCL and RCIL for applications and content services (including 'SMS' or 'MMS' based applications and content services).

ii) Selling and marketing agreement:

RCIL also entered into a selling and marketing agreement with RIC (subsequently RCL) in October 2004 valid up to September 2007. This agreement was renewed in October 2007 between RCIL and RCL for a further period of 3 years.

The term 'business' was defined under Section I of the agreement as the means of marketing of RCLs services or various tariff plans relating to telecommunications services offered by RCL including fixed wireless terminals/fixed wireless phones, etc., and any other services to be provided by RCL from time to time.

Clause 2.3 stated that while marketing the services, RCIL was free to bundle the tariff plans of RCL with other products or services as it deemed fit and offer composite schemes to customers.

Clause 2.4 stated that RCIL, if required could enter into agreements with distributors, retailers or any other person for promotion of the schemes and services.

As per Clause 2.8, nothing contained in the said agreement shall deem RCIL to be a telecom service provider and in no circumstances shall RCIL be a reseller of RCLs services.

Under Clause 3.9, RCIL shall on behalf of RCL, bill and collect the amount due from RCL's subscribers. For this purpose, RCIL shall procure and install all billing and other software and necessary infrastructure as directed by RCL from time to time.

The fees for the marketing, billing and collection were detailed in Clauses 7.1 and 7.2 of the agreement. Thus through this arrangement RCL effectively diverted a significant non determinable portion of revenue to a subsidiary resulting in avoidance of payment of LF and SUC on such diverted revenues.

5.2 Under reporting of Gross Revenue in the books of accounts of Reliance Communications Limited (RCL)/Reliance Telecom Limited (RTL)

As mentioned in para 1.4 (a), the GR shall be inclusive of all types of revenue stated therein without any set-off for related item of expense, etc, and as brought out in Para 1.5, service revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately.

Audit examination of records/books of accounts of RCL/RTL and its related subsidiaries revealed that these companies had not adhered to the provisions of the licence agreement as discussed in following paragraphs.

5.2.1 Booking of Prepaid Revenue net of Free Air Time/Commission by RCL/RTL

Audit examination of records/books of accounts of RCL/RTL for the years 2006-07 to 2009-10 revealed that

- Free Air Time (FAT) given to subscribers was not accounted for in the financial systems at all.
- Revenue accounted was net of commission given to distributors/agents which was in violation of the licence agreement.

On being pointed out by audit, Management replied that

- Tariff means rates and related conditions w.r.t. rentals, deposits, installation fee, free call usage charges and any other related fees or service charge. This shows that while any tariff was introduced, it was essential that tariff should include details of free minutes. As free minutes were not chargeable and billable, same cannot be considered for revenue. Company are not generating any revenue from such free minutes hence no question of any revenue/business promotion expenses does arise.
- Free talk time/free air time were not in nature of discounts and rebate hence there was no need to account for or to show the same in accounts. It's a service to subscriber free of cost and no revenue was earned from free talk time/free air time and hence cannot be considered as rebate/discount.

- Hence such minutes were eliminated in billing cycle for charging to subscriber as the same were offered free of charge to subscribers.
- Considering value of free talk time/free air time was not correct. TDSAT also vide its judgement dated 23 April 2015 very categorically held that inflow should be real and income should not be notional.
- In this case no real inflow to the Company and no value was earned by the Company; hence it was justified not to include free minutes in billing to subscribers.

The reply of the management is not tenable as –

- Free talk time/free airtime over and above the tariff plans submitted by the Company to TRAI was in the nature of business promotion activity, cost of such offers amount to expenses. Further in view of provisions of UASL agreement, service revenue should be shown in gross without any set off. It should be booked separately in the books of accounts and should not have been eliminated at “Mediation level⁴”. While noting that the TDSAT judgment dated 23 April 2015 referred by the Management in its reply has been challenged in the Hon’ble Supreme Court by DoT in July 2015, Audit is of the view that elimination of free talk time at mediation level itself and not showing it in books of accounts was in violation of the licence agreement.
- Similarly, netting off of commission given to distributors/agents was also in violation of the agreements.

Though DoT was aware of the accounting of RCL/RTL through the notes/schedules of annual reports, no action was found to be taken to prevail upon the Company to furnish the GR as mandated in the Annexure III of the licence agreement.

5.2.2 Booking of revenue by RCL net of commission given to its subsidiary (RCIL) and booking of revenue in the subsidiary (RCIL) books of accounts instead of RCL’s accounts

Reliance Communications Infrastructure Limited (RCIL) which had got Category “A” ISP licence was a wholly owned subsidiary of RCL during the years 2006-07 to 2009-10. As detailed in para 5.1.5, RCL and RCIL entered into agreements for providing Value Added Services (VAS) to RCL’s subscribers and Selling/ Marketing products of RCL by RCIL. Consequent to these agreements, revenue from VAS was accounted in the books of RCIL and only a portion of the total revenue was passed on to RCL. By this arrangement, RCL paid LF only on the portion of revenue passed on by RCIL and not on GR earned from subscribers of VAS which was in violation of the licence agreement.

⁴ A mediation device is a network component in Telecom network that receives, processes, reformats and sends information to other formats between network elements and are commonly used for Billing and Customer Care systems.

Also, the revenue earned towards sale of handsets working under CDMA technology which cannot be independent from telecom service, Subscriber Identity Module (SIM) cards and installation charges from subscribers which were essential telecom services, was accounted in RCIL's books of accounts. Total understatement of GR by RCL owing to its arrangement with its subsidiary (RCIL) worked out to ₹ 5594.63 crore. The income booked in the RCIL's accounts instead of RCL's has been apportioned among the UAS licences on the basis of percentage of GR for calculation of impact on short/non-payment of LF and SUC on the basis of rates applicable for respective service areas. Audit considers this to be the most suitable and conservative method of determining the under reporting of revenue share.

Details are furnished in following paragraphs:-

(A) Commission/discount paid to RCIL by RCL for selling and marketing of its services netted off from its revenue for computation of GR/AGR.

As per the marketing agreement between RCL and RCIL, RCIL was an agent and authorized person for selling the product of RCL. As per the agreement, RCL would sell the prepaid vouchers to RCIL at the rate as agreed from time to time and RCIL would sell the same to its distributors at the same net price.

From the books of accounts of RCIL for the period from 2006-07 to 2009-10, it was found that the discount/commission received by RCIL from RCL amounting to ₹ 1170.51 crore for selling its product was shown as "Billing Income" which was in turn the commission paid to the distributors by RCIL. However, RCL had netted off the commission/discount paid to RCIL on sale of prepaid cards and only the net realized value was accounted as revenue that was considered for AGR.

The value of commission/discount given to distributors/agents for sale of pre-paid products (SIM cards/recharge vouchers) was to be treated as business expenses by RCL and the gross value of the prepaid cards i.e. the value of the telecommunications service being provided by the operator (RCL) was required to be considered as revenue without any set off.

On being pointed out by Audit, it was replied by the management that-

- The arrangement was principal to principal. The invoices were issued to the distributor on agreed price and the same is considered as revenue.
- Inclusion of notional income in the form of discount on prepaid vouchers in AGR was not tenable. Only realized value to be considered in the AGR.

The reply of the management is not tenable as

- RCIL was an agent of RCL under a marketing agreement and as clearly mentioned in the agreement, RCIL shall not be deemed to be a telecom service provider and in no circumstances RCIL be a reseller of RCLs services. The transaction between

RCIL and RCL were in the nature of distributor acting on behalf of the company and in substance there exists a principal to agent relationship only as explained in para 3.2.1 (A).

- Discount paid on prepaid vouchers was not a notional income as stated by the Management in its reply. Discount paid was marketing expenses.

While the matter is *sub-judice* at Hon'ble Supreme Court, Audit view is that netting of commission/discount paid to RCIL on sale of prepaid cards was against the UAS licence agreement and hence GR/AGR of RCL for the years 2006-07 to 2009-10 was understated by ₹ 1170.51 crore resulting in short payment of LF and SUC by ₹ 106.88 crore and ₹ 30.88 crore respectively (**Annexure - 5.01**).

(B) Non consideration of gross value of revenue on account of R world and SMS content services in the GR/AGR of RCL

As mentioned in para 1.4 (a), the GR shall be inclusive of revenue from VAS along with other revenues stated therein without any set-off for related item of expense.

RCL provides telecommunication services under UASL. RCIL, a wholly owned subsidiary of RCL, having ISP licence provided internet, miscellaneous content and other allied services under the brand names 'R Connect', 'R world', 'Reliance world', '1234', '2345', and 'SMS content services'. As stated in para 5.1.5, RCL and RCIL have entered into agreement for providing VAS to RCL subscribers.

On scrutiny of the books of accounts of RCIL and RCL, it was observed that as against revenue from RCL's subscribers on account of VAS (R World and SMS content services) amounting to ₹ 1273.45 crore booked in the accounts of RCIL, only ₹ 265.58 crore was passed on to RCL. Hence ₹ 265.58 crore only was considered in GR/AGR of RCL for computation of revenue share.

On being pointed out by audit it was replied by the Management that VAS (R world and content SMS) providers are neither regulated nor licenced and they mainly act as channel partners to mobile network. RCIL had paid relevant access charges to RCL on which RCL had already paid the licence fee and hence question of additional licence fee does not arise.

The reply of the management is not tenable as R World and SMS content services are varied bundle of VAS over SMS, voice etc. When the content delivery was not over the internet but over SMS and voice etc., the same was not within the scope of ISP licence held by RCIL. VAS to subscribers could be provided by only UAS/CMTS licensee. Hence, the GR from subscribers on account of VAS should be booked in RCL's accounts and to be included in the GR for computation of revenue share. Any amount payable to RCIL, being VAS/ content service provider, should be charged to expense in RCL's accounts.

Hence, the revenue of ₹ 1007.87 crore (₹ 1273.45 – ₹ 265.58) should have been included in GR/AGR by RCL.

The Impact on short payment of LF and SUC on this account was ₹ 91.99 crore and ₹ 26.76 crore respectively (**Annexure - 5.02**).

(C) Non-inclusion of revenue from Caller Ring Back Tones for computation of GR/AGR by RCL.

Caller Ring Back Tones (CRBT) is a type of VAS that was introduced by RCL for its subscribers and intimated to TRAI (May 2006). As explained in above paragraph, revenue from VAS should be included in GR/AGR.

On scrutiny of the books of accounts of RCIL and RCL for the years 2006-07 to 2009-10, it was observed that the revenue of ₹ 540.84 crore pertaining to CRBT was booked in RCIL's books of accounts. No revenue from CRBT was found to be booked in RCL's books of accounts. Thus, non accounting of ₹ 540.84 crore in the books of RCL resulted in under reporting of GR/AGR.

On being pointed out by Audit, it was replied by the Management that the CRBT service was introduced by RCL for its subscribers in May 2006 for only one month on promotional basis. When this service was launched on commercial basis, the same was provided by RCIL under VAS/content services (R World services). RCIL was providing content services on standalone basis as separate legal entity. No licence is required to provide content services.

The reply is not tenable as CRBT is a VAS provided over SMS and voice, etc. and Audit opines that this could be provided only by UASL/CMTS licensee. Thus revenue from CRBT (VAS) should be included in GR for computation of revenue share.

Hence, the revenue of ₹ 540.84 crore from CRBT should have been included in GR/AGR by RCL. The impact on short payment of LF and SUC on this account was ₹ 49.34 crore and ₹ 14.40 crore respectively (**Annexure - 5.03**).

(D) Non-inclusion of revenue from sale of SIM cards for computation of GR/AGR by RCL.

As stated in para 5.1.5, RCIL, a wholly owned subsidiary of RCL and having Category "A" ISP licence entered into an agreement with RCL for selling/ marketing products of RCIL.

During the course of audit of accounts of RCL and RCIL for the years from 2006-07 to 2009-10, it was found that the revenue from sale of SIM cards amounting to ₹ 103.17 crore were booked in the accounts of RCIL for the years 2008-09 and 2009-10.

SIM card is an integral part of telecom services without which service cannot be activated. SIM cards cannot be sold as goods, independent from the services provided by the UAS licensee. SIM cards on its own without the services would hardly have any value. Further, even in terms of selling and marketing agreement between RCIL and RCL, RCIL was not a telecom service provider and in no circumstances RCIL would be a reseller of RCL's services.

Hon'ble Supreme Court of India in its judgment dated 4 August 2011, in an appeal by IDEA Mobile Communications Ltd. versus Commissioner of Central Excise and Customs, Cochin held that the amount received by the cellular company from its subscribers towards SIM card would form part of the taxable value for levy of service tax, for the SIM cards were never sold as goods independent from services provided.

In view of all the above facts, the value of SIM cards sold should form part of the GR of RCL who was a telecom service provider and not with RCIL, an ISP licence holder and a subsidiary of RCL.

The impact of short payment of LF and SUC on this account was ₹ 9.40 crore and ₹ 2.69 crore respectively (**Annexure - 5.04**).

Reply to an Audit observation issued to the company (May 2015) in this regard was awaited (January 2016).

(E) Non-inclusion of revenue from sale of handsets for computation of GR/AGR by RCL

As mentioned in para 1.4 (a), the GR shall be inclusive of sale proceeds of handsets (or any other terminal equipment etc.), along with other revenues stated therein without any set-off for related item of expense.

As stated in para 5.1.5, RCIL, a wholly owned subsidiary of RCL and having category "A" ISP licence, had entered into an agreement with RCL for selling/ marketing products of RCIL.

During the course of audit of accounts of RCL and RCIL for the years 2006-07 to 2009-10, it was found that the revenue from sale of CDMA handsets amounting to ₹ 2523.95 crore were booked in the accounts of RCIL for the years 2006-07 to 2009-10. No revenue on account of sale of handsets was booked in RCL.

It was observed from the tariff plans submitted to TRAI during April/June 2006 that RCL offered bonus talk time to prepaid customers on selected handsets (CDMA) models. Further, internal correspondences within the Company during 2006, 2007 and 2009 showed that the handsets were bundled with schemes offered by RCL.

On being pointed out by Audit, it was replied by the Management that-

- RCL was not dealing in handset sale. All sales are by RCIL through its distributors/dealers and not to any customers.
- No free minutes are given by RCIL to the distributors/dealers. RCL provides free promotional minutes on activation by the subscribers as a promotional offer. Since these are free minutes, no revenue was accrued to RCL.
- Sale of handsets does not require any telecom licence. RCIL had not done bundling as RCIL had not shared any handset revenue with RCL.
- As per August 2007 judgment of TDSAT, 'bundling of telecom services will mean that if somebody buys from a company and that company give concession in services or reduce monthly rental'.
- As per Hon'ble Supreme Court verdict, it is open to the licensees not to undertake activities for which they do not require telecom licence and shall transfer these activities to any other person, firm or company.

The reply is not tenable as-

- Though RCIL sold the handsets on behalf of RCL as per the marketing agreement entered between them, sale of handsets and rendering of services under the CDMA technology were not independent activities but an integral part of telecom activity under UAS Licence. Hence sale of handsets (CDMA) by RCIL in the guise of selling and marketing agreement between it and its holding company RCL could not be termed as an independent non licenced activity. Hence the entire revenue on sale of handsets should be considered for revenue sharing.
- RCL provided various concessions to the customers/distributors and bundled the services and RCIL is only selling the handsets on behalf of RCL as per the marketing agreement.
- Audit is not stating that sale of handsets was a licenced activity but contends that under CDMA technology, sale of handsets and rendering of services were inseparable.
- TDSAT judgment of August 2007 was set aside by Hon'ble Supreme Court in October 2011.

Hence, the revenue from sale of handsets (CDMA) of ₹ 2523.95 crore should be included in the GR/AGR of RCL. The impact on short payment of LF and SUC on this account was ₹ 231.64 crore and ₹ 64.51 crore respectively (**Annexure - 5.05**).

(F) Non-inclusion of revenue from installation charges of Fixed Wireless Phone/ Terminal (FWP/T) in subscribers' premises for computation of GR/AGR by RCL.

As mentioned in para 1.4 (a), the GR shall be inclusive of installation charges along with other revenues stated therein without any set-off for related item of expense.

From scrutiny of the books of accounts of RCL and RCIL for the period from 2006-07 to 2009-10, it was observed that the revenue on account of installation charges of FWP/T at the subscribers' premises amounting to ₹ 248.29 crore was booked in the accounts of RCIL.

FWP/T instruments were integral to the provision of telecom service to be provided by RCL to its subscribers. Since RCL was a UAS licensee, the revenue of ₹ 248.29 crore pertaining to instrument cost, installation and upfront charges received from the subscriber should be part of GR of RCL.

On being pointed out by Audit, it was replied by the Management that-

- RCL entered into an agreement with RCIL for providing FWP/T installation services. RCIL provides services of installation of the instruments at subscriber's premises for which RCIL receives amount directly from the subscriber. It was carried out by RCIL at its own risk. Therefore, revenue accrued from this activity rightly belongs to RCIL. The activity of installation can be undertaken by anybody i.e. even by the persons who do not have any telecom licence. TDSAT in its judgment in May 2010 held that the installation charges are given back to the person who does the installation work and hence it would not come in the purview of AGR.
- As per Hon'ble Supreme Court judgment, it was open to the licensees not to undertake activities for which they do not require licence.

The reply of the management is not tenable-

- As it is evident from the letter dated 1 April 2006 from RIC to RCIL that the FWP/Ts were the property of RIC (later changed into RCL) and it had requested RCIL to install it in the premises of the subscriber. Though RCIL could undertake the job of installation of FWP/T but it would be only an agency function and in terms of UASL agreement, GR from subscribers for installation of terminal equipment (FWP/T) should be revenue of UAS licensee (RIC/RCL) and charges payable to installation agency (RCIL) should be expense of the licensee. TDSAT judgment of May 2010 referred in management reply is not related to telecom operators but related to Direct to Home (DTH -related to TV broadcast) operators.
- Audit does not question who was undertaking the activity but contends that revenue from installation charges of FWP/T should be considered for Revenue Share in accordance with Licence Agreement.

Hence, the entire revenue of ₹ 248.29 crore accounted in RCIL's books on account of installation of FWP/T should have been taken to the GR/AGR of RCL. The impact on short payment of LF and SUC on this account was ₹ 22.71 crore and ₹ 6.50 crore respectively (**Annexure - 5.06**).

5.2.3 Netting of commission from the revenue by RCL for computation of GR/AGR

On scrutiny of the records furnished by RCL, it was noticed that the commission paid on broadband prepaid vouchers amounting to ₹ 1.11 crore was netted off from the revenue and the net revenue was booked in the accounts of RCL.

On being pointed out by audit, it was replied by the Management that it was just the discount given on prepaid vouchers which was netted off with the GR and was not liable to LF payable to GOI.

The reply of the Management is not tenable as netting of commission from revenue was not in conformity with the licence agreement. The impact on short payment of LF and SUC on this account was ₹ 0.09 crore and ₹ 0.03 crore respectively (**Annexure - 5.07**).

5.2.4 Netting of revenue earned from channel partners/Franchisees from expenses for computation of GR/AGR by RCL

On scrutiny of the books of accounts of RCL for the years 2006-07 to 2009-10, it was noticed that the income from the provision of broadband connectivity to channel partners/franchisees amounting ₹ 4.50 crore were credited to expense heads. This resulted in non-consideration of the revenue in the GR/AGR.

On being pointed out, it was replied by the Management that the adjustments involve setting off reimbursement of one cost, viz. cost of access from another cost viz. commission payable by the Company. It was not a case where an item of revenue and an item of cost were netted off so that revenue was recorded short or not recorded.

The reply is not tenable as the franchisees were paid commission for their activities. While cost of access actually was a cost to the franchisee and revenue to the licensee, on the other hand commission payable by company was an expense of licensee. Therefore contrary to licensee's claim, it was indeed pairing off an item of revenue with an item of cost.

The impact on short payment of LF and SUC on this account was ₹ 0.42 crore and ₹ 0.12 crore respectively (**Annexure - 5.08**).

5.2.5 Netting of revenue by discount given to distributors/dealers/franchisees on sale of prepaid products for computation of GR/AGR by RTL

As per the Accounting Policy of Reliance Telecom Limited (RTL) for the year 2006-07 "Revenue is recognized as and when the services are provided on the basis of actual usage of the company's network." This policy was revised for the years 2007-08 to 2009-10

which states that Revenue from telecommunication services is recognized on the basis of actual usage of the company's network in accordance with contractual obligations and is stated net of taxes and trade discounts.

It was observed during audit that a sum of ₹ 11.95 crore (₹ 10.69 crore in respect of RTL and ₹ 1.26 crore in respect of Reliable Internet Services Limited (RISL) which later merged with RTL in September 2007), was shown under expenses as discount granted to distributors/dealers/franchisees for sale of prepaid cards and recharge vouchers for the first quarter of 2006-07. However, this discount was netted off with the "Billing Revenue" in the Annual Accounts of the Company and also with the GR in the AGR statement (for the year 2006-07).

From 1 July 2006 onwards, the revenue on sale of prepaid cards and recharge vouchers was accounted net of discounts given to distributors/dealers and the netted off revenue only was considered for GR/AGR instead of including the gross value.

Based on the amount of discount booked and corresponding prepaid revenue (net) submitted under AGR statements for eight LSAs of RTL/RISL for the quarter I of 2006-07, the quantum of discount was projected by audit for the years 2006-07 (for quarter II to IV), 2007-08, 2008-09 and 2009-10. Total amount of discount netted off from revenue for the years 2006-07 to 2009-10 worked out to ₹ 392.99 crore.

The above amount of ₹ 392.99 crore was calculated after taking into account the ratio of discount to prepaid revenue (net) booked for the first quarter of 2006-07 as the booking of discount was dispensed with from the second quarter of 2006-07 onwards by the company.

On being pointed out by Audit about the netting of discount from revenue, it was replied by the Management that-

- The revenue from prepaid voucher was recognized net of discount. The arrangement with distributors was Principal to Principal. The invoices were issued to distributor on agreed price and the same was considered as revenue. Only realized revenue was to be considered in the AGR.
- Over a period of time various ranges of prepaid products were launched and applying same ratio for all years was not correct.

The reply of the management is not tenable in view of audit explanation given in para 3.2.1 (A). Regarding projection of amount of discount by Audit, since the Company dispensed with the booking of discount from the second quarter of 2006-07 and also the details of the actual GR figures was not disclosed either to the DoT or Audit, therefore, Audit had to take recourse to the application of the ratio of discount to prepaid (net) pertaining to the quarter I of 2006-07 to project the amount of discount for the quarters II to IV of 2006-07 and for the years 2007-08 to 2009-10.

While the matter is *sub-judice* at Hon'ble Supreme Court, Audit view is that netting of commission/discount paid to distributors/dealers on sale of prepaid products was against the UAS licence agreement and hence GR/AGR of RTL for the years 2006-07 to 2009-10 was understated by ₹ 392.99 crore resulting in short payment of LF and SUC by ₹ 25.72 crore and ₹ 14.04 crore respectively (**Annexure - 5.09**).

5.2.6 Non-inclusion of value of Free of Charge (FOC) recharge vouchers given to distributors for computation of GR/AGR by RTL

Examination of the books of accounts of RTL for the period 2006-07 to 2009-10 revealed that service tax of ₹ 12.12 crore paid on free of cost recharge vouchers given to the Distributors was booked under expense as 'service tax paid – not billed'.

Also ₹ 85,218 and ₹ 11,09,799 were booked under expense as "Channel Associative –SE Incentive" for 2006-07 and 2007-08 respectively representing the service tax paid on Free Recharge coupon given to distributors. Though the service tax was paid, the gross value of FOC vouchers was not found to be included in the GR of RTL.

On being pointed out by Audit, it was replied by the Management that

- The LF was payable on realizable revenue only. No LF was payable on the notional income. Income which was not accrued to Licensee cannot be charged for LF. In the aforesaid cases, company has not earned any revenue from these vouchers and no inflow was there. Hence notional revenue from these vouchers cannot be included in the revenue of the company.
- TDSAT vide its judgment dated 23 April 2015 also held that in order to be counted as "GR", the item of inflow must not be notional but real.

The reply of the management is not tenable as

- Free recharge coupons given to distributors on which Service Tax was paid by the Company was nothing but discounts/commission paid to them. In view of explanation given in para 3.2.1 (A), commission paid to distributors should not be netted off from revenue for computation of GR/AGR. Free recharge coupons given to distributors are equivalent to cash for them as these can be sold on the basis of airtime available in the coupons.
- While noting that TDSAT judgment dated 23 April 2015 referred in reply was challenged in Hon'ble Supreme Court by DoT in July 2015, Audit is of the view that licensee instead of giving cash as commission had passed on benefit of use of telecom service for which revenue was forgone and hence it was not a case of notional revenue.

Based on the amount of service tax paid, the gross value of FOC recharge vouchers have been worked out to ₹ 87.32 crore. The impact on short payment of LF and SUC on this account was ₹ 5.70 crore and ₹ 3.00 crore respectively (**Annexure - 5.10**).

5.3 Under reporting of revenue in the Statements of Revenue and LF (AGR Statements) though reported in the books of accounts.

5.3.1 Non consideration of forex gain in GR/AGR by RCL and RTL:

In the books of accounts of RCL/RTL, total net balances under the account codes operated for booking transactions related to foreign exchange gain/loss were included in the Schedule of “Financial Charges (net)” as Foreign Currency Exchange Fluctuation (gain)/loss (net).

From quarterly GL balances of all account codes operated for accounting Forex gain for 2006-07 to 2009-10, it was noticed that out of total Realized gain of ₹ 1934.72 crore (₹ 1820.49 crore for RCL and ₹ 114.23 crore for RTL), only ₹ 600.86 crore (RCL ₹ 590.56 crore and RTL ₹ 10.30 crore) was considered by the licensee for GR/AGR in the year 2007-08. Thus realised forex gain of ₹ 1333.86 crore (RCL ₹ 1229.94 crore and RTL ₹ 103.92 crore) was not considered for GR/AGR.

It is pertinent to mention here that the above realised gain calculated from the data extracted from the reports generated from Financial System (SAP) did not represent the actual gain of that particular item since the Company recasts the value of all the items included under the foreign exchange gains/losses head every year, the matured items are accounted under realised gains and the un-matured items remain under unrealised gain. Thus, the realised gain of a particular item in that year would not be the actual gain due to accounting of the gains /losses of that item during the intermediate period under unrealised. Audit could not arrive at the actual value of items accounted under realised gain every year for want of original value of each item. Further, audit has considered the quarterly net gain, head of account-wise and LSA-wise, as it was not possible for audit to segregate/collect the figures of gains only from the data made available. The operator should calculate the gain of each item with reference to its initial value of accounting and include the total forex gain in GR/AGR.

On being pointed out by Audit, it was replied by the Management that,

- As per the TDSAT judgment dated 30 August 2007, the said item was not considered for the calculation of LF.
- Kerala High Court in its judgment dated 10 July 2012 stated that the revenue earned from Non Telecom activities should not be included for the purpose of calculation of LF.
- AS-9 does not recognize forex gain as revenue. As per the TDSAT judgment dated 23 April 2015, the aforesaid income was not liable for LF.
- The Company, till Quarter 3 of 2008-09 was paying LF on non-Telecom revenue also and subsequently claimed refund from DoT of the LF paid on such non-Telecom revenue. The unrealized gain was notional and not liable to LF.

The reply of the management is not tenable in view of audit explanation already given in para 3.2.5. Further, regarding specific reply of the Management, Audit views are as follows:

- TDSAT judgment dated 30 August 2007 was set aside by Hon'ble Supreme Court in October 2011.
- Kerala High Court order dated 10 July 2012 is an interim order. Audit view is that since Licence Agreement provided "GR shall be inclusive of any other miscellaneous revenue, without any set-off for related item of expense, etc," and forex gain was part of Miscellaneous Revenue, this should be included in GR for computation of revenue sharing.
- TDSAT judgment dated 23 April 2015 referred in reply was challenged in Supreme Court by DoT in July 2015. While the matter was *sub-judice* at the Hon'ble Supreme Court, Audit opines that non-consideration of forex gains in the GR by the Company was a deviation from the licence conditions.

The understatement of GR by ₹ 1333.86 crore due to non - inclusion of forex gain resulted in short payment of LF and SUC ₹ 107.63 crore and ₹ 26.93 crore respectively (Annexure - 5.11).

5.3.2 Non consideration of Interest/Other income for computation of GR/AGR by RCL/RTL

As mentioned in para 1.4 (a), the GR shall be inclusive of interest, dividend and any other miscellaneous revenue along with other revenue stated therein without any set-off for related item of expense. Audit scrutiny of books of accounts of RCL/RTL revealed that Interest/other income have been partly considered for computation of GR/AGR during the period 2006-07 to 2009-10 as discussed below-

(A) Non - inclusion of interest/dividend income in GR/AGR by RCL/RTL

In respect of RCL, total interest/dividend income booked in the accounts for the years from 2006-07 to 2009-10 was ₹ 1328.40 crore, out of which ₹ 98.88 crore had been considered in GR/AGR for computation of revenue share. Thus interest/dividend income of ₹ 1229.52 crore was not considered in GR/AGR.

Similarly, in respect of RTL, total interest income booked in the accounts for the years 2008-09 and 2009-10 and income from investment in 2009-10 of ₹ 139.52 crore was not considered for GR/AGR by RTL.

The income from investment of RTL for the year 2008-09 has been commented separately under para 5.3.4 due to netting of some income with expenses.

(B) Non - inclusion of other income in GR/AGR by RCL/RTL

The total other income booked in the accounts of RCL for the years from 2006-07 to 2009-10 was ₹ 161.78 crore, out of which ₹ 81.73 crore had been considered in GR/AGR for computation of revenue share. Thus other income of ₹ 80.05 crore was not considered in GR/AGR.

Similarly in respect of RTL, the total other income (profit on sale of securities/bonds, miscellaneous, etc.) booked for the years 2008-09 and 2009-10 was ₹ 537.40 crore. Out of total other income, only ₹ 0.78 crore had been considered for GR/AGR for computation of revenue share and ₹ 536.62 crore (₹ 537.40 crore - ₹ 0.78 crore) was not considered for GR/AGR.

On being pointed out by Audit, it was replied by the Management that-

- As per the TDSAT judgment dated 30 August 2007, Licensees are required to pay a share out of the revenue generated from Telecom activity. This income was not related to Telecom Activity and so not liable for LF.
- Hon'ble Kerala High Court in its order dated 10 July 2012 restricted DoT from raising any demand for LF under which it seeks to include revenues arising from any non licenced telegraph activities.
- TDSAT in its judgment dated 23 April 2015 excluded various non telecom revenue items which have not been specifically provided in definition of GR in the Licence agreement. Hence the said income was not liable for LF.

The reply of the Management is not tenable as

- TDSAT judgment dated 30 August 2007 was set aside by the Hon'ble Supreme Court in its judgment dated 11 October 2011.
- Kerala High Court order dated 10 July 2012 referred in reply is an interim order.
- While noting that the TDSAT judgment dated 23 April 2015 has been challenged in the Hon'ble Supreme Court by DoT in July 2015, Audit is of the view that Licence agreement clearly prescribes the inclusion of interest, dividend and any other miscellaneous revenue in GR/AGR.

In view of above, non - inclusion of interest, dividend and other miscellaneous income as mentioned above in para 5.3.2 (A) and 5.3.2 (B) has resulted in understatement of GR/AGR by ₹ 1985.72 crore. The impact on short payment of LF and SUC due to under reporting of interest and miscellaneous income was ₹ 153.44 crore and ₹ 48.56 crore respectively **(Annexure - 5.12)**.

5.3.3 Interest free loan to subsidiary by RCL resulted in avoidance of payment of LF/SUC

Test check of Annual Accounts of RCL revealed that interest free un-secured loan was given to its subsidiary Campion Properties Limited (CPL) and Reliance Tech Services Private Limited (RTSPL). The accounts revealed that the loan amount at the end of 2006-07, 2008-09 and 2009-10 against these subsidiaries were ₹ 36.78 crore (CPL), ₹ 3.63 crore (RTSPL) and ₹ 15.27 crore (RTSPL) respectively. As these two companies were not wholly owned subsidiaries of RCL during these particular years, the grant of interest free unsecured loan was in violation of Section 372A of Companies Act, 1956 and not in line with the arm's length relation to be maintained between the holding and subsidiary companies.

On being pointed out by audit, it was replied by the management that as per section 372A (8) (a) (i), provisions of section 372A does not apply to any loan made by a company providing infrastructural facility. RCL being telecom service provider was exempted from the provision of section 372A. These companies were promoted to support activities of RCL and therefore it was necessary for RCL to provide financial support repayable at demand, to carry out their activity smoothly in overall interest of RCL, hence it was not prejudicial to the interest of RCL. Notional income was not liable to LF.

The reply of the management is not tenable as RCL was a telecom service provider and was not established with the object of providing infrastructural facilities and hence the exemption under section 372A (8) (a) (i) was not applicable to it. Thus, GR/AGR of RCL was lower by the amount of interest receivable and thereby short payment of LF and SUC. The impact on short payment of LF and SUC could not be quantified since the date of release of loan and period for which above interest free loan remained outstanding was not available.

5.3.4 Netting off of loss on sale of investment and non - inclusion of balance profit on sale of investment for computation of GR/AGR by RTL

As per financial statements of RTL for the year 2008-09, income from non-trade investments was ₹ 108.92 crore.

However no income on this account was considered for computation of GR/AGR.

On being pointed out, it was replied by the management that-

As per TDSAT judgment dated 30 August 2007, various revenues which were not related to telecom activities should not be included in the AGR for the purpose of LF.

Only interest/dividend income with direct nexus with the provision of telecom service merits inclusion in the AGR. The profit on sale of investments was received on borrowed funds and company was paying interest on the same. Hence it was not included in the AGR.

The reply of the management is not tenable in view of audit explanation given under para 5.3.2.

Hence, non-inclusion of profit on sale of investments of ₹ 108.92 crore has resulted in understatement of GR/AGR resulting into short payment of LF and SUC by ₹ 7.30 crore and ₹ 3.94 crore respectively to Government of India (**Annexure - 5.13**).

5.3.5 Different standards for payment of dividends - RCL

As mentioned in para 1.4 (a), GR shall be inclusive of dividend along with other revenue stated therein. This implies that licence agreement intended to include the revenue from investment (dividend) for the purpose of revenue share. An analysis of the annual accounts of RCL for the period from 2006-07 to 2009-10 indicated that its investments in the form of equity shares and preference shares in its subsidiaries and associates had increased approximately five times from ₹ 5434.42 crore in 2006-07 to ₹ 31898.30 crore in 2009-10 (**Annexure - 5.14**).

RCL was the majority shareholder in most of these subsidiaries and associates. However, RCL did not receive any return on these investments during this period in form of dividend or otherwise in spite of the fact that the total profit of these companies after tax was ₹ 708.61 crore, ₹ 668.65 crore, ₹ 1118.01 crore and ₹ 1499.98 crore during each of the years from 2006-07 to 2009-10 respectively (**Annexure - 5.14**).

It was seen in audit that RCL had adopted different standards for declaration of dividend in respect of RCL itself and for other non-licensee companies where it had investments and majority shareholdings. While RCL had declared a dividend of 10 to 17 *per cent* on face value of shares for 2006-07 and 2009-10, no dividend was declared by any of the subsidiaries and associates where RCL had a majority shareholding. While dividend paid by RCL was an expense for RCL and was not subject to LF and SUC, the dividends received by it from companies/entities it had invested in would have attracted imposition of LF and SUC as per terms of the licence agreement.

Thus non-declaration of dividend by subsidiaries and associates in which RCL had invested was not in accordance with RCL's own action of declaration of dividend and resulted in reduction of revenue of RCL and consequently lower payment of LF and SUC.

5.4 Revenue considered for Licence Fee but not considered for Spectrum Usage Charges (SUC)

5.4.1 Non consideration of revenue from sale/lease of bandwidth for computation of SUC

UASL agreement provides that "while calculating AGR for limited purpose of levying spectrum charges based on revenue share, revenue from wireline subscribers shall not be taken into account". Further, in the format of statement of revenue and licence fee (AGR Statement) prescribed for the UASL agreement-

- Item 1 A has been prescribed to reflect the “revenue from wireline subscribers” and
- Item 8 has been prescribed to reflect the “revenue from sale/lease of bandwidth, links, R&G cases, turnkey projects etc.”

In the statement of revenue and licence fee (AGR Statement) for the years 2006-07, 2007-08, 2008-09 and 2009-10, revenue from sale/lease of bandwidth links, R&G cases, turnkey projects etc. amounting to ₹ 1588.19 crore was shown under item 8 of the statements. However, this revenue was not considered for payment of SUC though considered for payment of LF which was in contravention of the provisions of the licence agreement.

The Management replied that the UASL agreement provides for the limited purpose of levying annual royalty/SUC and the revenue from wire line subscribers shall not be taken into account. Hence, the revenue from lease line and bandwidth subscribers was not required to be added in the AGR for the purpose of calculation of spectrum charges.

Audit view on above has been brought out in para 3.4.3.

As such, above revenue of ₹ 1588.19 crore should be considered for computation of SUC. This resulted in short payment of SUC by ₹ 40.66 crore to Government of India (**Annexure - 5.15**).

5.4.2 Non consideration of income from investment for computation of SUC

As per AGR Statements submitted by RCL, Income from investment (item 4 of the statement) for the four quarters of 2006-07 was ₹ 70.60 crore. However, amount of ₹ 17.83 crore of fourth quarter alone was considered in the AGR for computation of SUC (CDMA) and amount for the remaining three quarters of ₹ 52.77 crore was not considered in AGR for SUC.

However in subsequent years i.e. 2007-08, 2008-09 and 2009-10, income from investments, if considered for LF, was also considered for SUC by the company.

On being pointed out by audit, the management replied that the SUC shall be payable on revenue earned from wireless subscribers only. As investment income is not wireless revenue, the inclusion of it in the AGR for SUC does not arise. It was also stated that the SUC paid on Q4 income from investment had been claimed as refund from DoT.

The reply of the management is not tenable as for the purpose of SUC, revenue from wireline subscribers only depicted in item 1A of AGR statement was to be excluded. Income from investment was to be included in item 4 of the AGR statements. In view of above, income from investment of ₹ 52.77 crore should have been considered for payment of SUC.

The impact on short payment of SUC is ₹ 0.94 crore (**Annexure - 5.16**)

5.5 Transfer of infrastructure assets by RCL/RTL to its subsidiary Reliance Infratel Ltd (RITL)

5.5.1 Transfer of Optic Fibre Undertaking (OFU) by RCL to RITL

Reliance Communications Limited (RCL) had transferred the assets and liabilities relating to its Optic Fibre Undertaking (OFU) to its subsidiary RITL engaged in providing Telecom Infrastructure services. This was done pursuant to the scheme of arrangement under sections 391 to Section 394 of Companies Act for the transfer of optic fibre undertaking approved by the Hon'ble High Court of Bombay on 18 July 2009 with the appointed date as 01 April 2008. The total value of the OFC Network of RCL as on 1 April 2008 was taken as ₹ 7206.42 crore as the consideration payable on account of transfer.

Profit of ₹ 3063.27 crore arising from such transfer which was arrived at by deducting net block of ₹ 4137.95 crore and capital work in progress of ₹ 5.20 crore from the consideration amount of ₹ 7206.42 crore was credited to the Profit and Loss account.

It was noticed that the Company did not include the above profit in the GR/AGR.

On being pointed out by Audit about non inclusion of profit on transfer of asset in GR/AGR, the Management replied that

- The Company was paying licence fee as per the TDSAT judgment dated 30 August 2007.
- Kerala High Court in its judgment dated 10 July 2012 stated that the non telecom revenue should not be included in the AGR for the purpose of calculation of LF. Hence the Company excluded the profit arising as a result of transfer of OFU undertaking which was not related to Telecom activities.
- The transaction was not a sale but a transfer and no actual gain was received. Also notional gain cannot be included.
- The transaction was an income and not revenue. It is clear that the connotation of 'revenue' as that received from ordinary activities of an enterprise is not endorsed by AS-9.
- The said income was not liable to licence fee as per the TDSAT judgment dated 23 April 2015.

The reply of the Management is not tenable as-

- TDSAT judgment dated 30 August 2007 was set aside by the Supreme Court in its judgment dated 11 October 2011.
- Kerala High Court order dated 10 July 2012 was an interim order.

- RCL and RITL were two different legal entities and hence transfer of asset from RCL to RITL is the disposal of assets and the company itself has recognised the profit on disposal of its assets in its profit and loss account.
- Profit on transfer of OFU by RCL to RITL, though not endorsed as revenue under AS-9, it should be included in GR/AGR for computation of LF and SUC as per licence agreement.
- While noting that the TDSAT judgment dated 23 April 2015 has been challenged in Supreme Court by DoT in July 2015, Audit is of the view that gains on account of transfer of OFC network was part of Miscellaneous Revenue and thus, was to be included in GR in accordance with licence agreement.

Hence, in view of licence agreement, the profit of ₹ 3063.27 crore credited to the Profit and Loss account should also have been taken to GR/AGR. The impact on short payment of LF and SUC was ₹ 279.27 crore and ₹ 81.37 crore respectively (**Annexure - 5.17**).

5.5.2 Transfer of passive infrastructure by RCL/RTL to its subsidiary (RITL) at 'nil' value

Reliance Infratel Limited (RITL), a subsidiary of Reliance Communications Limited (through Reliance Communications Infrastructure Limited (RCIL)), was incorporated in 2001 as a private limited company. Reliance Communications Limited (RCOM) had filed a Scheme of Arrangement⁵ with the High Court of Judicature at Bombay on 5 December 2006 for the separation of its wireless towers assets owned by RCOM and its wholly owned subsidiary Reliance Telecom Limited (RTL). The High Court's approval was received on 16 March 2007 and the scheme became effective from 10 April 2007. Pursuant to the scheme, the passive infrastructure assets of RCL and RTL having book value of ₹ 3200.74 crore and ₹ 866.80 crore respectively were transferred to RITL at 'nil' value. RITL recorded⁶ the value of assets transferred from RCL and RTL at fair value of ₹ 3327.46 crore and ₹ 1188.36 crore respectively.

RCL, RTL and RITL, being separate entities and also RITL was not a fully held subsidiary of RCL/RTL⁷, transfer of assets was not a transaction at arm's length. As the market value of the assets transferred from RCL and RTL were ₹ 3327.46 crore and ₹ 1188.36 crore respectively, as revalued by RITL, the difference between the book values and the values as accounted by RITL were profits foregone on transfer of asset. Amount of profits foregone by RCL and RTL were ₹ 126.72 crore and ₹ 321.56 crore respectively in the year 2007-08. In view of licence agreement, these profits foregone on transfer of asset should be considered for computation of LF and SUC.

⁵ under sections 391 to section 394 of the Companies Act, 1956, for the transfer of passive infrastructure of RCL and RTL to RITL.

⁶ in its books of accounts for the year 2007-08.

⁷ RCL was holding only 79.71 per cent of the Share in RITL as on 31 March 2008.

On being pointed out by Audit, it was replied by the Management that

- The said transactions and fair valuations were pursuant to the scheme of arrangement approved by the Hon'ble High Court of Bombay and no actual purchase and sale of assets/liabilities took place.
- Further, TDSAT in the judgment pronounced on 23 April 2015 in a separate but related context affirmed that *"in order to be counted as "gross revenue", the item inflow must not be notional but real"*. Consequentially, it would be inappropriate to consider such notional income in the determination of the GR under the licence agreement.
- RITL had revalued assets in its books of accounts. Increase in value of assets on account of any revaluation of assets cannot be considered as revenue. If this revaluation is considered as income, the same would be accounted in RITL and not in RTL.

The reply of the Management is not tenable as –

- RCL, RTL and RITL were separate entities and RITL was not a fully held subsidiary of RCL/RTL. Assets transferred were written off from the books of RCL/RTL and debited to their profit and loss accounts. Hence these transactions were similar to sale/disposal of assets.
- Gain on revaluation of assets transferred was not notional as it accrued consequent to disposal of assets from one entity to another entity. While noting that the TDSAT judgment dated 23 April 2015 has been challenged by DoT in July 2015 in the Hon'ble Supreme Court, Audit view is that transfer of assets from RCL/RTL to RITL at value other than a 'fair value' was not a transaction at arm's length.
- Since asset was not disposed at fair value in line with arm's length transaction, increase in value of assets on account of any revaluation of assets by transferee Company (RITL) was the profit foregone by the transferor companies (RCL/RTL).

Thus non consideration of the amount of ₹ 126.72 crore in GR/AGR resulted in short payment of LF and SUC of ₹ 11.56 crore and ₹ 3.44 crore respectively by RCL for the year 2007-08 (**Annexure - 5.18**).

Similarly, non consideration of the amount of ₹ 321.56 crore in GR/AGR resulted in short payment of LF and SUC of ₹ 17.62 crore and ₹ 11.72 crore respectively by RTL for the year 2007-08 (**Annexure – 5.19**).

5.6 Non-consideration of Refund of Service Tax for GR during the year 2009-10

Audit observed that an amount of ₹ 51.45 crore being the refund of Service Tax was accounted under Operational Income during the year 2009-10. However, the said amount was not considered while computing GR for the purpose of LF and SUC.

Management stated that the Company had provided certain services which were in the category of export of services and paid service tax on same from accumulated credits, the same was claimed as rebate from the Service Tax department which on receipt, was shown as miscellaneous income in annual accounts, this refund was an incentive on export of services and hence, not liable for LF. The Management also stated that Service Tax paid was not claimed as deduction in AGR and hence, any rebate/incentive/refund cannot be liable for LF.

The reply is not tenable since RCL is a telecommunication company and any income that accrues to it by virtue of its business of telecom activities has to be a part of its revenue. Audit is of the view that any monetisation of export credit or any other incentive received by the Company constitutes part of miscellaneous income and as per the terms of Licence Agreement, has to be included in GR for computation of LF and SUC.

Non-inclusion of the amount has resulted in short payment of LF and SUC by ₹ 4.69 crore and ₹ 1.36 crore respectively (**Annexure – 5.20**). It is also pertinent to mention that the issue was noticed in Reliance during test check and hence commented upon.

5.7 Interest on short/non - payment of LF and SUC

On issues raised above (from paras 5.2 to 5.5) short/non-payment of LF and SUC worked out to be ₹ 1125.40 crore and ₹ 381.85 crore respectively. The interest on this short/non-payment of LF and SUC is ₹ 2221.29 crore (**Annexure-5.21**). The calculation of interest was based on the rate prescribed in the licence agreement i.e. 2 per cent above the prime lending rate of State Bank of India existing as on the beginning of the financial year and the period considered for the calculation was from the end of the concerned financial year up to March 2015. The interest has been compounded monthly as prescribed in the licence condition.

5.8 Reply from DoT on issues raised above

Audit observations on the revenue shared by RCL/RTL were communicated to DoT in September 2015. DoT in reply (January 2016) informed that demands for understatement of GR as pointed out in paras pertaining to commissions/discounts paid to RCIL by RCL (5.2.2 A), VAS/CRBT revenue not included in GR/AGR of RCL (5.2.2 B and 5.2.2 C); non-inclusion of installation charges of FWP/T in GR/AGR of RCL (5.2.2 F); commissions/discounts paid to distributors by RTL (5.2.5); FOC coupons given to distributors by RTL (5.2.6); under reporting of revenue due to non-inclusion of revenue/income in GR/AGR from forex gain (5.3.1), interest and other income (5.3.2); profit from sale of investment (5.3.4) and gain on transfer of passive infrastructure (5.5.2) were raised on the PSP in 2012 for the years 2006-07 and 2007-08, based on the report of Special Audit conducted in 2009. But the demands were challenged by the operator in TDSAT/Hon'ble High Courts.

The matter is still *sub-judice* in the court. It was also informed that action would be taken as and when the final court judgment was pronounced.

Thus, DoT agreed to the issues raised by Audit. However, it pleaded helplessness in realising the revenue from RCL/RTL on account of these issues being *sub-judice*. Considering that a substantial amount of government revenue is blocked for many years on account of litigation, DoT should play a proactive role in getting these legal issues settled at the earliest.

DoT in its reply also pointed out to the variation in the amounts quantified by CAG Audit and the demands raised by DoT as a consequence of the Special Audit. These variations could be on account of the difference in methodology adopted in quantifying the understatement of revenue. Audit has determined the understated amounts on the basis of actual entries identified through clear descriptions in the books of accounts of RCL/RTL for 2006-07 to 2009-10. However, the details of working papers of the Special Auditors were not seen by CAG Audit.

In respect of paras pertaining to non-inclusion of revenue from sale of SIM cards (5.2.2 D); sale of handsets (5.2.2 E); understatement of GR by netting of broadband commission from revenue (5.2.3) and non-inclusion of gain on transfer of optical fibre (5.5.1), the DoT stated that reply received from the PSP was under examination.

In reply to para relating to booking of revenue net of FAT/commission (by eliminating it at mediation level itself) (5.2.1), it was stated that DoT had sent a notice to the company (June 2015) to prepare the accounts as per the norms mentioned in the licence agreements and in respect of para relating to netting of revenue from expenses (5.2.4), it was stated that show cause notice was issued to RCL to submit information on gross basis for items which have been netted off as required under clause 22.3 of UASL agreement.

In respect of para pertaining to interest free loan to subsidiary (5.3.3), it was stated that DoT had taken a decision in 2005, in consultation with Ministry of Law and learned AG, that notional interest can neither be reckoned nor included in AGR.

Audit view is that DoT's decision of not reckoning the due interest on interest free loan given to subsidiaries for AGR purpose was not in line with the provisions of the Companies Act 1956. By providing interest free loan to its not fully owned subsidiary, RCL's revenue was lower by the amount of interest receivable and ultimately the LF and SUC thereon was short paid to the Government of India to that extent.

In respect of paras relating to non-consideration of revenue from sale of bandwidth for SUC (5.4.1) and non-consideration of income from investment for SUC (5.4.2), it was stated that reply from WPF wing of DoT was awaited.

DoT also stated that the basic definition of GR and AGR was challenged by the PSP in 2002-03. Since then, there has been protracted litigation and is continuing till date. Also, some of the licensees have also filed (2012) writ petitions before various High Courts invoking the writ jurisdiction under Article 226 of the Constitution challenging the Section-4 of Indian Telegraph Act, 1885, as violative of the Article 14 and 19(1) (g) of the Constitution of India. The process of deduction verification by the CCA offices and the LF Assessment work by the DoT Headquarters was adversely impacted due to this. DoT admitted that the numerous disputes are causing delays in assessment of the revenue share due from the operator.

The response of DoT indicates that though the revenue share regime was introduced as part of NTP-1999, the Department has not been able to realise its due revenue share as envisaged in the licence agreement even after more than 16 years of its implementation.

It would be pertinent to mention here that when the government decided to reduce the licence fee for all operators by two *per cent* effective from April 2004, DoT expected that the reduction would prompt operators to withdraw the challenges against the government. However, the reduction in licence fee did not have the expected impact and the operators continue to institute litigations against the government challenging the definition of GR/AGR and demand notes. Thus the PSPs got the benefit of reduction in rate of licence fee but the government didn't get the reciprocal benefit of reduction in litigations.

CHAPTER – VI

Revenue shared by Idea Cellular Limited (ICL) and Aditya Birla Telecom Limited (ABTL)

6.1. Brief profile of the company

M/s Idea Cellular Limited (ICL) was a company under Aditya Birla Group. It was among the first private sector companies that were awarded licences for providing cellular services. Though it was an early entrant, its growth was not at par with other contemporary telecom companies when telecom sector in India witnessed phenomenal growth. However, of late, ICL achieved remarkable gain in telecom market share.

6.1.1 Licences granted to Idea Cellular Ltd (ICL) and Aditya Birla Telecom Ltd. (ABTL)

M/s Idea Cellular Limited (ICL), initially incorporated as M/s Birla Communications Ltd., was among the first private telecom companies to be awarded licences in December 1995 for providing cellular services in Maharashtra and Gujarat LSAs. In 1996, M/s Birla Communications changed its name to M/s Birla AT&T Communications Ltd. following a joint venture with M/s AT&T Corporation. During the years 2000 and 2001, it got licences in Andhra Pradesh and Madhya Pradesh by acquiring M/s Tata Cellular Limited and M/s RPG Cellular respectively and changed its name to Birla Tata AT&T (BATATA) and also obtained licence for Delhi LSA in 2001. In 2002, the Company changed its name to Idea Cellular Ltd and launched “Idea” brand name. It got licences in six more LSAs¹ by acquiring M/s Escotel Communications Limited. In the year 2006, ICL obtained licence for Mumbai LSA and licence for Bihar was obtained by one of its the promoter companies, Aditya Birla Telecom Ltd (ABTL). ABTL became a 100 *per cent* subsidiary of ICL in 2007. During 2008, ICL obtained licences in seven more LSAs.² ABTL transferred its UAS licence of Bihar to ICL in 2009-10. Now ICL holds licences in Punjab and Karnataka LSAs after merger of Spice Communications Limited w.e.f. 01 March 2010.

Idea Cellular Ltd. holds two licences for National Long Distance (NLD) services and one licence for International Long Distance (ILD) services. The first NLD licence was obtained in 2006 by ICL and second NLD as well as ILD licences were obtained through acquisition of M/s Spice Communications Ltd which had obtained NLD and ILD licence in 2007. ICL got registered as an Infrastructure Providers- Category I (IP-I) in 2008 and as an Internet Services Provider (ISP) in 2010.

1 Haryana, UP (West), UP (East), Kerala, Rajasthan and Himachal Pradesh

2 Tamil Nadu, Orissa, Kolkata, North East, Jammu and Kashmir, Assam and West Bengal

6.1.2 Spectrum allotted to ICL/ABTL

ICL is a GSM operator. LSA wise GSM spectrum allotted to ICL as on 31 March 2010 was as follows:

Table 6.1

SI No	Spectrum	Licenced Service Area
1	2 × 9.8 MHz	Maharashtra
2	2 × 8.0 MHz	Andhra Pradesh, Delhi, Kerala, Madhya Pradesh and UP (West)
3	2 × 7.8 MHz	Punjab
4	2 × 6.2 MHz	Gujarat, Haryana, Karnataka, Rajasthan and UP (East)
5	2 × 4.4 MHz	Assam, Bihar, Himachal Pradesh, J&K, Kolkata, Mumbai, NE, Orissa, Tamil Nadu and West Bengal.

6.1.3 Subscriber base of ICL/ ABTL

During the period under audit, subscribers of ICL grew from 1.40 crore as on 31 March 2007 to 6.38 crore as on 31 March 2010 registering a phenomenal growth of 450 *per cent*. ICL had a market share of seven *per cent* during 2006-07 which increased to 10 *per cent* during 2009-10.

6.1.4 Gross Revenue, Deduction and Adjusted Gross Revenue reported and revenue share paid by ICL/ABTL

As brought out in Para 1.5, Telecom Service Providers are required to pay LF and SUC at a percentage of AGR on quarterly basis on self-assessment basis. GR, Deductions, AGR reported and revenue shared (LF and SUC) by ICL/ABTL during the period under audit are as follows:

Table 6.2

(₹ in crore)

Year	GR	Deductions	AGR	Percentage of AGR to GR	Revenue share (LF+SUC)
2006-07	4518	851	3667	81.16	446
2007-08	7150	1558	5592	78.21	681
2008-09	10728	2677	8051	75.05	1107
2009-10	13323	2723	10600	79.56	1319
Total	35719	7809	27910	78.14	3553

6.2 Under reporting of revenue by ICL/ ABTL

As mentioned in para 1.4 (a), the Gross Revenue shall be inclusive of all types of revenue stated therein without any set-off for related item of expense, etc, and as brought out in Para 1.5, service revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately.

Audit examination of records/Books of accounts of ICL/ABTL revealed that these companies had not adhered to the provisions of the Licence Agreement on the following issues:

6.2.1 Under reporting of revenue due to netting off of revenue pertaining to Commission/offers/discounts to dealers/subscribers for prepaid services

From the examination of data/records pertaining to prepaid services furnished by ICL/ABTL for the period from FY 2006-07 to 2009-10, it was observed that -

- The margin/commission given to distributors/agents was netted off from the revenue pertaining to prepaid services.
- Offers to the subscriber viz. Free Air Time (FAT) to customers, Free of Cost (FOC) SIMs/Talk time/SMS facility to customers, Promotional offers to customers, Full talk time offered to customers, Adjustments offered to customers, PCO incentives were setoff from the revenue pertaining to prepaid services.

Item wise details are furnished below:

A) Margin/ Commission:

The licensee company appoints distributors/franchises/dealers for selling telecom services on commission basis. The company supplies to the distributors/franchises/agents the prepaid recharge coupons/e-top up for sale to subscribers and pay commission/margin to them. During review of data/records offered by ICL/ABTL for the period from 2006-07 to 2009-10, it was observed that the Primary commission/margin paid to the distributors/franchises/dealers at the time of sale of prepaid recharge coupons/e-top up were deducted from the revenue. This resulted in revenue getting set-off of commission/margin in the books as well as in the GR and as a result, Net Revenue was considered in AGR statements submitted to DoT.

Total amount deducted from revenue on account of commission/margin to the distributor/franchisees/agents/dealers during 2006-07 to 2009-10 was ₹ 698.70 crore (**Annexure - 6.01**).

Since, the commission/margin paid to the distributors/franchises/dealers was in the nature of business expenses (marketing expenses), therefore, set-off of such expenses with revenue was against the licence condition.

On being pointed out by Audit, it was stated by Management that-

- As per legal opinion obtained by ICL, the relationship between the Company and distributor was on a Principal to Principal basis and accordingly the Company was required to account for the transactions with such distributors as such on the amount realized from the distributor.
- In accordance with AS-9, the price at which the Company sells the product to the distributors was the consideration received and hence only this amount should be recognized as revenue. There was no inflow of cash, receivables or other consideration.

- As per TDSAT judgement dated 30 August 2007, the LF was to be paid on the revenues actually realised by the licensee.

Audit view on the reply of the Management is as explained in para 3.2.1 (A).

- Further, regarding revenue recognition as per AS-9 stated by Management, it is stated that audit is not challenging the accounting methodology adopted by the Company but for the purpose of licence fee, the revenue is to be recognised “Gross” without set-off of related expenses as mandated under licence agreement.
- TDSAT judgment dated 30 August 2007 referred in the reply was set aside by the Honourable Supreme Court vide judgement dated 11 October 2011.

Thus, the netting off of commission/margin to the distributor/franchises/agents/dealers during 2006-07 to 2009-10 to the tune of ₹ 698.70 crore has resulted in short payment of LF and SUC amounting to ₹ 59.93 crore and ₹ 29.74 crore respectively.

B) Free airtime/un-used airtime/ promotional offers/PCO incentives to customers

During review of data/records furnished by M/s ICL/ABTL for the period from 2006-07 to 2009-10, it was observed that in order to accommodate Offers to the subscribers viz. Free Air Time (FAT)/Unused air time (UAT) to customers, Free of Cost (FOC) SIMs/SMS/free talk time (FTT)/bonus talk time/adjustments to customers, the value of the same was deducted from revenue from prepaid services upfront and as and when the same was used by subscriber, the revenue was credited by the said amount. Resultantly, the revenue on account of these offers to subscribers was not recognised in the GR/AGR.

Since, offers to customers (FAT/UAT/FTT/FOC/Extra talk time, etc.) were part of overall commercial strategy to enhance business, the cost of such offers/discounts/rebate were in the nature of expenses. Further, as per licence agreement service revenue should be shown in gross without any set-off. Thus, the action of the Management in setting off the offers/discounts/rebate from revenue was against the licence agreement and resulted in short payment of LF and SUC as detailed below:

Table 6.3

(₹ in crore)

Free airtime/un-used airtime/ promotional offers/PCO incentives to customers	Under reporting of GR	LF Impact	SUC Impact	Remark
Free Airtime (FAT)/ Un-used airtime (UAT)	202.36	15.91	8.00	Annexure – 6.02
Free of Cost (FOC) SIMs/SMS to customers	4.62	0.42	0.20	Annexure – 6.03
Free talk time (FTT) to customers	344.13	30.74	13.45	Annexure – 6.04
Netting of refund of Admin fee etc.	7.09	0.47	0.31	Annexure – 6.05
Public Call Office (PCO) incentives	107.93	10.08	3.86	Annexure – 6.06
Total	666.13	57.62	25.82	

On being pointed out by Audit, it was stated by Management that -

- In certain prepaid tariff scheme, if free airtime was provided to subscribers on making recharge through specified recharge vouchers denominations, the tariff amounts which were actually paid by the subscribers were ultimately booked as revenue. These tariff schemes were within the TRAI guidelines.
- It was not possible to treat promotional offers as an expense since it was not an expense incurred by the company.
- TDSAT order dated 23 April 2015 holds that “in order to be counted as “gross revenue”, the item of inflow must not be notional but real”.
- The Company is giving recharge coupon with free airtime/ promotional offers to PCO operators which were normal voucher with higher denominations and tariff scheme for the same were already approved by TRAI.

Audit views regarding the netting are brought out in para 3.2.1 B. Further, reply of the Management is not tenable as-

- FAT included in audit observations did not include those tariff schemes in which free air time is provided to subscribers on making recharge through specified recharge voucher denominations.
- Annexure-III of the licence agreement states that “Service revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately”. This indicates that service revenue should be shown gross, however the Management has set-off the promotional offers while preparing AGR statements, which was against the licence agreement.
- While noting that the appeal has already been filed by DoT before the Honourable SC against TDSAT Judgement of April 2015, Audit is of the view that offers to customers (FAT etc.) are part of overall commercial strategy to enhance business and the cost of such offers amount to expenses.
- Promotional offers for normal connections/ PCO operators were generally given to popularize new rate plans and to attract new subscribers etc. Therefore it was a part of overall commercial strategy to enhance business. Hence, it amounts to expenses.

Thus, netting off of offers/discount/rebate amounting to ₹ 666.13 crore given to pre-paid subscribers has resulted in understatement of GR/AGR, which ultimately resulted in short payment of LF and SUC to Government of India amounting to ₹ 57.62 crore and ₹ 25.82 crore respectively.

6.2.2 Under reporting of revenue due to netting off of discounts granted to post-paid subscribers

From the examination of data/records pertaining to post-paid services furnished by ICL for the period from 2006-07 to 2009-10, it was observed that promotional discounts were shown separately as debit figures under the post-paid revenue GL codes by one LSA (UP West) and netted off from AGR instead of booking the same separately as expenditure. Since no other LSA had shown the amount of promotional discount separately and booked the revenue net of such discounts, audit applied the similar percentage as that of UP (West) LSA to arrive at the total promotional discount offered to post-paid customers. The amount worked out to ₹ 202.79 crore in the remaining 21 LSAs.

Promotional discounts are part of overall commercial strategy to enhance business, therefore, such offers/discounts were in the nature of expenses and hence, in terms of licence agreements, should not be deducted from GR.

To an audit query, it was stated by Management that-

- As per AS-9, revenue was defined as the consideration received in cash from sale of goods or rendering services. There was no realization of such rebate and waiver in the hands of the Company and thus it could not be treated as revenue.
- As per TDSAT judgement dated 30 August 2007, amount of waivers and discounts could not be treated as revenue forming part of GR and licensees cannot be asked to pay licence fee thereon.
- Billable amounts form part of AGR and LF/SUC was computed on the same after reversal of the effects of incorrect/excess amounts billed earlier.
- It was customary in business to offer certain waivers/rebate to subscribers, the amounts of which were credited in the bills. Such waivers/discounts/rebates were losses to the company and could not be treated as revenue.
- Billing plan based discounts were those which were offered to subscribers as per agreed terms and billing plan at the time of acquisition. Due to system constraints the billing pattern cannot be changed and hence the customer cannot be charged zero towards rental in subsequent months. These discounts are only adjustments entries for amount charged extra due to system constraints.
- Subscribers are offered some minutes/ usage in every post-paid plan which was known as Usage Discount Package (UDP) and was part of billing plan duly filed with TRAI. Such UDP was applied at the time of running the bill cycle due to system limitations and such minutes/usage offered with plan cannot be rated on real time basis.

- In the adjustment figures available in GL of UP (West) LSA which was taken as base by audit for arriving at extrapolated amount for other LSAs is incorrect. However, for internal reporting purpose UP (West) LSA passed additional entry to the extent of minutes offered to subscribers by debiting GL code pertaining to Post paid promotional airtime and crediting GL code pertaining to post paid airtime revenue. Both the GL codes were under the revenue segment.

Audit view on the reply of the Management is as under-

- Considering the reply of the Management that both the GL codes were under the revenue segment and it was an additional entry passed for internal management reporting, the amount of promotional discount which earlier worked out to ₹ 479.52 crore was reworked to ₹ 202.79 crore (**Annexure - 6.07**) with only those debit figures in the revenue head which had corresponding credit entry in the Debtors GL code.
- Regarding revenue recognition as per AS-9 stated by Management, it is stated that Audit is not disputing the accounting methodology adopted by the Company but contends that for the purpose of licence fee, the revenue is to be recognised “Gross” without set-off of related expenses as mandated under licence agreement.
- TDSAT judgement dated 30 August 2007 mentioned in the reply has been set aside by the Supreme Court vide its judgement dated 11 October 2011
- In case of billing plan based discounts, all such debits in the revenue heads had a corresponding credit to the Sundry debtor heads thereby reducing the revenue to that extent. The advance rentals were accounted for through the liability heads and the contention of the Management that due to system constraints the customer was charged rental and the same was adjusted by promo pack is neither acceptable nor is in compliance with the existing norms.
- The amount worked out as promotional discount was taken from the Journal Vouchers wherein the revenue heads were debited with corresponding credit to the debtors thereby impacting the revenue to that extent.

Non consideration of promotional discounts, rebates and waivers offered to post-paid customers in GR/AGR in violation of the terms of licence agreement resulted in non-payment of LF and SUC amounting to ₹ 17.80 crore and ₹ 8.37 crore respectively.

6.2.3 Under reporting of Roaming Revenue due to set-off of Inter Operator traffic discounts paid/credited to other Operators

ICL had arrangements with other International Operators for roaming. It was noticed that the Inter Operator traffic (IOT) discounts paid/credited to these operators' accounts were debited/deducted from the revenue heads.

Having roaming arrangement with other national/international operators was a matter of mutual agreement between two operators and giving discounts over and above the agreed charges for roaming was part of overall commercial strategy to enhance business between the two operators. As such, these discounts were in the nature of expenses and hence, in terms of licence agreements, should not be deducted from revenue.

It was observed that IOT Discounts amounting to ₹ 28.74 crore during 2007-08 to 2009-10 were debited from roaming revenue.

On being pointed out by Audit, it was stated by Management that-

- IOT discounts were volume based and linked to the quantum of roaming duration by their subscribers on the company's network. Such roaming discounts were trade discounts and the company's recognition of the roaming revenue net of trade discount is in line with prescribed accounting standards. Such trade discounts passed on to other operators on roaming cannot be added back for calculation of AGR.
- Discounts when passed on reduce the quantum of roaming revenue. Similarly, when received, they reduce the pass through payable for out roaming leading to higher AGR. Hence, if the recipient operator is required to include gross roaming charges as revenue and the payer operator is only allowed deduction of net roaming charges, it will lead to double taxation to the extent of discount on roaming charges.
- As per AS-9, "trade discounts and volume rebates given should be deducted in determining revenue".

Audit view on the reply of the Management is as explained in para 3.2.3. Further view of the audit on the Management reply is as follows:

- The argument of double taxation is not tenable as the amount of licence fee paid was in effect a revenue share and not tax.
- Regarding revenue recognition as per AS-9 stated by Management, it is stated that Audit is not challenging the accounting methodology adopted by the Company but for the purpose of licence fee, the revenue is to be recognised "Gross" without set-off of related expenses as mandated under licence agreement.

Netting off of IOT discounts amounting to ₹ 28.74 crore given to international roaming operators resulted in reduction of GR/AGR which ultimately resulted in short payment of LF and SUC amounting to ₹ 2.72 crore and ₹ 1.21 crore respectively to DoT (Annexure – 6.08).

6.2.4 Under reporting of revenue from Infrastructure sharing revenue from other telecom operators for GR/AGR by ICL/ABTL

Telecom infrastructure (towers, network equipment's, etc.) owned by ICL/ABTL were being shared with other telecom companies. ICL/ABTL entered into agreements with other telecom companies for infrastructure sharing.

Review of data/records pertaining to Infrastructure Sharing Charges furnished by ICL/ABTL for the period from 2006-07 to 2009-10, revealed that Infrastructure sharing charges recoverable/recovered on account of rent, fuel (Diesel), Electricity, Operational and Maintenance, Insurance, Security etc. were netted off from the expense heads, hence not included in the revenue at all.

Total amount netted off from the expenses on account of site sharing revenue (rent, Diesel, Electricity, Operational and Maintenance, Insurance, Security etc.) during 2006-07 to 2009-10 was ₹ 344.72 crore. This amount should have been taken to GR/AGR.

To an audit query, it was stated by Management that-

- Some part of Operating Expenditure (OPEX) cost in the Infrastructure sharing charges, which was in the nature of Rent, fuel, security, AMC cost and repairs and maintenance were proportionately recovered from other operators sharing the infrastructure on actual cost incurred. Such re-imburement of expenses cannot be revenue since this was covered under paras 46 and 47 of AS-29 and cannot be disclosed as revenue in compliance with AS requirements and hence do not form part of AGR.

While charges for Capital Expenditure (CAPEX) costs were rentals and hence treated as revenue which was credited to the relevant income/revenue head and disclosed under revenues in the books of accounts, recovery of combined operation costs incurred for day to day running and maintaining such common passive infrastructure equipment by the host operator cannot be included for the purpose of AGR.

The cost incurred on the specific heads of expenditure by the principal owner was always more as compared to recovery of this expenditure made from the beneficiary party. Thus, re-imburement of operating expenditure cannot be considered for AGR. It was not a case where any revenue item and cost items were netted off and that revenue was recognized short or not recognized. This was the case of reimbursement of incurred costs as operating costs were paid by one operator but have to be shared by more than one operator and there was no way that such payment towards shared cost by one operator to another can be treated as revenue.

- In Maharashtra LSA, rectification entries, reversal of expenses and credit notes issued amounting to ₹ 17.79 crore was incorrectly considered as recovery towards infrastructure sharing. In Haryana LSA, rectification entries and reversal of expenses amounting to ₹ 1.57 crore was incorrectly considered as recovery towards infrastructure sharing. In Mumbai LSA, recovery amounting to ₹ 1.01 crore towards security service charges was not pertaining to Mumbai Circle.

Audit view on the reply of the Management on infrastructure sharing revenue is explained in detail in para 3.2.4. However, rectification/reversal/credit-note entries amounting to ₹ 20.37 crore which were not considered initially by audit and were brought to notice vide Management's reply have been considered. Accordingly, the figure of ₹ 344.72 crore initially pointed out was revised to ₹ 324.35 crore.

Thus netting off of infrastructure sharing revenue received/receivable from other telecom operators from the cost relating to 2006-07 to 2009-10 resulted in understatement of GR/AGR by ₹ 324.35 crore and consequent non-payment of LF and SUC amounting to ₹ 27.69 crore and ₹ 13.35 crore respectively (**Annexure – 6.09**).

6.2.5 Non consideration of revenue from Switch sharing between Idea (NLD) and Idea (LSAs) for GR/AGR

As mentioned in para 1.4 (a) above, the GR shall be inclusive of all types of revenue stated therein without any set-off for related item of expense, etc and AGR is arrived at by reducing GR by permissible deductions as stated therein.

ICL obtained licence to provide long distance services from December 2006. These services are basically to carry a call from one licence area/circle to another licence area/circle which requires switches.

Review of records of ICL for the period from 2006-07 to 2009-10 revealed that the Idea NLD division did not have its own switches and therefore it used the switches of all service areas for which NLD division paid an agreed amount of ₹ 0.07/0.10 per minute of call carried. Though these amounts were paid by Idea NLD to the respective LSAs, the same was not considered as revenue for determination of GR/AGR by the respective LSAs and this revenue was found credited under expenditure Head of NLD switch and other expenses. This resulted in understatement of revenue by ₹ 252.47 crore for the period under audit.

To an audit query, it was stated by Management that-

- NLD services were being used to carry calls from one service area to other service area. For speedy roll out of services and to achieve saving in CAPEX, the company integrated its NLD switch with CMTS/UASL switches as permitted under the NLD licence agreement.
- NLD services were using switches of other LSAs for routing the long distance traffic. Since these switches were capitalized in respective LSA books, all maintenance, repair and depreciation expenses were also incurred and accounted in respective LSA itself. Hence, such LSAs were reimbursed for use of switches by NLD division to reflect the correct profitability of each segment.

- The contention of considering such sharing of switch expense between LSAs and NLD as revenue of LSAs was against prescribed accounting norms and such notional transactions should not be considered as revenue for the purpose of calculation of AGR.

The reply of the Management itself states that the LSAs were being reimbursed by NLD for utilizing their switches and hence was in the nature of infrastructure sharing. In terms of licence agreement, GR includes revenue from permissible sharing of infrastructure without any set-off for related item of expense. Thus the actual amount received by LSAs from NLD division should be reflected in their accounts as revenue and taken into consideration of GR/AGR. Booking of revenue received from NLD division towards switch sharing as a credit under expenditure head of account by LSAs was not permissible under UASL agreement.

Thus non consideration of Switch sharing revenue received by the LSAs from Idea NLD division during 2006-07 to 2009-10 has resulted in understatement of GR/AGR by ₹ 252.47 crore and consequent non-payment of LF and SUC amounting to ₹ 22.63 crore and ₹ 9.78 crore respectively (**Annexure - 6.10**).

6.2.6 Non consideration of revenue by ICL from assets given on Indefeasible Right to Use (IRU) for GR/AGR

In terms of clause 19.1 of the UASL agreement and NLD licence agreement, revenue from permissible sharing of infrastructure and leasing of infrastructure respectively shall form part of GR for computation of revenue share.

A sum of ₹1.13 crore was accounted as revenue under a separate Trial Balance maintained for Passive Infrastructure Division of Idea Cellular Limited (ICL) for the year 2009-10 and it was included in the Service Revenue in the Profit and Loss Account of ICL.

Review of data/records pertaining to Infrastructure sharing charges offered by ICL for the 2009-10 revealed that this was revenue accruing from the Optical Fibre Cable (OFC) given to Tata Teleservices Limited (TTSL) on Indefeasible Right to Use (IRU) basis in the service areas of UP (W), MP, Bihar, AP and Gujarat. However, this revenue was not considered in GR/AGR for computation of revenue share for the year 2009-10.

To an audit query, it was stated by ICL Management that the Company was holding Infrastructure Provider Category-I registration issued by DoT and licence fee was not applicable on revenue arising out of provisioning of services under this registration. The revenue highlighted by audit during 2009-10 pertains to passive Infrastructure Division of ICL and accounted from sale of Optical Fibre Cable (OFC) to TTSL under IRU. This revenue was shown under service revenue for preparation of Profit and Loss Account of ICL but since licence fee was not applicable on this revenue, it was not considered in GR/AGR for computation of revenue share (LF and SUC).

The reply is not tenable considering the fact that revenue was from sale of OFC under IRU and hence akin to the activity covered under NLD licence. Thus non consideration of IRU revenue received by ICL during 2009-10 has resulted in understatement of NLD GR/AGR by ₹ 1.13 crore and consequent non-payment of LF amounting to ₹ 0.07 crore.

6.2.7 Under reporting of revenue from forex gain (revenue) for GR/AGR by ICL/ABTL

Review of data/records furnished by ICL/ABTL for the period from 2006-07 to 2009-10 revealed that the forex realized gain amounting to ₹ 53.58 crore was not considered for GR/AGR.

Above realised gain calculated from the data extracted from the reports generated from Oracle Financial System did not represent the actual gain of that particular item since the Company recasts the value of all the items included under the foreign exchange gains/losses head every year, the matured items are accounted under realised gains and the un-matured items remain under unrealised gain. Thus, the realised gain of a particular item in that year would not be the actual gain due to accounting of the gains/losses of that item during the intermediate period under unrealised. Audit could not arrive at the actual value of items accounted under realised gain every year for want of original value of each item. Further, audit has considered the quarterly net gain, head of account-wise and LSA-wise, as it was not possible for audit to segregate/collect the figures of gains only from the data made available. The operator should calculate the gain of each item with reference to its initial value of accounting and include the total forex gain in GR/AGR.

On being pointed out by Audit, it was stated by the Management that:-

- Audit has referred clause 19.1 of the licence condition relating to Gross Revenue and queried on why foreign exchange fluctuations should not be added for the purpose of AGR. The words used in clause 19.1 to define GR are those primarily from inflows of licensee i.e. revenue relating and inclusive of those charges, fees, proceeds and revenues which will go into invoicing of services and goods to get the consideration which form part of service revenue of the licensee.
- Foreign exchange gains, between the rate of forex when the liability was first recorded in the books and the rate of forex as and when such liability was finally discharged, cannot be said to have any meaning so as to form part of Gross Revenue mentioned under clause 19.1.
- Foreign exchange fluctuations arising out of re-statement of payables towards capital equipment and foreign currency loans for mark to market or hedged closing rates as of the end of any closing date was not revenue. Fluctuations in foreign exchange rates have nothing to do with the revenue of the service provider. The impact of forex fluctuations, whether upward or downward, on AGR must be ignored.

- As per Accounting Standard 9 on Revenue Recognition, Foreign Exchange Gain is not revenue.
- TDSAT in its judgement dated 30 August 2007 held that Foreign exchange gain should not be considered for AGR purpose.
- According to TRAI, impact of foreign exchange fluctuations, whether upward or downward, on AGR must be ignored.

Reply of the Management is not tenable as:-

- Audit view regarding clause 19.1 of the licence agreement has been brought out in para 3.2.5.
- Company had been reporting exchange differences (on net basis) in their financial statement. It is not true that foreign exchange gains/losses are neither covered in the definition of GR in the Licence Agreement nor disclosed in the Statement of AGR as Licence Agreement provides that “Gross Revenue shall be inclusive of any other miscellaneous revenue, without any set-off for related item of expense, etc.” and Forex gain was part of Miscellaneous revenue.
- AS-9 only states that realised or unrealised gains resulting from changes in foreign exchange rates and adjustments arising on the translation of foreign currency financial statements were not included within the definition of “revenue” for the purpose of this Standard (AS-9). Treatment of forex gain/loss is covered under AS-11.
- TDSAT judgment dated 30 August 2007 referred in the reply was set aside by the Honourable Supreme Court judgement dated 11 October 2011.
- TRAI recommendation referred to in the reply has not finally been accepted by DoT.

Thus non-inclusion of foreign exchange gains pertaining to period from 2006-07 to 2009-10 has resulted in understatement of GR/AGR by ₹ 53.58 crore, and consequent short payment of LF and SUC amounting to ₹ 4.45 crore and ₹ 2.00 crore respectively (**Annexure - 6.11**).

6.3 Under reporting of revenue in the Statements of Revenue and LF (AGR Statements) though reported in the books of accounts

6.3.1 Non consideration of Interest Income for GR/AGR by ICL/ ABTL

Review of data/records furnished by ICL/ABTL for the period from 2006-07 to 2009-10 revealed that interest income accounted in the books of accounts of ICL was considered for GR/AGR in the year 2006-07 but not considered at all in the years 2007-08, 2008-09 and 2009-10. Amount of interest income accounted in the books were ₹ 566.87 crore out of which ₹ 17.08 crore only was considered for GR/AGR during the years from 2006-07 to 2009-10 resulting in non-consideration of interest income amounting to ₹ 549.79 crore for the purpose of GR/AGR (**Annexure - 6.12**).

Likewise, interest income accounted in the books of accounts of ABTL amounting to ₹ 10.49 crore in the year 2008-09 was not included in GR/AGR.

Management in its reply stated that considering the TDSAT judgement dated 30 August 2007, interest income accounted under Trial balances of UASL/NLD/IP1/ILD/ISP/VSAT was not considered for AGR. Interest income accounted under corporate trial balances was not considered as it did not relate to telecom operations. It further stated that the interest accounted in the corporate TBs was earned from deployment of surplus funds/borrowed funds and it being non telecom revenue needs to be excluded from AGR. It also stated that sometimes funds borrowed for CAPEX were invested and interest earned and this interest being always less than the interest payable/paid on borrowings, no interest income was left for inclusion in AGR for levy of revenue share. Telecom services in Bihar LSA commenced in October 2008, the very first year of commercial operations for which service revenue for the year 2008-09 was ₹ 43.53 crore. ABTL had procured loans of over ₹ 300.00 crore to roll out CAPEX out of which ₹ 120.00 crore was from the Holding Company i.e. ICL. While the loan from ICL was interest free, interest was incurred on other loans. This was a project situation where services were just launched in few districts of Bihar, a major roll out was in progress. In such situations other than short term deployment of excess funds before the funds are used for CAPEX, there cannot be any excess funds. Project funding in telecom results in mismatch of loans disbursed and final use of proceeds, thereby resulting in treasury income as also treasury expenses. Cash surpluses generated by business are used for investing in other forms (other than in CAPEX) for business due to the loan conditions of the lenders. If at all interest incomes are to be included, it should be done only after taking the interest costs into consideration. Considering the above, interest income should not be included in GR/AGR.

The Management's contention for non-inclusion of interest income for AGR is not tenable as TDSAT judgement dated 30 August 2007 has become null and void after Hon'ble Supreme Court judgement dated 11 October 2011. Also definition of GR in licence agreements expressly provides for inclusion of interest income for GR/AGR for computation of revenue share.

Impact on short payment of LF and SUC due to non-consideration of interest income ₹ 560.28 crore in GR/AGR of ICL/ABTL during the years 2007-08, 2008-09 and 2009-10 is ₹ 44.59 crore and ₹ 20.47 crore respectively (**Annexure - 6.12**).

6.3.2 Non consideration of profit on sale of Investment for GR/AGR for payment of revenue share by ICL/ ABTL

Format of Statement of Revenue and LF (AGR Statement) prescribed as Appendix II to Annexure II as referred in Clause 20.4 of the UASL agreement is an integral part of the Licence Agreement. In the Statement, item 4 has been prescribed to reflect the "Income from Investment".

From the data/ records of ICL, it was found that there was income on account of “Profit on Sale of Investment” for ₹ 8.13 crore, ₹ 43.18 crore, ₹ 222.75 crore and ₹ 87.87 crore for the year 2006-07, 2007-08, 2008-09 and 2009-10 respectively. Above income had been accounted by ICL in the Corporate TB. Above income on “Profit on Sale of Investment” was considered for GR/AGR for computation of revenue share in 2006-07. However an amount of ₹ 353.80 crore (**Annexure - 6.13**) pertaining to “Profit on Sale of Investment” was not considered in GR/AGR for computation of revenue share for the years 2007-08, 2008-09 and 2009-10. Similarly in respect of ABTL, investment income of ₹ 45.03 crore for the year 2008-09 was not included in GR/AGR.

Management in reply stated that considering the TDSAT judgement dated 30 August 2007, income from investment accounted under Corporate TB was not considered for AGR. It further stated that this corporate income was generated from treasury function which was a separate and distinct function from licenced activity and this income was a non-licenced activity/non-operational income. Therefore such corporate income should not form part of GR. It was further stated that Telecom services in Bihar LSA commenced in October 2008, the very first year of commercial operations for which service revenue for the year 2008-09 was ₹ 43.53 crore. ABTL had procured loans of over ₹ 300.00 crore to roll out CAPEX out of which ₹ 120.00 crore was from the Holding Company i.e. ICL. This was a project situation where services were just launched in few districts of Bihar, a major roll out was in progress. In such situations other than short term deployment (investments) of excess funds before they are used for CAPEX, there cannot be any excess funds. Project funding in telecom results in mismatch of loans disbursed and final use of proceeds, thereby resulting in treasury income as also treasury expenses. Cash surpluses generated by business are used for investing in other forms (other than in CAPEX) for business due to the loan conditions of the lenders. Considering the above, profit on sale of investment should not be included in GR/AGR.

The Management’s contention for non-inclusion of income from investment for GR is not tenable as TDSAT judgement dated 30 August 2007 has become null and void after Honourable Supreme Court judgment dated 11 October 2011. Further, licence agreements provide for inclusion of income from investment in GR/AGR for computation of revenue share.

Thus, non-consideration of income from investment in GR/AGR for ₹ 398.83 crore by ICL/ABTL during the year 2007-08 to 2009-10 resulted in non-payment of ₹ 33.36 crore as LF and ₹ 14.49 crore as SUC (**Annexure - 6.13**).

6.3.3 Non consideration of miscellaneous income for AGR for computation of LF/SUC by M/s ICL

In the Profit and Loss Account of ICL, revenue/income grouped under the Schedule of “Other Income” is further sub grouped in two categories- (i) Liability/Provisions written back and (ii) Miscellaneous receipts. From the AGR statements, it was found that amount of other income grouped under first category was not considered for AGR in the years 2006-07 to 2009-10 whereas income grouped under second category (Miscellaneous receipt) was considered for AGR in the years 2006-07 and 2009-10 but partly considered in the years 2007-08 and 2008-09.

Amount of miscellaneous Income (excluding insurance claims) for the years 2007-08 and 2008-09 are ₹ 9.37 crore, out of which only ₹ 1.04 crore was considered for AGR and balance amount of ₹ 8.33 crore was not considered (**Annexure - 6.14**).

To an audit query, the Management stated that:-

- With regard to miscellaneous receipts, such receipts were incidental to business such as scrap sale, insurance claims etc. which do not have any connection with telecom operations under the licence agreement.
- As per TDSAT judgement dated 7 July 2006, the principle for computation of licence fee would be based on AGR. Licence fee would be paid only on revenue earned from licenced activities (and not from unlicenced activities). As per TDSAT judgement dated 30 August 2007, which was agreed with by DoT, revenue from sale of fixed assets which was in the nature of capital receipts and insurance claims should not be part of AGR and other items falling under the categories of miscellaneous/ other income would have to be decided for taking a view regarding its inclusion or exclusion on a case to case basis.

ICL’s Management reply is not tenable since

- Definition of GR expressly provides that miscellaneous income should be included in GR for computation of revenue share. Management contention that these miscellaneous income were from non-licenced activity and hence not liable to be included in AGR is not acceptable. These miscellaneous incomes were incidental to licenced activities only.
- The Company’s contention that DoT agreed with the TDSAT judgement dated 30 August 2007 was not correct as DoT challenged it and Hon’ble Supreme Court set aside the TDSAT judgement vide its judgement dated 11 October 2011.
- Insurance claim included in miscellaneous revenue was excluded by audit for arriving at the amount of miscellaneous income not considered for GR/AGR.

As such, items of miscellaneous income amounting to ₹ 8.33 crore not considered in respective AGR should be included in AGR for computation of LF/SUC. Impact on short payment of LF and SUC due to non-consideration of miscellaneous income in GR/AGR was ₹ 0.70 crore and ₹ 0.32 crore respectively (**Annexure-6.14**).

6.3.4 Non consideration of Income from profit on sale of fixed assets for AGR for payment of revenue share by ICL/ABTL

From the examination of data/records furnished by ICL for the period from 2006-07 to 2009-10, it was noticed that gain on sale of fixed assets of ₹ 16.00 crore (**Annexure - 6.15**) was found to be adjusted against other administrative expenditure in the Profit and Loss account of ICL during 2007-08, 2008-09 and 2009-10 and was not included in GR/AGR for consideration of LF/SUC.

Similarly, in case of ABTL, profit on sale of fixed assets of ₹ 0.12 crore was not included in GR/AGR for consideration of LF/SUC.

To an audit query, the Management stated that –

- The company's accounting treatment and presentation of accounts was in accordance with Schedule VI of the Companies Act. Any loss/gain on sale was capital receipt in nature. The investments made in assets were resulting in generation of revenue which was subject to licence fee. Sale proceeds from disposal of such assets resulting in either Gain/loss are nothing but the recovery of the amount higher than the Written down Value of Assets in the books. This gain was really not a gain since the benefit of depreciation was not availed earlier. This would also tantamount to charging licence fee on revenue from operations as well as the capital expenditure portion earlier put for business. This revenue was in nature of capital revenue and it was not derived from licenced activity and hence it should not be included in AGR for computation of LF.
- Considering the TDSAT judgement dated 30 August 2007, the revenue on account of profit on sale of fixed assets was not considered for AGR.

The contention of the Management is not tenable since-

- Definition of GR expressly provides that miscellaneous income should be included in GR for computation of revenue share. Further, licence agreements did not differentiate between licenced activity and non-licenced activity. In terms of definition of GR, Gross Revenue shall include all revenue accruing to the Licensee without any set-off for related item of expense and revenue earned as above was incidental to licenced activity only. The Company had also considered it for inclusion in AGR in the year 2006-07.

- TDSAT judgement dated 30 August 2007 has become null and void after Honourable Supreme Court judgment dated 11 October 2011.

Thus non-inclusion of income of ₹ 16.12 crore on account of profit on sale of fixed asset in GR/AGR for computation of Revenue resulted in short payment of LF and SUC by ₹ 1.54 crore and ₹ 0.69 crore respectively (**Annexure – 6.15**).

6.4 Short/ non-payment of revenue share due to other issues

6.4.1 Irregular Deduction of Bad debts written off from GR to arrive at AGR by ICL

Review of data/records provided by ICL for the period from 2006-07 to 2009-10 revealed that for 2009-10, ₹ 173.31 crore was included under Administration and Other Expenses as “Bad debts Written Off”. However, in the year 2009-10, an amount of ₹ 172.18 crore on account of “Bad debts Written Off” was deducted from GR while arriving at AGR pertaining to eight LSAs³.

To an audit query, Management stated that considering the TDSAT judgement dated 30 August 2007, the Company claimed deduction of “Bad Debts Written Off” during the 2009-10 while preparing the Annual Audited AGR for the aforesaid eight LSAs amounting to ₹ 172.18 crore. However, while making licence fee and spectrum charge payment to DoT, the Company had not taken deduction of “Bad Debt Written Off” and to that extent the Licence Fee and Spectrum Usage Charges amounting to ₹ 25.19 crore was paid in excess. It was further stated that during 2009-10, ₹ 173.31 crore was written off as Bad Debts resulting in the reversal of the provision for such doubtful receivable created earlier. The entry for effecting this write off of the receivables was passed by debiting the expense GL Code for provision and crediting respective debtors and Service Tax account in the circle books of accounts which resulted in re-grouping of ₹ 173.31 crore from provision for Bad and Doubtful debts/Advances (Expense) to Bad debts Written Off (Expense). However, the charge to Profit and Loss Accounts during 2009-10 was only ₹ 47.29 crore.

The contention of the Management is not tenable since the TDSAT judgement dated 30 August 2007 has become null and void after Hon’ble Supreme Court judgment dated 11 October, 2011. Further, the licence agreement does not provide deduction of bad debt from GR to arrive at AGR and the licensee itself did not deduct the bad debts written off from GR to arrive at AGR during the year 2006-07, 2007-08 and 2008-09. Though the Company stated that it paid LF and SUC on “Bad Debt Written Off”, Audit observed that in the audited AGR statement, the same was claimed as deduction which was against the licence agreement. Further, in the absence of documentary evidence to show that amount was paid, the reply was not verifiable. Quarterly payment made by the Company on the basis of unaudited AGR would be considered by DoT at the time of assessment which would be based on audited AGR statement only.

³ AP, Delhi, Gujarat, Haryana, Kerala, Maharashtra, MP and UP (W).

Thus deduction of bad debts from GR to arrive at AGR in audited AGR statement resulted in understatement of GR by ₹ 172.18 crore having impact on LF and SUC by ₹ 16.89 crore and ₹ 7.03 crore respectively (**Annexure - 6.16**).

6.5 Other issues

6.5.1 Transfer of infrastructure assets by Idea Cellular Ltd to its subsidiary at NIL consideration for ultimate transfer to a Joint Venture

ICL was initially promoted (March 1995) by Aditya Birla group of companies including ABTL. However, ABTL ceased to be the promoter from 29 August 2006 and became a subsidiary company of ICL from 28 February 2007. ABTL obtained UAS Licence for Bihar LSA (December, 2006) but commenced its telecom operations only in 2009-10.

ICL established three new subsidiaries namely, Idea Cellular Services Limited (ICSL) and Idea Cellular Infrastructure Services Limited (ICISL) (incorporated on 3 October 2007) and Idea Cellular Tower Infrastructure Limited (ICTIL) (incorporated on 3 December 2007). ICTIL was a wholly owned subsidiary of ICISL and hence the subsidiary of ICL.

A scheme of arrangement between ICL and ICTIL for demerger of passive infrastructure of ICL and transfer of these infrastructures to ICTIL in 9 LSAs⁴ with appointed date 1 January 2009 was approved by the High Courts of Delhi and Gujarat and the scheme became effective from 29 September 2009. Accounting entries in the books of accounts of ICL and ICTIL were made in the year 2008-09 as per the scheme. Accordingly in the books of ICL, book value of assets of ₹ 1622.78 crore was removed from books and investment in its subsidiary, ABTL, (holding company of ICTIL) was increased by the same amount. In the books of ICTIL, above assets were recorded at their book value with corresponding credit to General Reserve.

Another scheme of arrangement between ABTL and ICL for transfer of UASL and related assets and liabilities of ABTL (of Bihar LSA) with appointed date 1 April 2009 was approved by the High Courts of Bombay & Gujarat which became effective from 1 March 2010. Accounting entries in the books of accounts of ICL and ABTL were made in the year 2009-10 as per the scheme. Accordingly in the books of ABTL, net book value of asset of ₹ 2069.45 crore was written off and same amount was withdrawn from Reserve for Business Restructuring. In the books of ICL, assets & liabilities transferred were recorded at their book value and ₹ 2069.45 crore was credited to General Reserve.

Thus, it is apparent that the assets were transferred by ICL and ABTL at NIL value since the transferee companies (ICTIL and ICL) accounted the value of assets at book value with corresponding credit to General Reserve. The transfer of assets at NIL value was not a transaction at arm's length since all the three companies were different entities. Due to

⁴ AP, Delhi, Gujarat, UP (E), UP (W), Haryana, Kerala, Rajasthan and Mumbai.

accounting of assets at book value by the transferee companies and pending revaluation, the profit foregone by the transferor companies and its effect on LF and SUC could not be quantified.

6.6 Interest on short/non-payment of LF and SUC

On issues raised above (from paras 6.2 to 6.4) short/non-payment of LF and SUC worked out to be ₹ 289.99 crore and ₹ 133.27 crore respectively. The interest on this short/non-payment of LF and SUC is ₹ 541.63 crore (**Annexure - 6.17**). The calculation of interest was based on the rate prescribed in the Licence agreement i.e. two *per cent* above the Prime Lending Rate of State Bank of India existing as on the beginning of the financial year and the period considered for the calculation was from the end of the concerned financial year up to March 2015. The interest has been compounded monthly as prescribed in the licence condition.

6.7 DoT's response to the audit observations

Audit observations on the revenue shared by ICL were communicated to DoT in November 2015. Reply of DoT is awaited (January 2016).

CHAPTER – VII

Revenue shared by Tata Teleservices Limited and Tata Teleservices (Maharashtra) Limited

7.1 Brief profile of the company

M/s Tata Teleservices Limited (TTSL) was incorporated in 1996 and in December 2002, TTSL acquired 50.83 *per cent* of the paid up equity capital of Hughes Telecom India Limited (HTIL) which had basic licence in Maharashtra. In February 2003, the name of HTIL was changed to M/s Tata Teleservices (Maharashtra) Limited (TTML), and is an associate company of TTSL. TTSL provides basic services as well as cellular services on dual technology i.e., CDMA and GSM.

7.1.1 Licences granted to TTSL and TTML

TTSL was awarded Basic Licence in Andhra Pradesh LSA in September 1997 and in August 2001 it was awarded Basic Licences for five more LSAs¹. Subsequently, during January-February 2004, twelve² more UASL licences were granted to the Company. Three new UAS Licences for Assam, Jammu and Kashmir and North East were awarded in 2008. TTML holds UASL in Mumbai and Maharashtra. Thus, TTSL and TTML have presence in all the 22 LSAs.

TTSL holds NLD licence also and TTML holds ISP licence.

7.1.2 Spectrum allotted to TTSL and TTML

Spectrum allotted to TTSL and TTML as on 31 March 2010 were as follows:

Table 7.1

SI No	Spectrum	Licensed Service Area
CDMA		
1	2 × 5 MHz	Andhra Pradesh, Delhi, Maharashtra, Mumbai
2	2 × 3.75 MHz	Chennai, Bihar, Gujarat, Haryana, Karnataka, Kerala, Kolkata, Punjab, Rajasthan, UP East, UP West
3	2 × 2.5 MHz	Tamil Nadu, Assam, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, North East, Odisha, West Bengal
GSM		
1	2 × 4.4MHz	Andhra Pradesh, Bihar, Tamil Nadu (including Chennai), Gujarat, Haryana, Karnataka, Himachal Pradesh, Kerala, Kolkata, Maharashtra, Madhya Pradesh, Mumbai, Odisha, Punjab, Rajasthan, UP East, UP West, West Bengal

1 Delhi, Gujarat, Karnataka, Tamil Nadu and Chennai.

2 West Bengal, Bihar, Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh – West, Uttar Pradesh – East and Kolkata.

7.1.3 Subscriber base of TTSL and TTML

The subscribers of TTSL/TTML grew from 1.66 crore as on 31 March 2007 to 6.71 crore as on 31 March 2010 registering a growth of 305 *per cent*. TTSL group remained in fourth position during the years 2006-07 to 2009-10 and its market share increased from 8 *per cent* as on March 2007 to 11 *per cent* as on March 2010.

7.1.4 Gross Revenue, Deduction, Adjusted Gross Revenue reported and revenue share paid by TTSL and TTML

Telecom Service Providers are required to pay LF and SUC at a percentage of AGR on quarterly basis on self-assessment basis. GR, Deduction, AGR reported and revenue share (LF and SUC) paid by TTSL and TTML during these years were as follows:

Table – 7.2

(₹ in crore)

Company	Year	Gross Revenue (GR)	Deductions	Adjusted Gross Revenue (AGR)	Percentage of AGR to GR	Revenue share
TTSL	2006-07	5,015.43	1,570.06	3,445.37	68.7	318.18
	2007-08	5,921.93	1,853.03	4,068.90	68.71	370.68
	2008-09	6,510.74	2,222.26	4,288.48	65.87	388.91
	2009-10	6,125.02	1,497.10	4,627.92	75.56	416.32
Total		23,573.12	7,142.45	16,430.67	69.7	1494.09
TTML	2006-07	1,389.45	358.60	1,030.85	74.19	103.08
	2007-08	1,702.95	395.34	1,307.62	76.79	130.76
	2008-09	1,912.34	427.39	1,484.94	77.65	148.49
	2009-10	2,038.65	387.89	1,650.75	80.97	165.07
Total		7,043.38	1,569.22	5,474.16	77.72	547.42

7.2 Under reporting of revenue by TTSL and TTML

As mentioned in para 1.4 (a), the GR shall be inclusive of all types of revenue stated therein without any set-off for related item of expense, etc.

Further as mentioned in Annexure-III of UASL agreement, service revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately.

Audit examination of records/Books of accounts (Vouchers, General Ledger, Trial Balance, Profit and Loss Accounts, Balance Sheet, etc.) of TTSL and TTML revealed that these companies had not adhered to the provisions of the licence agreement as discussed below.

7.2.1 Commission paid to distributors/franchisees/agents/dealers, etc. debited from the revenue in respect of TTSL

During audit scrutiny of the records of TTSL for the years from 2006-07 to 2009-10, it was observed that the commission paid to the distributors/franchisees/agents/dealers, etc., was netted off from the revenue. Since the commission/margin paid to the distributors/franchisees/dealers was in the nature of business expenses (marketing expenses), therefore, set-off of such expenses with revenue was against the licence condition. However, in respect of TTML, it was observed that commission paid to the distributor/franchisees/agents/dealers, etc., was treated as expenses.

The total commission netted off from revenue in respect of all the licenced areas of TTSL during the years 2006-07 to 2009-10 was ₹ 521.35 crore as confirmed by the management (**Annexure - 7.01**). In response to the audit observation, the Management stated that transactions with the wholesaler/retailer were in the nature of Principal to Principal and also there was no sub-licence/assignment/transfer of licence as per clause 6 of the licence agreement. Hence, trade discount or discount on bulk purchase of recharge vouchers (RCV) and start up kits (SUK) paid to the wholesalers/dealers /retailers should not be added back for the purpose of computing LF.

Audit view on the reply of the Management regarding Principal to Principal is as explained in para 3.2.1 (A).

Thus, commission paid to the distributor/franchisees/agents/dealers, etc. netted off from revenue resulted in understatement of GR/AGR by ₹ 521.35 crore and short payment of LF and SUC amounting to ₹ 47.33 crore and ₹ 14.25 crore respectively.

7.2.2 Revenue understated due to netting of discounts allowed to subscribers etc. by TTSL and TTML

Review of data/records furnished by TTSL/TTML for the period from 2006-07 to 2009-10 revealed that the Company offered various schemes/discounts to subscribers (volume discounts, intra circle discount, content service discount, recharge card discount, SMS discount, Tata to Tata discount, cash discount, etc.). It was also noticed that the Company debited these discounts from revenue heads instead of expense heads as a result of which the revenue considered for AGR was understated.

Since the commission/margin paid to the distributors/franchisees/dealers was in the nature of business expenses (marketing expenses), therefore, set-off of such expenses from revenue was against the licence condition.

The total amount netted off from the revenue on account of various discounts worked out to ₹ 4814.16 crore and ₹1476.18 crore in respect of TTSL and TTML respectively for the period from 2006-07 to 2009-10 (**Annexures - 7.02 and 7.03**).

The Management stated that the discounts given by the company were discounts offered as part of tariff plan filed with TRAI, discounts offered to employees and business associates and internal lines discount.

Audit view on the management reply is as follows-

Management contention that above discounts were covered under tariff plan submitted to TRAI is not acceptable since such tariff plans were neither shared with audit nor enclosed with reply. Further, service revenue should be shown in gross and not be netted off with any discounts/rebate while preparing the AGR statements as per Annexure-III of the licence agreement.

Thus, total amount of ₹ 4814.16 crore and ₹ 1476.18 crore netted off from the revenue on account of various discounts in respect of TTSL and TTML respectively resulted in understatement of GR/AGR by same amount and in short payment of LF and SUC amounting to ₹ 444.20 crore and ₹ 131.77 crore respectively by TTSL and ₹ 147.62 crore and ₹ 48.42 crore respectively by TTML.

7.2.3 Netting of adjustments offered to customers from the GR in respect of TTSL and TTML

Review of data/records furnished by TTSL/TTML for the period from 2006-07 to 2009-10 revealed that the Company was maintaining separate account heads for various types of adjustments (billing adjustments, adjustments for collection waivers, bill back out adjustments, round off adjustments, misc. Adjustments, etc.,) under revenue head of accounts and all the adjustments made were debited to revenue.

It was also noticed that Companies in order to accommodate adjustments on account of waivers given to the subscribers debited the value of these adjustments to revenue heads as a result of which the revenue considered for AGR was understated to that extent.

Since “waivers” were a part of overall commercial strategy to enhance business, they were in the nature of expenses and set-off such related items of expenses is not allowed as per the licence agreement.

The total amount of adjustments for collection waivers netted off from the revenue worked out to ₹ 128.00 crore and ₹ 147.73 crore in respect of TTSL and TTML respectively for the period from 2006-07 to 2009-10 (**Annexures - 7.04 and 7.05**) leading to AGRs getting understated by the same extent.

Company, in reply, stated that-

- The account heads include adjustments/waivers etc. given to the customers/employees/outsourced employee etc., in the normal course of the business and revenue was recognized net of such waivers.

- Rectification/adjustments were made on account of dispute, wrong billing due to configuration errors. These errors could relate to excess amount billed, erroneously billed, payments done in time but still late payments charges levied which was subsequently waived off. Adjustments to billings/errors in the billings were a normal part of any business activity and does not result in gross inflow of cash, receivables or other consideration as a result of wrong/error in billing and hence reversal needs to be adjusted/setoff against the wrong billing.

Audit view on the Management reply is as follows -

- As pointed out by Management, billing adjustment and operator deposit adjustments have been considered and accordingly figures have been revised.
- Regarding other adjustment pertaining to collection waivers and miscellaneous adjustments, etc., the contention of the Management is not tenable since they are part of overall commercial strategy to enhance business; therefore, they were in the nature of business expenses and set off of related items of expenses is not permitted in terms of clause 19.1 of the licence agreement.

Thus, the total amount of adjustments for collection waivers/ miscellaneous adjustments, etc. netted off from the revenue amounting to ₹ 128.00 crore and ₹ 147.73 crore in respect of TTSL and TTML respectively resulted in understatement of GR/AGR and in short payment of LF and SUC amounting to ₹ 11.20 crore and ₹ 3.48 crore respectively by TTSL and ₹ 14.77 crore and ₹ 4.85 crore respectively by TTML.

7.2.4 Netting of the revenue from Start up Kit, recharge vouchers etc. by TTSL and TTML

Review of data/records furnished by TTSL/TTML for the period from 2006-07 to 2009-10 revealed that the Company offers various discount on bulk purchase on recharge vouchers and start up kits to the wholesalers/dealers /retailer. It was also noticed that the Company debited these discounts from revenue heads as a result of which the revenue considered for AGR was understated. Since the discount on bulk purchase given to the distributors/franchisees/dealers was in the nature of business expenses (marketing expenses) setoff of such expenses with revenue was against the licence condition.

The total amount netted off from the Revenue by TTSL and TTML amounted to ₹ 104.82 crore and ₹ 8.50 crore respectively for the years 2008-09 to 2009-10 (**Annexures 7.06 and 7.07**) leading to AGR getting understated by the same extent. Management stated that “transactions with the wholesaler/retailer were in the nature of Principal to Principal and also there was no sub-licence/assignment/transfer of licence as per clause 6 of the licence agreement. Hence trade discount or discount on bulk purchase on recharge vouchers and start up kits paid to the wholesalers/dealers /retailer should not be added back for the purpose of computing licence fee”.

Audit view on the reply of the management regarding Principal to Principal is as explained in para 3.2.1 (A).

Thus, the total amount of ₹ 104.82 crore and ₹ 8.50 crore netted off from the revenue by TTSL and TTML respectively resulted in understatement of GR/AGR and in short payment of LF and SUC of ₹ 8.90 crore and ₹ 2.82 crore by TTSL and ₹ 0.85 crore and ₹ 0.28 crore by TTML.

7.2.5 Non consideration of income received from infrastructure sharing in GR by TTSL

During review of audited AGR statements along with notes on statements of TTSL, it was noticed that during 2008-09 and 2009-10, income towards OPEX receipt for infrastructure sharing received by the Company was not considered for GR as disclosed by the Statutory Auditors.

As per terms of licence agreement, GR includes revenue from permissible sharing of infrastructure without any set-off for related item of expense. Further, licence agreement does not distinguish infrastructure sharing revenue between CAPEX and OPEX. Hence, set-off of revenue from infrastructure sharing against the expenses was not allowed.

The total income received from other operators which was not considered for computation of AGR during the years 2008-09 and 2009-10 amounted to ₹ 23.49 crore (**Annexure - 7.08**).

Management replied that :

- Reimbursement of OPEX should not be part of AGR since credit in the expenses were primarily on account of the re-classification of expenses, actualization of accrual of expenses, reimbursement of expenses and insurance claim received which do not form revenue to the Company in any respect/accounting practices.
- TDSAT in its judgment dated 23 April 2015 had clearly laid down that a payment in the nature of reimbursement of an expense may not be taken as revenue.

While noting that DoT had filed an appeal before Hon'ble Supreme Court against the TDSAT judgment dated 23 April 2015 as referred in the reply, Audit view on the issue is as explained in para 3.2.4.

Thus total income received from other operators which was not considered for computation of AGR amounting to ₹ 23.49 crore resulted in short payment of LF of ₹ 2.26 crore and SUC of ₹ 0.65 crore.

7.2.6 Non- inclusion of realized forex gain for computation of GR by TTSL and TTML

Review of data/records furnished by TTSL/TTML for the period from 2006-07 to 2009-10 revealed that though there was a quarterly realised gain under forex account codes on account of foreign exchange fluctuations accounted in the books of the accounts, the same was not considered for GR /AGR.

Considering only the quarterly realised net gains of account heads operated for forex for the years from 2006-07 to 2009-10, it was seen that realised forex gain amounting to ₹ 261.75 crore and ₹ 59.26 crore for TTSL and TTML respectively (**Annexures - 7.09 and 7.10**) was not considered for AGR.

It is pertinent to mention here that the above realised gain calculated from the data extracted from the reports generated from SAP System did not represent the actual gain of that particular item since the company recasts the value of all the items included under the foreign exchange gains/losses head every year, the matured items are accounted under realised gains and the un-matured items remain under unrealised gain. Thus, the realised gain of a particular item in that year would not be the actual gain due to accounting of the gains/losses of that item during the intermediate period under unrealised. Audit could not arrive at the actual value of items accounted under realised gain every year for want of original value of each item. Further, audit has considered the quarterly net gain, head of account-wise and LSA-wise, as it was not possible for audit to segregate/collect the figures of gains only from the data made available. The operator should calculate the gain of each item with reference to its initial value of accounting and include the total forex gain in GR/AGR.

While confirming the figures pointed out by audit, it was replied by the Management that

- Foreign exchange fluctuation was a contingency which had impact on every business and such gain had not accrued from primary or supplementary services of the Company i.e. providing telecom services to its customers/subscribers. Forex gains result when liabilities for payment in foreign exchange decrease on account of appreciation of domestic currency vis-à-vis foreign currency and such exchange differences arise when rates differ from those at which they were initially recorded in the books.
- Audit has considered only gain ignoring the notional loss recorded in the head of accounts. The forex gain loss, unlike telecom expenditure was not something where the notional gain was to be viewed in isolation of the loss, as these were recorded on the same principles adopted to account for the exchange rate differences at the end of each book closing period. This gets actualized only at the time of payment to the vendor.
- TDSAT Judgment dated 23 April 2015 passed in AUSPI vs Union of India and others held that “any gain or loss due to foreign exchange fluctuation should have no bearing on the licence fee”.

Contention of the management was not acceptable as

- Forex gain realised by the Company was incidental to telecom activity. Audit considered only quarterly net realized gains and unrealized account heads (notional) were ignored. Further, as per the licence agreement “GR shall be inclusive of any other miscellaneous revenue, without any set-off for related item of expense, etc,” and forex gain was part of Miscellaneous Revenue.
- Audit noted that DoT had gone on appeal against the TDSAT judgement of April 2015 referred by the Company. While the matter was *sub-judice* at the Hon’ble Supreme Court, Audit is of the view that non-consideration of forex gains in the GR by the Company was a deviation from licence conditions.

Thus, realised forex gain of ₹ 261.75 crore and ₹ 59.26 crore not considered for AGR by TTSL and TTML respectively resulted in short payment of LF of ₹ 23.59 crore and SUC of ₹ 7.15 crore by TTSL and LF of ₹ 5.93 crore and SUC of ₹ 1.94 crore by TTML.

7.3 Under reporting of revenue in the statements of revenue and LF (AGR statements) though reported in the books of accounts.

7.3.1 Non consideration of interest income in GR/AGR by TTSL

From AGR statements and Profit and Loss account, it was noticed that interest income of ₹ 568.69 crore (**Annexure - 7.11**) accounted in the books of accounts of TTSL for the period from 2006-07 to 2009-10 was not considered in the GR.

Management informed that entire amount of ₹ 568.69 crore had been considered for GR/AGR in May 2011 and the consideration of the interest income was under protest. It was further stated that these amounts were not to be included for calculation of revenue share as the definition of AGR was under litigation and would be decided in due course through judicial process.

The response of the Management was not tenable since definition of GR in licence agreement expressly provides for inclusion of income from interest in GR/AGR for computation of revenue share. Though the company replied (November 2015) that the same had been considered for GR/AGR during May 2011, they failed to submit the document in support of details of amounts considered for the earlier years and payment made thereto were not provided to substantiate their claim of payments and in the absence of the same audit could not verify. Further, in the audited AGR statements for the years 2006-07 to 2009-10 submitted to DoT, interest income as mentioned above were not considered for computation of LF/SUC in the relevant years.

Thus, non consideration of interest income of ₹ 568.69 crore resulted in understatement of GR/AGR for the years 2006-07 to 2009-10 and in short payment of LF and SUC by ₹ 51.22 crore and ₹ 15.53 crore respectively by TTSL.

7.3.2 Profit on sale of investment not considered in GR/AGR

Format of statement of revenue and LF (AGR statement) prescribed as per Appendix-II to Annexure-II of the UASL agreement is an integral part of the licence agreement. In the statement, item 4 has been prescribed to reflect the “income from investments”. Clause 19.1 of UASL agreement defines GR which, inter alia states that, the revenue includes any other miscellaneous income and further, the revenue shall be without any set off for the related items of expenses.

Audit observed from audited AGR statements and Profit and Loss account of TTSL and TTML that profit on sale of investment (long term /current investment) was not considered for computation of GR for payment of LF/SUC during the years from 2006-07 to 2009-10. The total amount in respect TTSL worked out to ₹ 2082.87 crore and ₹ 0.63 crore in case of TTML (**Annexures - 7.12 and 7.13**). The Company replied that it paid licence fee in the respective financial year in the case of profit on sale of investment in Wireless TT Info Services Limited (WTTIL) (Amount pertaining to period 2008-09 and 2009-10) and licence fee on profit on sale of investment for period 2006-07 and 2007-08 was paid in May 2011.

The reply of the management is not tenable since licence agreement provides for inclusion of income from profit on sale of investment in GR/AGR for computation of revenue share. Though the company replied (November 2015) that the same had been considered for GR/AGR during May 2011, they failed to submit the document in support of details of amounts considered for the earlier years and payment made thereto to substantiate their claim of payments and in the absence of the same audit could not verify. Further, in the audited AGR statements for the years 2006-07 to 2009-10 submitted to DoT, income from profit on sale of investment as mentioned above were not considered for computation of LF/SUC in the relevant years.

Thus, non consideration of profit on sale of Investment of ₹ 2082.87 crore and ₹ 0.63 crore by TTSL and TTML respectively resulted in understatement of GR/AGR and short payment of LF of ₹ 187.63 crore and SUC of ₹ 56.93 crore by TTSL and LF of ₹ 0.06 crore and SUC of ₹ 0.02 crore by TTML.

7.3.3 Non consideration of profit on sale of assets for GR/AGR

From the data/documents (viz. trial balances, audited AGR statements, auditor’s report, notes on accounts/statements and revenue reconciliation statements etc.) provided by TTSL and TTML it was found that revenue received towards “Profit on sale of fixed assets” by both TTSL and TTML during the years 2007-08 to 2009-10 was not considered for computation of GR/AGR in the respective years.

The profit on sale of asset recorded in the books of account of TTSL and TTML for the period from 2007-08 to 2009-10 worked out to ₹ 121.25 crore and ₹ 35.49 crore respectively (**Annexures - 7.14 and 7.15**).

It was replied by the Management that the Company had paid licence fee on profit on sale of assets though the Company firmly believes that this should not be part of AGR.

Reply of the Management is not tenable as Company did not provided any documentary evidence to substantiate their claim of payments and in the absence of the same, the reply could not be verified by Audit. Further, in the audited AGR statement submitted to DoT, the profit on sale of assets was not considered for computation of LF/SUC.

Thus non consideration of profit on sale of asset of ₹ 121.25 crore and ₹ 35.49 crore by TTSL and TTML respectively resulted in short payment of LF of ₹ 10.97 crore and SUC of ₹ 3.32 crore by TTSL and LF of ₹ 3.55 crore and SUC of ₹ 1.16 crore by TTML.

7.4 Short/ non-payment of revenue share due to other issues

7.4.1 Bad debts written off adjusted from the revenue by TTSL resulting in understatement of AGR

From review of data/documents furnished to audit, it was found that TTSL adjusted “Bad Debts written off” for the year ended 31 March 2010 from the respective components of revenue from services while considering the preparation of the statements for the computation of AGR of the respective circles.

The licence agreement does not provide deduction of bad debt from GR to arrive at AGR.

The total amount of “write off of subscriber bad debts” adjusted from the respective components of revenue from services was ₹ 272.29 crore (**Annexure - 7.16**).

Management accepted that an amount of ₹ 272.29 crore had been adjusted from the revenue as bad debts written off.

Thus, adjustment of Bad Debts written off from the respective components of revenue from services of ₹ 272.29 crore resulted in short payment of LF and SUC by ₹ 26.64 crore and ₹ 7.61 crore respectively.

7.4.2 Lease line and Port Charges included in deductions claimed by TTSL and TTML resulting in understatement of AGR

As per the disclosures by Statutory Auditors in the notes to the statements submitted along with the audited AGRs of TTSL for the years 2006-07 to 2009-10, “Access charges considered for computation of Adjusted Gross Revenue (AGR) include leased line charges and port charges actually paid to other carriers during the year concerned”.

Further, in respect of TTML, it was disclosed by the Statutory Auditors that during the years 2006-07 and 2007-08, the leased line and port charges were claimed along with PSTN charges and during 2008-09 and 2009-10, the expenditure towards lease line and port charges were claimed as separate deductions along with other eligible deductions.

In terms of Clause 19.2 of the UASL agreement, the following shall be excluded from the GR to arrive at AGR.

- i) PSTN related call charges (Access Charges) actually paid to other eligible/entitled telecommunication service providers within India.
- ii) Roaming revenues actually passed on to other eligible/entitled telecommunication service providers and
- iii) Service Tax on provision of services and Sales Tax actually paid to the Government if Gross Revenue had included as component of Service Tax and Sales Tax.

In respect of TTSL for the years 2006-07 to 2009-10, the total expenditure towards lease line and port charges included in the access charges and claimed as deduction worked out to ₹ 255.41 crore (**Annexure - 7.17**) whereas in respect of TTML, the same worked out to ₹ 87.26 crore (**Annexure - 7.18**).

Management stated that the payments on account of port charges and leased lines were for providing connectivity to the customers were a part of and similar to interconnection costs; which since included in the AGR in the hands of the receiver, would result in double taxation if the same was not allowed as deduction in the hands of the payer.

The reply of the Management is not tenable since lease line and port charges paid were actually an expense for hiring of infrastructure and not PSTN related call charges (Access charges). Therefore, it is not eligible for deduction under clause 19.2 of UASL agreement.

Thus, the total expenditure towards lease line and port charges included in the access charges and claimed as deduction for ₹ 255.41 crore and ₹ 87.26 crore respectively by TTSL and TTML resulted in short payment of LF of ₹ 22.10 crore and SUC of ₹ 6.94 crore by TTSL and LF of ₹ 8.73 crore and SUC of ₹ 2.86 crore by TTML.

7.4.3 Non consideration of revenue from sharing/leasing of infrastructure/bandwidth links for payment of SUC by TTSL

Format of statement of revenue and licence fee (AGR statement) prescribed as Appendix II to Annexure II as referred in Clause 20.4 of the UASL agreement is an integral part of the licence agreement. In the statement, item 1 A has been prescribed to reflect the “revenue from wire line subscribers”. Further, Clause 18.3.1 of UASL agreement provides that “While calculating AGR for limited purpose of levying spectrum charges based on revenue share, revenue from wire line subscribers shall not be taken into account”.

In respect of TTSL, the revenue from sharing/leasing of infrastructure/bandwidth links/R&G cases etc., which were considered in the AGR statements for computation of LF during the year 2006-07, 2007-08, 2008-09 and 2009-10 amounting to ₹ 1030.61 crore (**Annexure - 7.19**) was not considered for computation of SUC, which was in contravention of the provisions of the licence agreement. Management confirmed the facts and figures and stated that revenue from wireless services alone have been offered for CDMA SUC and the rest being income from wire line services, the same was not offered for SUC.

Audit view on the non-inclusion of revenue from sharing/leasing of infrastructure/bandwidth links/R&G cases, etc. for payment of SUC has been explained under Para 3.4.3 of this report.

Thus, the revenue from sharing/leasing of infrastructure/bandwidth links/R&G cases, etc., which were considered in the AGR statements for computation of LF but not considered for computation of SUC amounting to ₹ 1030.61 crore resulted in short payment of SUC amounting to ₹ 28.05 crore by TTSL.

7.4.4 Non-consideration of Rental Income

Audit observed that an amount of ₹ 17.62 crore was credited to the expenditure head Rent. As the credits under expenditure head were in the nature of income, non-consideration of the same for computation of GR resulted in understatement of GR by ₹ 17.62 crore (**Annexure - 7.20**).

Management stated that TTSL was paying rent for office spaces. In certain places, space was taken by vendors who had to pay rent to the landlord. In such cases, TTSL was initially making the payment of rent and subsequently recovering the rent at actual from the vendors, thereby crediting the rent account. Hence, this did not constitute revenue but only reimbursement of expenditure.

The reply is not tenable because Management has not given any cogent reason as to why it should pay rent on behalf of the vendors and then subsequently get it reimbursed from them. Audit is of the view that any payment towards rent to TTSL by the vendors amounted to rental income which should be considered as part of shareable revenue in terms of the Licence Agreement.

Thus, non-consideration of rental income amounting to ₹ 17.62 crore for computation of GR resulted in short payment of LF and SUC ₹ 1.61 crore and ₹ 0.49 crore respectively

7.5 Interest on short/non-payment of LF and SUC

On issues raised above (from para 7.2 to 7.4) short/non-payment of LF and SUC worked out to be ₹ 1019.16 crore and ₹ 338.52 crore respectively. The interest on this short/non-payment of LF and SUC by TTSL and TTML is ₹ 1857.71 crore (**Annexure - 7.21**). The calculation of interest was based on the rate prescribed in the licence agreement i.e. two *per cent* above the prime lending rate of State Bank of India existing as on the beginning of the financial year and the period considered for the calculation was from the end of the concerned financial year up to March 2015.

7.6 DoT's response to the audit observations

Audit observations on the revenue shared by TTSL and TTML were communicated to DoT in November 2015. Reply of DoT is awaited (January 2016).

CHAPTER – VIII

Revenue shared by Aircel Group (Dishnet Wireless Limited, Aircel Limited and Aircel Cellular Limited)

8.1 Brief Profile of Aircel Group

M/s Aircel Cellular Ltd (ACL) the erstwhile M/s RPG Cellular Ltd commenced its telecommunication services in Chennai in 1994. Subsequently, M/s Aircel Ltd (AL) promoted by Sterling group obtained CMTS Licence in Tamil Nadu service area during 1998 (erstwhile M/s Srinivasa Cellular Ltd. Coimbatore). AL has two wholly owned subsidiaries namely ACL and M/s Dishnet Wireless Ltd (DWL), which also provide telecommunication services in India. In 2006, Aircel was acquired by Maxis Communications Berhad, Malaysia (Maxis). Aircel is a joint venture with Sindya Securities and Investment Pvt Ltd and Maxis hold majority of the stake (74 per cent) in the Company. By the year 2010, the Company was having a pan India presence with licences in all 23 LSAs. Brief profile of the company is as follows:

8.1.1 Licences granted to Aircel Group

ACL obtained CMTS licence in 1994 for Chennai service area. AL obtained CMTS licence in Tamil Nadu service area during 1998. Subsequently, it also got UAS licences in seven service areas during 2006¹. DWL got UAS licences in 14 service areas during 2004² and 2006³.

8.1.2 Spectrum allotted to Aircel group of companies

AL, ACL and DWL are GSM operators. Initial start-up spectrum for subscriber access (Main Radio Spectrum) to a GSM operator was 2×4.4 MHz. LSA wise spectrum allotted to Aircel group of companies as on 31 March 2010 is detailed below:

Table No. 8.1

Sl. No.	Spectrum	Licensed Service Area
1	2 × 9.8 MHz	Tamil Nadu
2	2 × 8.6 MHz	Chennai
3	2 × 6.2 MHz	Assam
4	2 × 4.4 MHz	Bihar, Himachal Pradesh, Jammu and Kashmir, North East, Orissa, West Bengal, Haryana, Kerala, MP, Punjab, UP(W), UP(E), Kolkata, AP, Delhi, Gujarat, Karnataka, Maharashtra, Mumbai and Rajasthan (20 LSAs)

1 Mumbai, Delhi, Andhra Pradesh, Karnataka, Maharashtra, Gujarat and Rajasthan.

2 Himachal Pradesh, Orissa, Jammu and Kashmir, Bihar, West Bengal, Assam and North East.

3 Kolkata, Uttar Pradesh (West), Haryana, Kerala, Madhya Pradesh, Uttar Pradesh (East) and Punjab.

8.1.3 Subscriber base of AL/ACL/DWL

The cellular subscribers of Aircel Group (AL, ACL and DWL) grew from 0.55 crore as on 31 March 2007 to 3.69 crore as on 31 March 2010 registering a growth of 569 *per cent*. Its market share grew from three *per cent* as on 31 March 2007 to six *per cent* as on 31 March 2010.

8.1.4 Gross Revenue (GR), Adjusted Gross Revenue (AGR) and Revenue share paid by the Aircel Group

As brought out in Para 1.5, Telecom Service Providers are required to pay LF and SUC at a percentage of AGR on quarterly basis on self-assessment basis. GR, deductions, AGR reported and revenue share (LF and SUC) paid by Aircel Group during the four years 2006-07 to 2009-10 are as follows:

Table 8.2

(₹ in crore)

Year	GR	Deductions	AGR	Percentage of AGR to GR	Revenue share (LF+SUC)
2006-07	1389.40	205.45	1183.95	85.21	144.33
2007-08	2332.21	364.82	1967.39	84.36	226.22
2008-09	3116.51	579.67	2536.84	81.40	315.47
2009-10	4703.64	1222.58	3481.06	74.01	409.60
Total	11541.76	2372.52	9169.24	79.44	1095.62

8.2 Under reporting of revenue by Aircel Group

As mentioned in para 1.4 (a), the GR shall be inclusive of all types of revenue stated therein without any set-off for related item of expense, etc. Further, Service Revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately.

Audit examination of records/Books of accounts (Vouchers, General Ledger, Trial Balance, Profit and Loss Accounts, and Balance Sheet, etc.) of Aircel Group revealed that these companies had not adhered to the provisions of the licence agreement as brought out in the succeeding paras:

8.2.1 Under reporting of Prepaid/Post-paid revenue due to netting off of revenue relating to various offers given to subscribers

From the examination of data/records pertaining to prepaid services furnished by Aircel Group for the period from 2006-07 to 2009-10, it was observed that the Company offered various schemes/discounts viz. waiver, discount, Promo talk time, Free Air Time (FAT),

Promotional offers, Full talk time, etc. to subscribers without any charges. It was noticed that to accommodate such offers, the value of the same was deducted from service revenue upfront. As and when the same was used by subscriber, the revenue was credited by the said amount. Resultantly, the revenue on account of these offers to subscribers was not recognised in the GR/AGR. Since, offers made to customers were part of overall commercial strategy to enhance business, such offers/discounts amount to expenses. In terms of licence agreement, service revenue shall be shown without any set-off for related item of expense, so they are not allowed to be deducted from GR. This was also in violation of the licence agreement which clearly states that service revenue (amount billable) shall be shown gross and details of discount/rebate indicated separately.

The item wise details are furnished below-

A. Waiver, Discount and Promos to customers

Review of data/records furnished by Aircel Group for the period from 2006-07 to 2009-10 revealed that the following items of expenses were netted off from the revenue:-

- i) Waiver offered to customers (₹ 99.09 crore)
- ii) Discount offered to customers (₹ 46.77 crore)
- iii) Promo Talk Time Transfer (₹ 0.96 crore)

In addition to the above, ₹ 24.71 crore booked as Promo talk time/usage under expenses was netted off from revenue while arriving at GR. However, ₹ 30.47 crore on account of “Promo talk time given as discount/Goodwill waiver and royalty discount” was added back to revenue while arriving at GR.

Resultantly, total amount netted off from revenue on account of waiver, discount and promo was ₹ 141.06 crore (**Annexure - 8.01**). Consequently, GR/AGR was understated by ₹ 141.06 crore and LF and SUC amounting to ₹ 13.13 crore and ₹ 5.95 crore respectively was not paid by the Company (**Annexure - 8.02**).

B. Full talk time scheme offered to subscribers

The revenue from the prepaid services was netted off by ₹ 153.33 crore on account of Full talk time offer to prepaid subscribers. Resultantly, LF and SUC amounting to ₹ 9.76 crore and ₹ 4.32 crore respectively (**Annexure - 8.03**) was not paid on the said revenue by the Company.

C. Free talk time offered to subscribers

The revenue from the prepaid services was netted off by ₹ 33.36 crore on account of various offers (Free Air Time Bonus/Free talk value (FTV) accounted, FTV offered to subscribers on Recharge Coupons (RC), Additional Talk time, Extra Talk time, etc.). As a

result, the revenue was reduced by ₹ 33.36 crore. Consequently, LF and SUC amounting to ₹ 2.95 crore and ₹ 1.39 crore respectively (**Annexure - 8.04**) were not paid on the said revenue by the Company.

D. Discounts

During 2009-10, revenue from the prepaid services pertaining to AL was netted off by ₹ 2.82 crore by crediting expenditure (Discount ER). Resultantly, LF and SUC amounting to ₹ 0.28 crore and ₹ 0.06 crore respectively (**Annexure - 8.05**) were not paid on the said revenue by the company.

On being pointed out by Audit, the Management stated that-

- Waivers offered to customers which were in the nature of goodwill gesture were already added back for computing AGR in the respective years. Balance waivers which were in the nature of billing errors, were corrected by giving waivers.
- Discount/Promo Talk time transfers are in the nature of additional talk time given to subscribers based on their usage pattern to enhance subscriber experience or to retain him on Aircel network etc. For these, liabilities were booked and revenue was accounted as per usage on decrement over a period of time and revenue was included for AGR purpose.
- Full Talk time scheme offered to subscribers were in the nature of talk time given to subscribers for more value, to retain him on Aircel network etc. or to pull/instigate new subscribers to join Aircel Network.
- FAT-Bonus/Free talk value/FTV offered to subscribers on RC's/additional talk time/extra talk time offered to subscribers are in the nature of talk time given to subscribers, to retain him on Aircel network etc. or to pull/instigate new subscribers to join Aircel Network.
- The company accounts for the revenue in compliance with the Accounting Standard (AS) 9 issued by the Institute of Chartered Accountants of India.
- TDSAT also upheld the above definition and passed an order to this effect on 23 April 2015 stating that “There is no conflict between the definition of ‘revenue’ as provided in AS-9 and clause 19.1 and 19.2 of the licence agreement defining gross revenue and adjusted gross revenue. As is evident from section 211 (3A), (3B) and (3C) that in case of a telecom company, the licensee is legally mandated to maintain its profit and loss account and the balance sheet in compliance with the Accounting Standards. Accounting Standards are given due importance by the Supreme Court as those are the codified recommendations by the Institute of Chartered Accountants of India which is an expert body in a specialised field”.

Reply of the Management is not acceptable as -

- Out of total debit entry noticed in the revenue heads on account of "Waiver offered to customers" i.e. ₹ 99.09 crore, ₹ 98.62 crore (i.e. 99.53%) relates to prepaid revenue, where no bills are raised to the customers. Further, even in case of waivers to Prepaid subscribers, out of total debit entry of ₹ 98.62 crore on account of waivers, ₹ 98.43 crore was debited to GL code "Prepaid-RC Processing Income", which if, had it been due to wrong deduction (from the Subscriber accounts) on account of VAS, Talk Time, rental etc, debit on account of waiver should have been on those GL codes only. In case of billing to the post-paid customers if it is subsequently confirmed that there was a mistake in the bill, the same is reversed/adjusted in the respective revenue codes. It was noticed that there are several reversal and adjustment entries in the general ledger to this effect. Analysis of the data extracted from general ledgers pertaining to these waivers clearly indicated that these were on account of prepaid processing income, VAS, Talk Time, rental etc. It was not mentioned that these entries were due to wrong billing. Out of waivers of ₹ 99.09 crore for prepaid customers, Aircel group has itself added back ₹ 7.7 crore in the name of goodwill waiver to the customer in revenue while preparing GR.
- Discount/Promo Talk time transfers and waivers are part of overall commercial strategy to enhance business; therefore, such offers/discounts were in the nature of expenses and hence, in terms of licence agreements, were not allowed to be deducted from GR.
- In case of Full Talk Time/Free Talk Time etc. Management has itself accepted that these offers were in the nature of discounts offered to customer retention and maintaining relationship and formed part of service revenue. Therefore, such offers/discounts were in nature of expenses and hence, in terms of licence agreements, were not allowed to be deducted from GR.
- In case of FAT-Bonus /Free talk value/ FTV offered to subscribers on RC's/additional talk time/extra talk time offered to subscribers also, Management accepted that it is in the nature of talk time given to subscribers to retain them on Aircel network etc. or to pull/instigate new subscribers to join Aircel Network. Therefore, such offers/discounts were in nature of expenses and hence, in terms of licence agreements, were not allowed to be deducted from GR.
- Audit is not questioning the accounting in accordance with AS-9 but contends that since these expenses were not to be set-off against as per the licence agreement, these should be added back to GR for computation of LF and SUC.
- While the matter is sub-judice at Hon'ble Supreme Court, Audit view is that as per licence agreement, service revenue should be shown in gross without any set-off of related promotional expenses like discounts/waivers/offers given to the subscribers.

8.2.2 Short accounting of revenue due to upfront debit in the revenue heads

As per the procedure followed by the Company for accounting of revenue, while the revenue received in advance was accounted under liability, the FAT/FOC on this amount was debited to the current revenue. Due to this, the current revenue was short accounted to the extent of FAT/FOC resulting in deferment of LF and SUC on this amount.

On being pointed out by Audit, the Management reiterated the reply as given against our observations at para 8.2.1 above.

Reply of the Management is not tenable since the upfront debit of FAT/FOC of revenue received in advance to the current revenue results in short payment of LF and SUC on the current revenue to the extent of amount debited.

8.2.3 Under reporting of prepaid revenue due to set-off of revenue pertaining to commission/discount allowed to the distributors

From the examination of data/records furnished by Aircel group for the period from 2006-07 to 2009-10, it was observed that revenue booked in the accounts was net of commission/discount given to the distributors at the time of sale of electronic/paper recharge coupon. Further, the aforesaid commission/discount given to the distributors was also not added back while arriving at GR/AGR. This was in violation of the licence agreement which clearly stated that GR (amount billable) shall be shown gross and details of discount/rebate indicated separately and the GR shall be without any set-off for related item of expense.

In this connection, when Audit raised the query seeking the details of amount/percentage of commission/discount paid to the distributors at the time of sale of electronic/paper recharge coupon, relevant information was not furnished by the Management. In such circumstances, on the basis of average of the prevailing percentage (i.e. 4 *per cent*⁴ of the pre-paid revenue), Audit calculated ₹ 272.60 crore as commission paid to the distributors during 2006-07 to 2009-10.

On being pointed out by Audit, it was stated by the Management that:-

- It is submitted that though the pre-paid vouchers carry a Maximum Retail Price (MRP), these vouchers were sold to the distributors on a lower price as per agreement between the parties. It is contended that the sale of pre-paid vouchers was a Principal to Principal transaction.
- Further, TDSAT in its judgment dated 23 April 2015 has held “In our view the definition of ‘gross revenue’ cannot be construed as to bar the licensee from fixing a wholesale price for the service which is lower than its MRP. The test is how the actual transaction takes place. If the sale and invoicing is on MRP and any discount

⁴ Four *per cent* (average of three *per cent* to five *per cent*, the prevailing percentage of commission during 2006-07 to 2009-10)

is given separately, then in terms of clause 19.1 such discount is not deductible even if the revenue booked in the profit and loss account is after netting off the discount. On the other hand, if the sale is on a stated/agreed price, invoiced at that agreed price and booked under the revenue in the profit and loss account accordingly, without netting off any discount, the actual selling price would be the revenue and the difference between the MRP and this selling price cannot be added to 'gross revenue'.

Audit view on the reply of the Management is as explained in para 3.2.1 (A). While the matter is sub-judice at Hon'ble Supreme Court, Audit view is that commission/margin paid to the distributors/franchises/dealers is in the nature of marketing expenses, therefore, set-off of such expenses with revenue was against the licence condition.

Thus, netting off of commission amounting to ₹ 272.60 crore given to distributors/agents/dealers has resulted in understatement of GR/AGR and short payment of LF and SUC by ₹ 22.31 crore and ₹ 9.64 crore respectively (**Annexure - 8.06**).

8.2.4 Under reporting of revenue due to set-off on account of "Impact of Market stock"

From the examination of data/records furnished by Aircel group for the period from 2006-07 to 2009-10, it was observed that during February 2009 and March 2010, the revenue from prepaid services was netted off by ₹ 3.40 crore on account of "Impact of Market stock/Impact of service tax rate change on market stock /etc."

On being pointed out by Audit, it was stated by Management that this seems to be the difference on account of market stock impact of increase in rate of service tax. The entries for change in service tax rate are recorded at a later date, therefore while passing entry for transfer of liability from market stock to customers, the liability is transferred based on the old rate of service tax and accordingly revenue on account of such liability was recorded in excess. Hence amount equivalent to the differential of service tax rate change have been debited to revenue codes and credited to liability to rectify the excess revenue recorded. Therefore, our submission is that the above should not be added back to revenue once again in AGR for calculation of LF.

Reply of the Management is not tenable as rate of service tax was not revised during March 2010. Further, regarding cases pertaining to February 2009, it is stated that in all these cases corresponding credit entries were made to processing fee/activation charge/other provision, which is not related to service tax liability.

Thus netting off of revenue on account of "Impact of Market stock" has resulted in understatement of GR/AGR by ₹ 3.40 crore in the year 2009-10 and short payment of LF and SUC by ₹ 0.34 crore and ₹ 0.14 crore respectively (**Annexure - 8.07**).

8.2.5 Non consideration of revenue from infrastructure sharing from other telecom operators for GR/AGR

As mentioned in para 1.4 (a), the GR shall be inclusive of revenue from permissible sharing of infrastructure and any other miscellaneous revenue without any set-off for related item of expense, etc.

Telecom infrastructure (towers, network equipments, etc.) owned by Aircel Group were shared with other telecom companies. They have entered into agreements with other telecom companies for infrastructure (site) sharing. In terms of the agreements entered with the other operators, charges for sharing cell site was recovered from other operators which was based on a percentage of CAPEX cost of the sites and OPEX cost incurred by Aircel group.

From the examination of data/records furnished by Aircel group pertaining to Infrastructure sharing charges for the period from 2006-07 to 2009-10, it was observed that Infrastructure/site sharing charges recoverable/recovered on account of rent, fuel (diesel), electricity, network expenses, repairs and maintenance and security amounting to ₹ 67.12 crore were netted off from their respective expense heads.

On being pointed out by Audit, it was replied that -

- There are two type of payments received for sharing of infrastructure i.e., charges levied for the usage of the facility and reimbursement of expenditure incurred such as that on repairs and maintenance, electricity, diesel etc. The charge for the usage of the facility was booked as revenue whereas the reimbursement of costs was booked as a reduction in related expenditure. It is pertinent to note here that the Company accounts for reimbursement of expenses in compliance with the AS 29.
- TDSAT vide its judgment on 23 April 2015 has held that “As is evident from section 211 (3A), (3B) and (3C) a telecom company, the licensee is legally mandated to maintain its profit and loss account and the balance sheet in compliance with the Accounting Standards. Accounting Standards are given due importance by the Supreme Court as those are the codified recommendations by the Institute of Chartered Accountants of India which is an expert body in a specialised field”. It is important to note that, TDSAT has also in its judgment dated 23 April 2015 has stated that “while any payment made towards the usage of the facility has to be taken as revenue in the hands of the recipient, a payment in the nature of reimbursement of an expense and which is clearly indicated separately in the invoice as such, may not be taken as revenue provided that it is not booked in the profit and loss account as revenue.”

Audit view on the reply of the Management is as explained in para 3.2.4. While the matter is sub-judice at Hon'ble Supreme Court, Audit view is that revenue towards diesel expenses,

security expenses, repair and maintenance expenses and electricity charges did not constitute reimbursement since they had to be incurred irrespective of whether the towers were shared or not. In fact, by sharing the expenditure the Company benefited through additional income. Thus netting of infrastructure sharing revenue received/receivable from other telecom operators from the cost relating to 2006-07 to 2009-10 resulted in understatement of GR/AGR by ₹ 67.12 crore and short payment of LF and SUC by ₹ 5.45 crore and ₹ 2.26 crore respectively (**Annexure - 8.08**).

8.2.6 Short/Non-consideration of revenue from forex gain in GR/AGR

In the Profit and Loss account of Aircel Group, total net balances under the account heads operated for booking transactions related to foreign exchange gain/loss were included in the schedule of "Other Income" as Foreign Exchange Gain (net).

From the examination of data/records provided by Aircel group for the period from 2006-07 to 2009-10, it was observed that the total realized forex gain for the Aircel was ₹ 16.57 crore, out of which, forex gain amounting to ₹ 6.54 crore only was considered during 2006-07 to 2008-09 in the AGRs under UASL/CMTS licences of the Aircel Ltd and Aircel Cellular Ltd. Total realised forex gain amounting to ₹ 15.13 crore was not considered for AGR.

The above realised gain did not represent the actual gain of that particular item since the Company recasts the value of all the items included under the foreign exchange gains/losses head every year, the matured items are accounted under realised gains and the un-matured items remain under unrealised gain. Thus, the realised gain of a particular item in that year would not be the actual gain due to accounting of the gains /losses of that item during the intermediate period under unrealised. Audit could not arrive at the actual value of items accounted under realised gain every year for want of original value of each item. Further, Audit has considered the quarterly net gain, head of account-wise and LSA-wise, as it was not possible for Audit to segregate/collect the figures of gains only from the data made available. The operator should calculate the gain of each item with reference to its initial value of accounting and include the total forex gain in GR/AGR.

On being pointed out by Audit, the Management stated that:-

- The gains are of two types. First, is the reduction of liability towards payments for capital goods such as equipment and roaming charges for out-roamers. The other is increase in receipts such as roaming charges for in- roamers. In the first case, the reduction in liability on account of payment for capital goods is only a reduction of cost. Since the cost of equipment has no impact on the LF as the same is calculated on gross revenue, any gain arising on account of a decrease in such cost should also not be taken into account for LF and cannot be treated as revenue for the purpose.

As regards payment of roaming charges, since the same is allowed on actual basis and not accrual basis, the actual amount paid or set-off in case of netting, may be allowed to be deducted from gross revenue in terms of clause 19.2. On the issue of roaming revenue on account of in-roamers, since the same is to be accounted for in the revenue on accrual basis, the LF should be on the revenue that is booked in the profit and loss account as per AS-9. Subsequent changes in the book value of the receivable are only notional till the same is actually received. Further, the actual receipt may be less or more depending on the currency rate at the time of actual payment. Since no discount is given if actual receipt is less, no LF should be charged if the same is more.

- It is further submitted that the TDSAT Judgment pronounced on 23 April 2015 states that “.....any gain or loss due to foreign exchange fluctuation should have no bearing on the licence fee.”
- The Hon’ble Madras High Court by an order dated 22 June 2012 has directed as follows:
“No coercive steps shall be taken, by the respondents, to recover the LF payable by the petitioner, in respect of the non-telecom activities of the petitioner until further orders.”

Reply of the Management is not tenable as:-

- In terms of the licence agreement GR shall be inclusive of any other miscellaneous revenue.
- While the matter is sub-judice at Hon’ble Madras High Court and Hon’ble Supreme Court, Audit view is that any gain incidental to PSPs should be considered for GR.

Thus non-inclusion of realised foreign exchange gains pertaining to period from 2006-07 to 2009-10 resulted in understatement of GR/AGR by ₹ 15.13 crore and short payment of LF and SUC amounting to ₹ 1.23 crore and ₹ 0.31 crore respectively (**Annexure - 8.09**).

8.2.7 Non/Short consideration of Interest Income for GR/AGR

From the examination of data/records provided by Aircel group for the period from 2006-07 to 2009-10, it was observed that out of total Income on account of interest on bank deposits and fixed deposits of ₹ 200.20 crore, ₹ 98.89 crore was not considered as revenue during 2006-07 to 2009-10 in the GR/AGR (**Annexure - 8.10**), which was in violation of licence agreement as definition of GR in licence agreements expressly provides for inclusion of income from interest in GR/AGR.

On being pointed out by Audit, it was stated by the Management that-

- The interest earned on investment of savings made by a licensee after meeting liability on account of share of the government in the gross revenue is ought to be excluded from AGR. Investment of saving from the income which has severed all its links

with the licenced telecom activity was again an application of income, the revenue where from did not come within the purview of AGR. Similarly, revenue derived from any temporary surplus funds through use for any business other than telecom service or for maximizing the value of money through fixed deposits, securities or mutual funds cannot be termed as an income from telecom activity and hence cannot be included in AGR for the purposes of computation of LF. Such interest, therefore, cannot be treated as revenue generated from service or licensee's business under the licence or not even distantly related to the business being carried out to provide the service under the licence.

- The Hon'ble Madras High Court by an order dated 22 June 2012 has directed as follows:

“No coercive steps shall be taken, by the respondents, to recover the LF payable by the petitioner, in respect of the non-telecom activities of the petitioner, until further orders.”

Reply of the Management is not acceptable as -

- While the matter is sub-judice at Hon'ble Madras High Court, Audit view is that definition of GR in licence agreements expressly provides for inclusion of interest income for GR/AGR for computation of revenue share.

Thus non-inclusion of interest income pertaining to period from 2006-07 to 2009-10 has resulted in understatement of GR/AGR by ₹ 98.89 crore and short payment of LF and SUC amounting to ₹ 6.74 crore and ₹ 2.66 crore respectively (**Annexure - 8.10**).

8.2.8 Non consideration of income from investment for GR/AGR for payment of revenue share

From the examination of data/records provided by Aircel group for the period from 2006-07 to 2009-10 it was observed that income from investments amounting to ₹ 9.01 crore was not considered as revenue during 2006-07 to 2009-10 for GR/AGR.

To an Audit query, the Management stated that -

- The nature of the income, being dividend, was not attributable to any licenced activity. Hence, any dividend earned on account of investments of any nature whatsoever, was not part of income accrued from the licenced activity.
- The Hon'ble Madras High Court by an order dated 22 June 2012 has directed as follows:

“No coercive steps shall be taken, by the respondents, to recover the LF payable by the petitioner, in respect of the non-telecom activities of the petitioner, until further orders.”

Reply of the Management is not tenable as while the matter was *sub-judice* at Hon'ble Madras High Court, Audit view is that definition of GR in licence agreements expressly provides for inclusion of income from dividend in GR/AGR for computation of revenue share.

Thus non-inclusion of Income on investment pertaining to period from 2008-09 to 2009-10 has resulted in understatement of GR/AGR by ₹ 9.01 crore and short payment of LF and SUC amounting to ₹ 0.90 crore and ₹ 0.37 crore respectively (**Annexure - 8.11**).

8.2.9 Non consideration of miscellaneous income for GR/AGR

From the examination of data/records provided by Aircel group for the period from 2006-07 to 2009-10, it was observed that certain items of miscellaneous income like income from composite contract, income from software services, income from project Management, notice pay (barring a few cases in some LSAs), income on account of sale of scraps, reimbursement of cost etc. were not considered while computing AGR for the purpose of revenue share:

- (i) Corporate Income amounting to ₹ 93.63 crore was not considered for AGR in DWL during 2006-07 and 2008-09. The short payment of LF and SUC on this amount worked out to ₹ 5.70 crore and ₹ 2.16 crore respectively (**Annexure - 8.12**).
- (ii) Recovery of Notice pay from the employees was not treated as revenue for the purpose of GR/AGR (except for a few cases in DWL in 2009-10). During 2009-10 in some LSAs of DWL (viz. UP (West), Bihar and Jharkhand, Assam, North East and NLD) notice pay was included in AGR and LF paid on it. The total amount of recovery of notice pay was ₹ 5.56 crore, out of which ₹ 0.58 crore was considered for AGR during 2009-10 and the total amount on which LF/SUC remains to be paid was ₹ 4.98 crore. LF and SUC short paid works out to ₹ 0.40 crore and ₹ 0.13 crore respectively (**Annexure - 8.13**).
- (iii) Miscellaneous income/other income on account of sale of scraps, reimbursement of cost etc. (excluding insurance claims) amounting to ₹ 1.59 crore had not been considered as revenue while computing GR/AGR for the purpose of LF/SUC. LF and SUC short paid works out to ₹ 0.11 crore and ₹ 0.03 crore respectively (**Annexure - 8.14**).

To an Audit query, the Management stated that-

- Corporate incomes do not arise from the licenced activity and for doing this, no licence was required. Further, separate divisional books of account were maintained for the non-telecom businesses which had no nexus with the licenced activities of any telecom circles.

“Notice Pay Recovery” consists of income received from employees on termination of services which do not accrue either from subscribers or from other telecom service providers for provisioning of telecom service, and therefore, should not be part of AGR.

“Miscellaneous income/other income” includes income from sale of scraps, insurance claim, reimbursement of cost etc. which do not accrue either from subscribers or from other telecom service providers for provision of telecom service, and therefore, should not be part of AGR.

Furthermore, these incomes do not require even a telecom licence.

- The Hon’ble Madras High Court by an order dated 22 June 2012 has directed as follows:

“No coercive steps shall be taken, by the respondents, to recover the LF payable by the petitioner, in respect of the non-telecom activities of the petitioner, until further orders.”

Reply of the Management is not tenable as -

- Definition of GR in licence agreement expressly provides for inclusion of miscellaneous income in GR/AGR for computation of revenue share. As mentioned earlier, the insurance claims have been excluded from AGR.
- While the matter is *sub-judice* at Hon’ble Madras High Court, Audit view is that miscellaneous income should be included in GR/AGR for computation of revenue share, as per licence conditions.

8.2.10 Non consideration of income from profit on sale of fixed assets for payment of revenue share

From the examination of data/records provided by Aircel group for the period from 2006-07 to 2009-10, it was observed that income from profit on sale of fixed assets was not included in GR/AGR for computation of revenue share, as detailed below:

Table 8.3

Name of the company	Year	Amount not considered for GR/AGR (₹ in crore)	Annexure reference
Dishnet Wireless Ltd	2007-08	10.04	8.15
Aircel Ltd	2009-10	23.88	8.16
Aircel Cellular Ltd	2007-08	0.01	8.17
	2009-10	7.24	
Total		41.17	

To an Audit query, the Management stated that -

- Sale of fixed assets on which capital gains were made cannot be said to be part of licenced activity. The stage at which the funds were utilized for purchase of fixed assets was after they had severed their connection with AGR. Hence, capital gains made on account of sale of fixed assets etc. should not form part of AGR. The capital gain made out of sale of asset was well within the purview of income tax and are charged separately from the operator during its assessment by the tax authorities and it was a common principle of law that the same cannot be charged twice by the State. If the licensor also extends its right to claim a part of this capital gain as a percentage of AGR from the licensee, then the State is indulging in double taxation, which was legally impermissible.
- The Hon'ble Madras High Court by an order dated 22 June 2012 has directed as follows:

“No coercive steps shall be taken, by the respondents, to recover the LF payable by the petitioner, in respect of the non-telecom activities of the petitioner, until further orders.”
- Further, TDSAT in its recent judgment dated 23 April 2015 has held that “In light of the discussions made above and especially in view of the recognition of revenue as per AS-9 “gain on sale of capital assets and receipt from sale of scrap” cannot be included in “gross revenue” for computation of LF. As seen above, clause 19.1 of the licence agreement mentions specific inflows as forming part of “gross revenue”. The item under consideration evidently does not come under any of the inflows enumerated in clause 19.1. Capital receipts are different from revenue receipts; hence, receipts of capital nature cannot be added to the “gross revenue” (para 19.2).

Reply of the Management is not tenable as:

- Definition of GR in licence agreements expressly provides for inclusion of miscellaneous income in GR/AGR for computation of revenue share.
- While the matter is *sub-judice* at Hon'ble Madras High Court and Hon'ble Supreme Court, Audit view is that any gain incidental to PSPs should be considered for GR.

Thus, income of ₹ 41.17 crore on account of profit on sale of fixed asset accounted in the books of accounts of the company should be included in GR/AGR for computation of revenue share payable by the company to DoT. Resultantly, LF and SUC amounting to ₹ 3.72 crore and ₹ 1.34 crore respectively (**Annexure - 8.18**) were not paid on the said revenue by the Company.

8.2.11 Non Inclusion of profit on revaluation of assets in GR

As per the Scheme of Arrangements (SoA) approved by the Hon'ble Madras High Court in June 2010, the passive infrastructure assets of the three companies in the Aircel group-Aircel Ltd (AL), Aircel Cellular Ltd (ACL) and Dishnet Wireless Ltd (DWL) were to be transferred to Chennai Network Infrastructure Limited (CNIL) for a lump sum consideration. The appointed date of the Scheme was 1 January 2010. Accordingly, the assets of all three companies were revalued as on 1 January 2010 and the profit on revaluation of ₹ 3612.04 crore was accounted in 2009-10 under General Reserve which has been treated as a free reserve for all purposes as per the SoA. The above profit included profit from revaluation of the Company's passive infrastructure assets and other assets. As per the directions of the Hon'ble High Court, the SoA was to be effective from the date of filing of the order with the Registrar of Companies. Accordingly the transfer of assets as per the SoA became effective in July 2010.

Audit observed that the profit of ₹ 3390 crore earned on revaluation of the passive infrastructure assets, transferred to CNIL was not considered for revenue share in the year 2009-10. The Management informed that recording of the transaction of sale/transfer of asset prior to July 2010 i.e. before filing the order with the Registrar of Companies would have amounted to contempt of court.

As the effective date of SoA was beyond the period covered in the present Audit, it could not be ascertained whether the profit earned from the passive infrastructure assets transferred to CNIL was offered for payment of LF and SUC in subsequent years.

8.3 Short/non-payment of revenue share due to irregular/excess deductions claimed in the AGR statements

8.3.1 Irregular deduction of bad debts written off from GR to arrive at AGR

In terms of clause 19.2 of the licence agreement, only following three items are allowed to be excluded from the GR for arriving at AGR-

- PSTN related call charges (Access Charges) actually paid to other eligible/entitled telecommunication service providers within India;
- Roaming revenues actually passed on to other eligible/entitled telecommunication service providers and;
- Service tax on provision of service and sales tax actually paid to the government if gross revenue had included as component of sales tax and service tax.

Review of data/records furnished by Aircel Group for the period from 2006-07 to 2009-10 revealed that during 2009-10, while arriving at GR for Aircel Cellular Ltd, Bad debt written off amounting to ₹ 24.70 crore in Tamil Nadu LSA was deducted from the revenue resulting in reduction of GR/AGR for 2009-10 by ₹ 24.70 crore.

To an Audit query, the Management stated that-

- The bad debts written-off in the year 2009-10 were reduced from the AGR pursuant to the TDSAT judgment dated 30 August 2007 which stated that “Bad debts are actual monies lost by the service provider. Therefore, such losses have to be excluded from AGR. Allowing amounts on account of such losses to be included in AGR would mean that while the party incurs loss it has to pay LF on the loss also”. The above judgment still holds good since the new judgment of TDSAT dated 23 April 2015 has yet not attained the finality as the same is challenged by DoT before Supreme Court.
- In our view, bad debts represent failure of the service provider to realize the amounts. To impose LF on these items would mean subjecting the operators to double jeopardy – by failing to realize the amounts they lose the revenue.

The contention of the Management is not tenable, as:

- TDSAT judgment dated 30 August 2007 referred in the reply was set aside by the Hon'ble Supreme Court vide judgement dated 11 October 2011.
- The licence agreement does not provide deduction of bad debt from GR to arrive at AGR.
- While the matter is sub-judice at Hon'ble Supreme Court, Audit view is that bad debt should not be deducted from GR, as per licence conditions.

This has resulted in understatement of AGR by ₹ 24.70 crore and short payment of LF and SUC by ₹ 2.47 crore and ₹ 1.05 crore respectively.

8.3.2. Excess Deductions claimed in ISP (IT) AGR

In terms of the amendment to “Terms and conditions of licence agreement for provision of internet services (including Internet Telephony)” issued by DoT vide its letter dated 3 March 2006, “For the purpose of arriving at the AGR, the following shall be excluded from the GR:

- Charges from internet access, internet content and internet access related installation charges.
- Service tax on provision of service and sales tax actually paid to the government if gross revenue had included as component of sales tax and service tax.”

During review of Audited AGR in respect of ISP (IT) Licence of DWL for the year from 2006-07 to 2009-10, it was noticed that the total deduction claimed by DWL was ₹ 96.52 crore out of which, deduction amounting to ₹ 7.50 crore pertains to customer premises equipment rental, mailbox solution to corporate, server co-location charges, etc.

which do not fall under any of the category of deductions allowed in the licence agreement for ISP(IT), consequently the AGR was understated by the same amount.

On being pointed out by Audit it was replied that-

Table-8.4

GL Description	Remarks
Income from Inter divisional Services	The company is charging for the lease line (E1s) used by the clients. The invoices raised by the Company and charges recovered are in the nature of lease line though the same are billed as Port charges on account of lease lines. These lease line charges are against the internet access charges and is grouped under the same. Port is a technical arrangement of the company for the provision of connectivity of the services for which the customers are not billed by any of the private operators. Charges billed to customers are in the nature of lease line only though billed with the nomenclature of port charges. Even the invoices raised in the current periods also have the same nomenclature.
Income from CPE rental - Inter Company	The Company is installing equipment at the customer premises to provide the internet services, for which the Company recovers installation charges from the group company. The Company is charging installation charges which are described as CPE rental charges in the invoices. The invoice does not contain installation charges separately in the invoices, since it is charged under this head. The same practice of invoicing is followed by the company during the current years too.
Income from CPE Rental	

Therefore, from the above, it is evident that deductions claimed are as per the licensing agreement and eligible for deduction from the calculation of AGR.

Audit view on the Management reply is as follows:

- Management contention that income from Inter divisional services includes income from port charges, which was of the nature of internet lease line, was considered. During 2006-07 to 2009-10 total income from such port charges was ₹ 2.37 crore. Hence the amount of excess deduction claimed during 2006-07 to 2009-10 was revised from ₹ 7.50 crore to ₹ 5.13 crore.
- Regarding Income from Inter divisional Services, the revenues relating to Mailbox solution to corporate, server co-location charges, etc. amounting to ₹ 0.83 crore was not at all eligible for deduction, as it did not fall under any of the category of deductions allowed in the licence agreement for ISP (IT).
- Further, as per invoice shown to Audit, installation charges and CPE rental charges were separately shown in the invoice and also they do not fall under any of the

category of deductions allowed in the licence agreement for ISP (IT) and hence did not qualify for deduction.

In view of above, deduction amounting to ₹ 5.13 crore was claimed in excess by DWL and consequently the AGR was understated by the same amount. Resultantly, LF amounting to ₹ 0.31 crore (**Annexure - 8.19**) was not paid by the Company.

8.4 Interest on short/non-payment of LF and SUC

On issues raised above (para 8.2 to 8.3) short/non-payment of LF and SUC worked out to be ₹ 75.80 crore and ₹ 31.81 crore respectively. The interest on this short/non-payment of LF and SUC is ₹ 155.22 crore (**Annexure - 8.20**). The calculation of interest was based on the rate prescribed in the Licence agreement i.e. two *per cent* above the Prime Lending Rate of State Bank of India existing as on the beginning of the financial year and the period considered for the calculation was from the end of the concerned financial year up to March 2015. The interest has been compounded monthly as prescribed in the licence agreement.

8.5 DoT's response to the Audit observations

Audit observations on the revenue shared by Aircel Group were communicated to DoT in October 2015. Reply of DoT is awaited (January 2016).

CHAPTER – IX

Verification of deduction claims in the Offices of the Controllers of Communications Accounts

9.1 Introduction

Offices of the Controllers of Communications Accounts (CsCA) are the interface between DoT and the PSPs licensed to provide service in a Licensed Service Area (LSA). Besides the Statutory¹ and Administrative² functions, CsCA revenue functions included collection of LF and SUC from all licensees of various telecom services which is being paid by the PSPs on their self - assessed revenue, scrutiny and verification of documents submitted by the licensees in support of their claims for deduction.

Verification of deductions claimed by PSPs was delegated to CsCA from 2006-07 and on completion of the verification exercise, the CsCA convey their findings through 'verification reports' to the LF Wing of DoT.

Verification of proof of payment with respect to the deduction claims and determination of actual AGR is an important pre-requisite for the accurate computation/assessment of revenue share due from a PSP. Timely completion of the process of verification was to be ensured to facilitate final assessment in DoT.

Records maintained by 21 CsCA out of 25 CsCA were test checked by audit to ensure that LF and SUC due was collected from PSPs and the verification of their claims for deduction from AGR was supported by due documents. The test check was conducted for the period 2006-07 to 2009-10 in respect of six operators viz BAL, Vodafone, RCL/RTL, ICL, Aircel and TTSL/TTML. Audit observations emanating from the scrutiny of records and the process of verification are as under:

9.2 Audit Observations

9.2.1 Deductions allowed in absence of required proof

From time to time, DoT issued clarifications regarding verification procedure for deductions claimed by Telecom Service Providers. As per the issue no.7 of the clarification issued by DoT on 05 July 2007, proof of payment included vouchers/bank statements/receipts etc. Subsequently, DoT in November 2011, emphasized that submission of details including payable invoices along with proof of payment/receipt was a pre-requisite for claiming deductions by the licensees.

Test check of records in CsCA office revealed that CsCA had allowed claims for deduction in respect of PSTN/roaming charges paid to other operators without proof of document as

1 Statutory function includes budgeting of pension expenditure, authorization of retirement benefits on CDA and IDA pay scale, maintenance of GPF, recover contribution for NPS and remit to trustee bank, PAO and other DDO functions.

2 Other administrative functions as Head of the Department including handling of court cases

prescribed by DoT. To an audit observation in this regard while 11 CsCA³ accepted the lapse and replied that operators are being addressed to submit the required documents, other CsCA replied that the deductions were allowed based on the instructions of DoT prevailing during the relevant year.

DoT, in June 2013 and November 2014, provided detailed clarification on deduction verification based on queries raised by CsCA. Prior to those clarifications from DoT, there was no uniformity among CsCA as well as operators with regards to nature of documents to be submitted as proof for deduction. This resulted in different CsCA adopting different standards regarding documents to be submitted in support of deduction claims.

9.2.2 Ineligible deductions allowed from GR

As per the conditions of UASL agreement, for the purpose of arriving at the AGR of the licensee, the following three items of charges paid by the PSP were only permitted to be excluded from the GR.:-

- i) PSTN related call charges (Access Charges) actually paid to eligible/entitled Telecom Service Providers within India.
- ii) Roaming revenues actually passed on to other eligible/entitled telecom service providers.
- iii) Service Tax/Sales Tax paid to Government, if the same had been included in the Gross Revenue.

Scrutiny of documents submitted as proof against claims for deduction and verification reports issued by CsCA for the period 2006-07 to 2009-10 revealed that, PSPs had claimed deductions for expenses incurred under Interest on delayed payment and leased line charges. CsCAs erroneously allowed these deductions from GR resulting in understating AGR in four LSAs as detailed below:

Table 9.1

(₹ in lakh)

SI No.	PSP	LSA	Year	Amount	Payment type
1	Vodafone	Gujarat	2006-07 to 2009-10	10.58	Fixed Charges, Interest on delayed payments
		Rajasthan	2006-07 to 2009-10	13.69	
		Maharashtra	2007-08	958.93	Deduction allowed including ST
		Andhra Pradesh	2007-08	300.64	Excess deduction on account of typographical error
2	TTSL	Karnataka and Odisha	2007-08 to 2008-09	2.65	Interest for delayed payment of Interconnect Usage Charges (IUC)

3 Jharkhand, Karnataka, Odisha, Punjab, Rajasthan, Kerala, Kolkata, Delhi, Bhopal, Haryana and Mumbai

On this being pointed out, CCA Karnataka replied that there was no clear cut indication on non-admissibility of interest towards delayed payment, while CCA Odisha and CCA Gujarat replied that the matter was being rechecked. Response from CCA Rajasthan is awaited.

This lacuna in the verification process adopted by the CsCA and non-adherence to the conditions in the licence agreement and instructions issued by DoT resulted in allowing ineligible deductions from the GR of the PSPs. As the DoT does the assessment based on the verification reports sent by the CsCA, the impact of discrepancies, if any, in allowing deduction would result in short realization of revenue share.

9.2.3 Inadmissible deduction on account of Service Tax

In terms of provisions in UASL agreement and as per clarifications issued in July 2007 by DoT, if the GR includes Service Tax/ Sales Tax, then actual payments made by the licensee to the Government during the Financial Year qualifies for deduction for that year.

It was observed that as per notes to audited AGR statements of BAL, Vodafone and ICL, GR shown in the audited AGR does not include Service Tax component. However, on a test check of records it was noticed that BAL, Vodafone and ICL had claimed deduction including service tax component in four LSAs which was allowed by the respective CsCA as below:

Table 9.2

(₹ in crore)

Name of the PSP	LSA	Year	Gross Invoice	ST component
Bharti Airtel Ltd	Odisha	2007-08	21.32	2.35
Idea Cellular Ltd	Andhra Pradesh	2007-08	16.42	1.81
Idea Cellular (Spice Communications Ltd)	Karnataka	2008-09	55.48	6.08
Vodafone	Karnataka	2006-07 to 2009-10	41.17	4.52
Vodafone	Maharashtra	2007-08 to 2009-10	87.40	9.59
TOTAL				24.35

On this being pointed out by Audit, while CCA Bhubaneswar accepted the audit comments and the Pr. CCA, Andhra Pradesh replied that claim of ICL would be reviewed. CCA Karnataka has stated that the claim on inclusion of Service Tax in roaming related deductions have been checked randomly and agreed with Audit. However, confirmation of the observation raised by Audit on all the items is required to be done after thorough verification.

Thus allowing deduction including service tax component in violation of DoT's instruction led to excessive deduction of ₹ 24.35 crore resulting in short payment of revenue share.

9.2.4 Allowing deduction twice on same claim

As per conditions of licence agreement, operators shall submit claims for deduction towards PSTN charges along with required proof as communicated by DoT from time to time. Test check of records of CsCA revealed that in six LSAs, CsCA had allowed deduction twice for invoice/voucher amounting to ₹ 11 crore in respect of three PSPs as detailed below.

Table 9.3

Name of the Pr. CCA/ CCA	Operator (Service Area)	Year of claim	Deduction Claim on First occasion		Year of claim	Claim on Second occasion		
			Amount claimed	Amount allowed by CCA		Amount claimed	Amount allowed by CCA	
			₹ in crore		₹ in crore			
Raipur	BAL (MP)	2007-08 (Q-4)	2.28	2.21	2008-09 (Q-1)	2.28	2.21	
Lucknow	BAL (UP(E))	2007-08 (Q-4)	1.71	1.71	2008-09 (Q-1)	1.71	1.71	
Mumbai	BAL (Mumbai)	2006-07 (Q-1)	2.09	2.09	2006-07 (Q-2)	2.09	2.09	
Rajasthan	BAL (Rajasthan)	2008-09 (Q-2)	0.94	0.94	2008-09 (Q-3)	0.92	0.92	
Guwahati	Vodafone (Assam)	2008-09 (Q-3)	2.35	2.65	2008-09 (Q-4)	2.35	2.35	
Lucknow	Vodafone (UP(E))	2007-08	1.61	1.61	2007-08	1.61	1.61	
Bangalore	Aircel (Karnataka)	2009-10 (Q-1)	0.10	0.10	2009-10 (Q- 2)	0.10	0.10	
Bangalore	Aircel (Karnataka)	2009-10 (Q-2)	0.01	0.01	2009-10 (Q- 3)	0.01	0.01	
TOTAL							11.00	

On this being pointed out by Audit, three CsCA (Raipur, Lucknow and Bangalore) accepted the audit observation and stated that the revision of verification would be carried out in consultation with DoT as the assessment for the above period has already been completed. Replies from remaining three CsCA (Mumbai, Assam and Rajasthan) are awaited.

9.2.5 Excess deduction allowed by Pr.CCA Andhra Pradesh while restricting deduction claims not supported by proof documents for TDS

In case of IUC payable to other operators, service tax is levied and TDS is also deducted from the amount payable. However, only the IUC actually paid is eligible for deduction from GR to arrive at AGR. In case of IUC deductions claimed by the PSP, proof documents for amount paid (net of TDS) as well as proof for TDS deposited are required to be submitted by the PSP at the office of the CsCA as per DoT's instructions (July 2007 and January 2012).

Audit scrutiny of records of Pr. CCA Andhra Pradesh revealed that BAL, RCL and TTSL had not submitted the proof documents for TDS amount and hence the Pr. CCA office disallowed TDS amount after recalculating the amount to be disallowed. While recalculating the TDS related deduction, Pr. CCA allowed the deductible TDS amount including service tax component, instead of limiting it to IUC alone. This resulted in allowing of excess deductions amounting to ₹ 75.41 crore by the Pr. CCA Andhra Pradesh thereby reducing AGR to that extent as detailed below:

Table 9.4

(₹ in crore)

Year	Excess deduction allowed			Total
	BAL	RCL	TTSL	
2008-09	5.22	5.32	7.60	18.14
	11.12	9.34	10.67	31.13
	10.71	6.37	9.06	26.14
Total	27.05	21.03	27.33	75.41

On this being pointed out by Audit, Pr. CCA, Andhra Pradesh replied that TDS amount would be disallowed during revision of deduction verification.

Further, response from the DoT was received (January 2016) wherein it was stated that in respect of Reliance, revised report was received by DoT from Pr. CCA Andhra Pradesh. However, in respect of Airtel, it was stated that reply from Pr. CCA Andhra Pradesh was awaited. No reply has since been furnished by DoT regarding TTSL.

9.2.6 Allowance of deduction on account of TDS despite non-submission of TDS certificate

As per the clarification for issue No.8 in their DoT letter No.1-28/2006/LF dated 5 July 2007, in case of adjustment of PSTN/Roaming charges between two PSPs the payment of only net amount due is effected. However, the respective licensee can claim the deduction

of the full amount. The licensee should however support this through proof of payment and adjustment. The nature of proof of payment includes vouchers/bank statement/receipts.

While allowing the deduction claims submitted by the operators, for the portion of TDS amount paid, CCA shall allow such portion of claim on the basis of submission of document by the operator such as Form 16A duly attested/certified by the statutory auditor or TDS certificate issued by tax deducting authority. If any of the said documents were not submitted by the operator, the amount of TDS should be disallowed on the ground of non-submission of proof documents for TDS amount.

Scrutiny of deduction claims of PSPs for the years 2006-07 to 2009-10, revealed that in many CsCA, the deduction claims were allowed without production of proof documents for TDS payments. DoT issued clarifications regarding the proof of documents to be accepted for the TDS deductions and their admissibility during November 2014 wherein it was stated that cases where deduction verification has been finalised may not be reopened by the CsCA.

As most of the CsCA have completed the verification of deduction for the years 2006-07 to 2011-12, the short payment of licence fee on inadmissible deduction on account of nonsubmission of proof for the TDS would not be recovered resulting in loss of LF to the DoT to the extent of allowance of such claim.

On above issue, response from the DoT was received (January 2016) wherein it was stated that in respect of CCA Chattisgarh, RCL/RTL had submitted the additional documents to substantiate the TDS amount and the documents submitted were verified and revised report sent to DoT. However CsCA Kolkata, Chennai, Bihar and Karnataka stated that verification of deduction claimed was completed on the basis of guidelines issued by DoT HQ applicable at that time and there was no provision/instruction to separately confirm payment of TDS when verification was conducted. In respect of Vodafone, too, it was stated by the CsCA that the verification was carried out as per the DoT's instruction prevailing at that time and there was no provision/instruction to separately confirm payment of TDS when verification was conducted. In respect of Airtel, it was stated that reply from CsCA was awaited.

Audit is of the view that there was lack of uniformity amongst CsCA in allowing deductions on non-submission of proof documents for TDS.

9.2.7 Claims disallowed despite submission of proof documents

DoT clarified in July 2007 (Issue No.7) that proof of payment includes vouchers/bank statements/receipts etc. and reiterated in November 2011 that submission of details including payable invoices along with proof of payment/receipt is a pre-requisite for claiming deductions by the licensees.

On verification of deduction claimed by the licensee, it was noticed that in respect of five PSPs (BAL, Vodafone, RCL, Idea and TTSL/TTML) in several LSAs despite availability of proof of payment, various deduction claim of the PSPs like deduction on PSTN charges and IUC were disallowed by CCA (**Annexure - 9.01**).

On this being pointed out by Audit, CCA Kolkata replied that regarding RCL the amount was inadvertently disallowed by arithmetical mistake. The other CsCA also accepted the audit observation and replied that the matter would be considered on request of the licensee and the facts shall be intimated to DoT for further instructions. Further in its reply, DoT stated that the claims were not rejected merely on technical grounds and it is also clear that the verifications in most cases have been done as per DoT instructions.

9.2.8 CsCA permitted irregular deductions on inter-divisional adjustments of ₹ 432.64 crore.

DoT in July 2007 while clarifying admissibility of inter-divisional adjustments of PSTN charges, specified that audited proof of adjustments certified by the statutory auditor was required. In June 2013, DoT further clarified that proof of adjustment could be the extract of ledger statement of adjustment on quarterly basis duly signed by the authorized signatory of the licensee and at the end of the year account statement duly certified by the Statutory Auditor of the licensee.

Audit scrutiny of records of ICL in five CsCA (Bhubaneswar, Lucknow, Meerut, Ahmedabad and Ambala) revealed that CsCA allowed inter-divisional adjustments amounting to ₹ 432.64 crore for year 2007-08 to 2009-10 without obtaining prescribed proof of adjustments from the licensee as detailed below:

Table 9.5

(₹ in crore)

Sl. No.	Name of CCA	Name of LSA	Year	Amount
1	Ahmedabad	Gujarat	2008-09	25.43
			2009-10	128.76
2	Bhubaneswar	Odisha	2009-10	5.97
3	Lucknow	UP (East)	2007-08	13.67
4	Meerut	UP (West)	2007-08 to 2009-10	188.92
5	Ambala	Haryana	2006-07 to 2008-09	69.89
Total				432.64

On this being pointed out by Audit, CCA Bhubaneswar stated that the operator would be directed to submit detailed operator-wise statement before re-verification is carried out, while other CsCA replied that verification of deduction was done on the basis of DoT's clarification issued in July 2007.

The reply is not tenable as DoT vide its letters dated 5 July 2007 and 10 January 2012 had clarified that the licensed company was to furnish documents duly certified by the Statutory Auditor at the end of the year to avail benefit of deduction on account of inter-division payments/adjustments.

9.2.9 Miscellaneous Observations

9.2.9 (a) Excess allowance of deduction claim ₹ 3.87 crore to Dishnet Wireless Ltd. (Aircel Group of companies) of Assam LSA.

Scrutiny of the statement of revenue and licence fee for the year 2009-10 in respect of DWL (Aircel) in Assam LSA revealed that CCA had erroneously allowed ₹ 3.91 crore being the payment made to BSNL against the invoice amount of ₹ 0.04 crore which had resulted in excess allowance of deduction to the tune of ₹ 3.87 crore.

CCA replied that factual position would be furnished after verification of the records.

9.2.9 (b) Verification on the basis of Unaudited AGR and Estimated AGR

DoT instructed that verification of deduction based on quarterly documents submitted by the PSPs shall be done after submission of annual audited accounts. Scrutiny of the verification reports of Vodafone and TTSL alongwith audited and estimated AGRs revealed that verification of deduction claimed for the period from 2006-07 to 2008-09 in Rajasthan, Kerala and Madhya Pradesh service areas was conducted on the basis of unaudited AGR while verification of deduction claimed for the year 2006-07 in Odisha service area was conducted on the basis of estimated AGR.

On this being pointed out by Audit, CCA, Madhya Pradesh replied that facts and figures would be confirmed; whereas CCA Odisha replied that verification was now being done on the basis of Audited AGR.

In the absence of verification of deduction based on audited AGR, the authenticity of deductions claimed by PSPs could not be verified.

9.2.9 (c) Improper permitting of claim of deduction

Test check of records of two CsCA (Andhra Pradesh and Bhubaneswar) revealed that

- (i) In respect of claim for deduction for the year 2008-09 submitted by BAL, Pr. CCA Andhra Pradesh allowed an amount of ₹ 0.18 crore without any adjustment details by the operator.
- (ii) CCA Bhubaneswar allowed claim of ₹ 4.86 crore of deduction for the year 2008-09 out of which an amount of ₹ 3.94 crore was passed without any claim of the same by the operator and an amount of ₹ 0.92 crore already disallowed by the CCA was wrongfully included as allowed amount in the verification report submitted to DoT.

On being pointed out, Pr. CCA Andhra Pradesh accepted the audit observation and informed that the same will be addressed in the verification report. CCA Bhubaneswar accepted the audit observation relating to ₹ 0.92 crore of wrongly allowed claim and reply was still awaited in respect of the balance ₹ 3.94 crore.

9.2.9 (d) Deductions claimed in advance

As per conditions of licence, claims on deduction of PSTN charges should be allowed on actual basis. On a test check of the PSTN charges claimed as deduction by Vodafone and Tata Group of Companies for the period from 2006-07 to 2009-10 along with the respective verification reports of the CsCA, it was noticed that four⁴ CsCA had allowed deduction of PSTN charges in advance of the year in which the payment was actually made.

On being pointed out,

- CCA Chennai replied that as per issue no. 5 of clarification dated 5 July 2007 of DoT, date of receipt of cheques by receiving licensee, was to be taken as date of payment and accordingly the claims were allowed.
- CCA Madhya Pradesh carried out re-verification of deductions claimed by the PSP and replied that a detailed report thereon was submitted to DoT HQ
- CCA Odisha replied that in view of audit observation and issue of new instructions, re-verification of the claim was under process.
- CCA Kolkata replied that the licensee shall be addressed in this regard and outcome shall be intimated

The reply furnished by CsCA Chennai was not acceptable as the cheques were issued in the year 2006-07 whereas the date of actual payment was in the next financial year i.e. in 2007-08. This could result in double deduction as there was possibility of deduction claims being allowed again in the following year. With disclosure to this effect not being made by statutory auditors, the eventuality needs further verification.

9.2.9 (e) Non-submission of operator-wise details of revenue receivable and actual payments made.

As per condition 20.4 of the licence agreement, the licensees were required to furnish to the licensor in their statement of revenue and licence fee (Appendix-II to Annexure-II of License Agreement), operator-wise details of pass through revenue receivable in their GR and operator-wise details of actual payments made against deductions claimed, for arriving at the AGR. This information from the operators is an important input for final assessment by DoT, since it facilitates cross examination of the claims made by PSPs.

⁴ Chennai, MP, Odisha, Kolkata

Review of financial statements submitted by Vodafone for the period 2006-07 to 2009-10 revealed that operator-wise details of revenue receivable were not disclosed by the company. Operator-wise pass through charges payable were also not furnished by Vodafone from 2008-09 onwards. In absence of this information, which serves to cross check claims of operator-wise revenue receivables/ payables, the possibility of PSPs erroneously including revenue in GR after set-off (netting off receivable-payable) and then claiming deductions in full with proof of actual payment cannot be ruled out.

Thus, the operator failed to submit correct and authentic documents containing prescribed details relating to pass through revenue to the CsCA/DoT and as a result the pass through revenue receivable and deductions based on actual payment of pass through charges paid to other operators cannot be verified by the CsCA/DoT.

9.2.9 (f) Delay in submission of proof documents by service providers and delay in process of verification/re-verification

The licence conditions stipulate time frame for payment of LF and submission of proof documents by licensee. Reiterating Clause 22.3 (a) of UASL agreement which confers right on licensor or TRAI to call for any book of accounts which the licensee maintains, DoT directed (August 2010) all PSPs to submit details of payments made to other service providers and service/sales tax paid along with necessary documents in support of deductions in AGR statement.

In the light of verdict of Hon'ble Supreme Court of India (October 2011) setting aside TDSAT order on claiming deductions on accrual basis, DoT granted extension of time upto December 2011 to the operators to submit all requisite documents to support deductions claimed from 2007-08 onwards. However, scrutiny of data (test checked for Vodafone) available in CsCA revealed inordinate delays in submission of required proof documents in various LSAs during 2007-08 to 2009-10. Documents were also submitted in staggered manner affecting the timely completion of verification process.

Further CsCA also failed to adhere to the time frame stipulated by DoT for completion of verification of deductions and submission of report on verification to LF Branch. Test check in case of Vodafone revealed that none of the CsCA submitted verification reports within time frame and delay in completion of verification of deductions claimed by Vodafone ranged from 3 to 68 months (**Annexure - 9.02**).

Audit also observed delay in completion of re-verification based on SC judgment dated 11 October 2011 (**Annexure - 9.02**). Thus, delays in submission of required proof documents by the operator and the inability of DoT to force the issue with the operator has led to a situation where the Government could not correctly assess the actual revenue share.

9.3 DoT's response

DoT's response in relation to verification process of deductions claimed by the three operators (BAL, Vodafone and Reliance) at the offices of CsCA was received in January 2016. Reply specific to excess deduction allowed by Pr. CCA Andhra Pradesh and allowance of deductions on account of TDS has been included in para 9.2.5 and 9.2.6 respectively.

In general, DoT stated that the verification work decentralized to CsCA's had initial teething troubles. One issue which directly impacted the process of deduction verification was the disagreement between DoT and PSPs on whether deductions will be allowed on paid basis or accrual basis. The licence agreement provides for deduction on paid basis while the PSPs insisted on submitting documents to CsCA on accrual basis. The PSPs often taking the shelter of litigation either did not provide the documents or provided them in un-acceptable formats. The Department got judgment from Hon'ble Supreme Court in 2011 and only after this did the PSPs started submitting documents which were also not complete. The PSPs had to be provided with extra time in respect of production of documents which had to be obtained from other parties like bank (for payment proof)/Government Departments (TDS proof etc.).

Further, DoT stated that after the deduction verification work was decentralized to the CsCA offices, there were several operational issues including interpretation of DoT instructions on deduction verifications. Clarifications were sought from DoT by the CsCA offices regarding various issues related to deductions claimed like international roaming charges, lease line charges, Access charges etc and the documents mandatorily required for submission. However, the process of submission of documents and verification in the recent years has become relatively more timely and regular.

Audit is of the view that the issues highlighted by DoT are in its administrative domain and DoT should take proactive action to streamline the process of verification of deductions claimed by the operators. The licence agreement include penal provisions for violation of licence terms and conditions. However, these provisions have not been used by DoT to enforce the agreements.

As brought out in the earlier paragraphs, verification of deduction claims at CsCA level was not done uniformly and CsCA have taken different approach in allowing/disallowing deduction claims submitted by the PSPs. During the course of audit of records maintained by CsCA for verification of deduction claims, discrepancies on various issues were noticed among different CsCA. Also within the same CsCA, different yard sticks were adopted for different operators due to lack of co-ordination within the CsCA. The main reason for these discrepancies was the lack of proper monitoring of CsCA by DoT.

CHAPTER – X

Assessment of Licence Fee and Spectrum Usage Charges

10.1 Introduction

The Licence Finance (LF) wing in DoT is responsible for the assessment of GR and final computation of the revenue share payable by the Licensees. Assessment of GR is done taking into account the Audited AGR and reports/reconciliation statements received from the PSPs. Final revenue share is to be calculated considering the collection details and verification reports received from the Offices of the CsCA. Additional demands, if any, based on the GR assessment and LF paid by PSPs are then to be raised by the LF Wing. Penalty for delayed/short/non-payment of LFs is also to be levied by the LF wing. For spectrum charges, the Wireless Planning Finance (WPF) Division of DoT was responsible.

Other duties in connection with revenue share realization for DoT included –

- Calculation and collection of penalty for delayed payment of LF
- Computation of interest/penalty for short/non- payment of LF
- Maintenance/forfeiture of financial/performance bank guarantees
- Suspension, termination of licenses
- Levy of liquidated damages in case of failure on the part of the licensee in meeting roll out obligation and target/commitment etc.

The process of assessment of LF and SUC undertaken by DoT in respect of the PSPs was test checked and the findings are as given below:

10.2 Audit Findings

10.2.1 Under assessment of GR due to omission of revenues disclosed in reconciliation statements

The UASL agreement conditions stipulated that every licensee should submit reconciliation between the figures appearing in the quarterly statements of revenue and LF payable with those appearing in annual accounts along with their audited annual accounts. Since the final adjustment of LF payable was based on the GR figures certified by the auditors of the licensee, the information presented in the reconciliation statement was an important document which explained the variations between the GR computed for payment of LF with the revenue appearing in the profit and loss account of the licensee company. The notes to the accounts/disclosures of the Auditors and schedules in the annual accounts were other documents which facilitated DoT in identifying those items of revenue which were not taken into account for arriving at the GR as envisaged in the Licence agreements.

A test check of the demands raised by DoT after assessment of the accounts of various LSAs of Vodafone Group for the years 2006-07 to 2009-10 revealed that various items of revenue which were disclosed by Auditors through reconciliation statements annexed to AGR statements as well as schedules annexed to Profit and Loss Account etc., were overlooked by DoT while assessing the GR of the company (**Annexure - 10.01**). Failure of DoT to add back such revenue items, disclosed by the Statutory Auditors, to GR/AGR resulted in short payment of LF/SUC.

DoT in reply (January 2016) agreed with the audit contention and informed that necessary demands would be raised after verification.

10.2.2 Lack of coordination between LF and WPF Wing

As per licence conditions for using radio frequency spectrum allotted by DoT, PSPs in addition to LF, shall also pay spectrum charges on revenue share basis. However, while calculating 'AGR' for limited purpose of levying spectrum charges based on revenue share, revenue from wire line subscribers shall not be taken into account.

It was seen from the assessments finalized by WPF wing of DoT towards SUC for the years 2006-07 to 2009-10, that they were carried out taking into account the AGR stated by the operator in the audited AGR statements.

However, consequent to the assessments carried out by the LF wing of DoT, taking into account the verification reports of CsCA and disclosures in the audited financial statements of the PSPs there were certain revenue items added back to the AGR. These additions to the AGR were not being considered by the WPF division for working out SUC as detailed below:

- i) Vodafone being a cellular mobile service provider, the revenue assessed for LF should be the revenue for assessing the spectrum charges also. Short assessment of SUC, on account of the failure to consider the revised assessment done by LF wing for raising additional SUC worked out to ₹ 267 crore for the period 2006-07 to 2009-10.
- ii) In respect of Aircel Group of companies for the years 2006-07 to 2009-10, while for assessment of LF, AGR was revised by adding PSTN disallowed, un-reconciled differences, rebates & discounts, dividend income, other income, foreign exchange gains, profit on sale of fixed assets, Interest income etc., AGR submitted by the

company was taken up by DoT for assessment of SUC. Thus the difference in AGRs for the years 2006-07 to 2009-10, considered for LF and SUC was ₹ 973.59 crore resulting in short recovery of SUC by DoT. To an audit query in this regard, it was replied by DoT (January 2016) that SUC is being revised as per AGR intimated by LF wing of DoT.

- iii) DWL (Aircel) submitted 'Nil' AGR for Haryana and Punjab service area for the year 2009-10 since their services did not commence. While DoT raised the demand of LF for Haryana and Punjab service area for the period by adding foreign exchange gains, SUC was not revised. On being pointed out by Audit (September 2015), it was replied by DoT (January 2016) that SUC is being revised as per AGR intimated by LF wing of DoT.
- iv) In respect TTSL and TTML, while the assessments carried out by the LF wing of DoT for the years 2006-07 to 2009-10, had taken into account the verification reports of CsCA and disclosures in the audited financial statements of the PSP the WPF division did not consider the above information for working out the SUC.
- v) Out of the total deductions of ₹ 228.62 crore claimed by RCL (Gujarat Circle), ₹ 167.46 crore was disallowed by CCA. While DoT had taken into account the inadmissible deductions disallowed by CCA Ahmedabad and added back to AGR for arriving at the short paid LF, assessment of SUC (CDMA and GSM) was finalized by accepting the total deductions claimed by RCL (₹ 133.48 crore for CDMA and ₹ 82.21 crore for GSM) as admissible deduction without considering inadmissible deductions disallowed by CCA (₹ 97.77 crore for CDMA and ₹ 60.22 crore for GSM). The finalisation of assessment of SUC without considering inadmissible deductions disallowed by CCA and considering total deductions claimed by RCL, resulted in short payment of Spectrum Usage charges. **(Annexure - 10.02)**

Response to audit query seeking the reasons for not considering the assessment done by LF wing for computing SUC was awaited from DOT, except for para (ii) and (iii) above.

10.2.3 Issue of demand notes based on special audit and provisional assessment without proper due diligence.

Based on special audit/provisional assessment for the years 2006-07 and 2007-08, DoT issued demand notes after adding back the respective amounts to AGR for computation of LF. Discrepancies noticed in the demand notes are detailed in Table 10.1 below:

Table 10.1

Year	Name of the TSP	Audit Observations
2006-07	BAL	In the demand note issued for the year 2006-07 based on special audit, interest income of ₹ 20.23 crore was included twice in the demand and supplementary show cause notice. Further, instead of apportioning the corporate income amongst all the licences held by the TSP, it was included only under Delhi LSA.
		₹ 87.38 Crore was added to AGR of Delhi LSA as income from IP1 services accounted in IP1 TBs. Inclusion of entire revenue of IP1 under Delhi LSA was not proper.
	Vodafone	As per the audited accounts of company the deduction claim was inclusive of ₹ 23.17 crore in respect of “Amounts paid/adjusted during the year ended 31 March 2007, against amounts claimed as deduction from GR for the financial year 2005-06 or earlier” which indicated that deduction on this account has already been claimed from GR through the respective CsCA. But, this disclosure was not considered in the final assessment which allowed the operator the benefit of claiming double deductions. DoT informed (January 2016) that service area wise demands were being issued on the above issue.
2007-08	BAL	In the demand note issued for the year 2007-08, based on special audit, interest income of ₹ 65.01 crore, was included twice in the demand notes issued on provisional assessment and Special audit including supplementary demands. Further, instead of apportioning the corporate income amongst the licences held by the PSP its inclusion in Delhi LSA only was not proper.
		₹ 38.75 crore being income from trading in VSAT equipment accounted in TB maintained for erstwhile Satcom Broadband Equipment Limited, a subsidiary of BAL was added to AGR of Delhi LSA. Inclusion of entire revenue under Delhi LSA was not proper as this should have been included in VSAT AGR.
		₹ 100.92 crore added to AGR of Delhi LSA as income from IP1 services and inclusion of entire revenue of IP1 under Delhi was not proper.

In respect of audit observations relating to BAL, the DoT replied (January 2016) that the audit observation was noted and the para was communicated to BAL for their comment. It also stated that items pointed out by Audit are pending in Kerala High Court and action would be taken after the judgement.

Thus, DoT did not exercise due diligence while issuing demand notes that may lead to further litigation.

10.2.4 Delay in submission of documents by service providers and absence of proper policy on time schedule leading to delay in verification of deductions by CsCA

DoT delegated (September 2006) verification of deductions to CsCA on quarterly basis. The above verification for each quarter was to be completed by the CCA within a stipulated

time frame, i.e. by 15 October, 15 January, 15 April and 30 June for quarters I, II, III and IV respectively of the financial year. Also DoT (April 2007) specified the documents to be submitted and the consequences of not submitting the documents within the specified time schedule.

On test check of the records at the offices of CsCA relating to verification of deductions, it was noticed that in seven¹ CCA offices, there was considerable delay in submission of documents by RCL and in verification of deductions claimed due to non-submission of documents by the operator. This delayed the verification of deductions by the CCA office by a period of one month to 59 months (**Annexure – 10.03**).

DoT issued (July 2008) instructions stating that operators should be given opportunity to submit the missing documents and instructed the CsCA to furnish the details of inadmissible deductions to the operator. Accordingly, RCL got extension for furnishing of the documents ranging from 15 days to five months. Further, it was also observed that RCL after the provisional assessment of LF again got extension of time for submission of documents which ranged from 15 days to 6 months.

Thus due to the inconsistent policies of the DoT, the Telecom operator submitted the documents on piece meal basis on various occasions resulting in delay in the process of verification which needs a further review and proper instructions from DoT. Reply is awaited from DoT on this observation.

10.2.5 Non assessment of LF of NLD, ILD and ISP for the year 2006-07 to 2009-10

DoT has not carried out assessment of licence fee for NLD, ILD and ISP for the year 2006-07 to 2009-10 in respect of DWL and Delhi Service area in respect of Aircel Ltd. for the year 2009-10 despite lapse of more than five years.

DoT replied that assessment could not be done due to non-receipt of verification reports from CCA as of September 2015.

Reply of the DoT is not acceptable as the CsCA are under administrative control of DoT and DoT should have obtained the verification reports.

10.2.6 Non recovery of LF and SUC on international roaming claimed by the Telecom Service Providers

Clause 2.2 (a) of the UASL agreement provides for the licensee to enter into an agreement with other service provider(s) in India or abroad for providing roaming facility to its subscriber under full mobility service unless advised/directed by licensor otherwise. As per Clause 19.2 of the UASL/CMTS agreement, following shall be excluded from the GR to arrive at AGR-

¹ Odisha, Delhi, Patna, Bangalore, UP (West), UP (East) and Kerala

- PSTN related call charges (Access Charges) actually paid to other eligible/entitled telecommunication service providers within India;
- Roaming revenues actually passed on to other eligible/entitled telecommunication service providers and;
- Service tax on provision of service and sales tax actually paid to the Government if GR had included as component of sales tax and service tax.

DoT issued (20 September 2006) instructions to all Telecom Service Providers intimating them about the decentralization of verification of deductions to office(s) of CsCA. They were directed to submit the proof of payment to CsCA on demand. In terms of the letter, deduction on account of “roaming revenues actually passed on to other eligible/entitled Telecommunication Service Providers (TSPs) within India” was permissible for the purpose of arriving at AGR. Therefore, roaming revenues actually passed on to Foreign Service Providers (International Roaming) was not eligible for deduction for the purpose of arriving at AGR.

DoT issued an internal letter to all CsCA on 21 September 2006 detailing the verification of deduction from the GR by the PSPs alongwith which letter dated 20 September 2006 addressed to all Telecom Service Providers was also enclosed.

It was seen that only in November 2014, DoT issued a specific clarification that the entire deduction claims on account of International Roaming to be inadmissible. The justification offered was that foreign operators were not eligible/entitled operators as licence to them was not issued by DoT. It was also mentioned that cases where deduction verification has been finalised/closed may not be opened by CsCA for the time being till further orders.

Audit observed during test check that international roaming charges actually passed on to the international operators were allowed as deduction by some CsCA² whereas it was disallowed by some other CsCA³. Inconsistencies in the clarifications issued by DoT regarding deduction claims on account of international roaming charges has resulted in non-uniformity among CsCA regarding allowance/disallowance of deduction claims on account of International Roaming charges and possible loss of revenue to the exchequer in terms of revenue share.

In reply to above audit observation issued to DoT (April 2015), it stated (January 2016) that the verification of deduction on account of International Roaming claimed by Telecom Service Providers was carried as per order dated 5 July 2007 up to 6 November 2014. These were superseded by order dated 7 November 2014. It further stated that the issue was presently under review.

The above reply of the DOT confirms that the issue is still under review and has not reached its finality which may lead to continuance of non-uniformity among CsCA regarding allowance/disallowance of deduction claims on account of International Roaming charges.

2 Karnataka, Madhya Pradesh and Kerala

3 Delhi, West Bengal

10.2.7 Lack of appellate mechanism resulting in high number of litigations

DoT has been contributing 13.76 to 20.17 *per cent* of total non-tax revenue in the form of LF and SUC for Government of India during the period from 2012-13 to 2014-15 as detailed in Table 10.2 below:

Table-10.2

(₹ in crore)

Revenue	Actual 2012-13	Actual 2013-14	Revised 2014-15	Budget 2015-16
Total Non-Tax revenue of Govt. of India	137354	198869	217831	221732
Non Tax Revenue from Communication service under head “Other Communication Services”	18902	40113	43161	42865
Percentage of Non-Tax Revenue contributed by Communication	13.76	20.17	19.81	19.33

(Source: Budget document)

As detailed in the earlier chapter, DoT, as the licensor, is required to assess the correctness of revenue share due from the PSPs as per provisions in the licence agreements. This assessment process includes verification of deductions claimed by the telecom service providers to arrive at AGR and assessment of GR to ensure the correct reporting of all revenues as per relevant licence agreements.

It has been observed that within few years of introduction of revenue share regime, service providers challenged the definition of AGR in different courts of law. The service providers, individually and through their associations, filed petitions during 2003 to 2005 before the TDSAT questioning the validity of the AGR defined in the licence agreement. One of the contentions of the service providers’ was that the definition of the AGR and certain components included in the AGR is contrary to the Indian Telegraph Act, 1885, National Telecom Policy of 1999, the recommendations made by the TRAI and the Migration Package offered to the licensees.

TDSAT in August 2007 concluded that AGR shall be the revenue earned through licensed activity and decided the items of revenue that would form part of AGR thereby curtailing the scope of GR as defined in the license agreement. The pronouncement of TDSAT was challenged by DoT in the Hon’ble Supreme Court of India which pronounced (October 2011) in its judgment that “TDSAT had no jurisdiction to decide on the validity of the definition of AGR in the licence agreement and to exclude certain items of revenue which otherwise formed part of AGR as defined in the licence agreement”. However, Hon’ble Supreme Court was of the opinion that in case of any disputes regarding demands raised by DoT, PSPs shall approach TDSAT and TDSAT shall also give opinion as to whether the demands are in line with agreement conditions.

During the course of audit at DoT, it was noticed that DoT raised demands on operators based on its annual assessments and on the findings of the special audit which were challenged in the TDSAT. While Vodafone, BAL/BHL and ICL have challenged/represented against all the demands raised, M/s Aircel Ltd. had represented against three out of five demands raised on them. The details of demands raised by DoT and paid by the PSPs are as under:

Table 10.3

(₹ in crore)

Name of the PSP	Total Demand raised by DoT (LF + SUC)	Amount paid	Balance due
BAL/BHL	2294.33	0.00	2294.33
Vodafone	1320.00	0.72	1319.28
RCL/RTL	2394.89	0.00	2394.89
Idea	1047.24	0.00	1047.24
TTSL/TTML	1066.33	0.00	1066.33
Aircel	195.45	0.03	195.42

Besides, the operators filed another petition again challenging the validity of definition of AGR in Kerala High Court and other High courts. In April 2015, TDSAT adjudicating on the demands raised by DoT gave its ruling which exempted certain items of revenue from the purview of AGR and set aside the demands raised by DoT. DoT has filed appeals in the Supreme Court against the TDSAT's order of April 2015 (July 2015).

Thus, even though the revenue share regime has been in force since 1999, even after lapse of sixteen years the basic question of the definition of AGR on which revenue share is computed has not reached finality with the result that Government of India has been left with no option but to accept only what the PSPs pay as LF and spectrum charges.

By challenging all demands raised by DoT, even on disallowances on account of clear deviations from the provisions of licence agreement, the efforts of the Government in securing its dues as revenue share have been effectively hindered by the operators. The increasing number of pending court cases indicate that the directions/procedures framed by DoT for verification of AGR, imposition of interest/penalty etc., were susceptible to different interpretations leaving room for numerous disputes.

Though DoT had revised the rates of LF and SUC from time to time, the definition of GR/AGR was not reviewed despite the increasing numbers of disputes/litigation. Thus, **it is recommended that there is a need for clear, cogent and specific description of the scope of GR/AGR.** This is essential as even after 16 years since the introduction of the revenue share regime, the correctness and completeness of revenue flowing into the Consolidated Fund of India could not be ensured by DoT.

The absence of an appellate/redressal mechanism within DoT to address disputes with operators contributes to the increasing number of litigations. To minimize the litigations on the demands raised by DoT, **it is recommended that an appellate mechanism within the department should be established to address the disputes between DoT and the PSPs on demands raised by DoT.**

In reply to above audit observation issued to DoT (April 2015), it stated (January 2016) that presently the appeals were dealt with through the administrative hierarchy of the Department and the process of setting up a formal appellate structure was in process.



(Meera Swarup)
Director General of Audit
(Post and Telecommunications)

New Delhi
Dated : 8 February 2016

Countersigned



(Shashi Kant Sharma)
Comptroller and Auditor General of India

New Delhi
Dated : 9 February 2016

Annexures

ANNEXURE-1.01 [Para 1.2]
List of Companies which migrated to Revenue Share Regime

Sl. No.	Name of Licensee Company	Service Areas
1	Aircel Ltd.	Tamil Nadu (excluding Chennai Service Area)
2	Aircel Cellular Limited	Chennai
3	Bharti Airtel Limited	Delhi, Kolkata, Mumbai, Andhra Pradesh, Himachal Pradesh, Punjab, Karnataka, Gujarat, Haryana, Kerala, Madhya Pradesh, Maharashtra
4	Bharti Hexacom Ltd.	Rajasthan, North East
5	HFCL Infotel Ltd.	Punjab
6	Idea Cellular Ltd.	AP, Delhi, Gujarat, Haryana, Kerala, MP, Maharashtra, UP-W, Punjab, HP, Rajasthan, UP (E)
7	Loop Mobile (India) Ltd.	Mumbai
8	Reliance Telecom Ltd.	Assam, Bihar, HP, MP, North East, Odisha, West Bengal, Kolkata
9	Reliance Communications Ltd.	Gujarat, AP, Delhi, Bihar, HP, Haryana, Karnataka, Kerala, Kolkata, MP, Maharashtra, Mumbai, Odisha, Punjab, Rajasthan, UP (E), UP (W), West Bengal, Tamil Nadu (including Chennai)
10	Spice Communications Ltd.	Karnataka, Punjab
11	Sistema Shyam Teleservices Ltd.	Rajasthan
12	Vodafone Essar Ltd.	Mumbai
13	Vodafone Essar East Ltd.	Kolkata
14	Vodafone Essar Mobile Services Ltd.	Delhi
15	Vodafone Essar Digilink Ltd.	Haryana
16	Vodafone Essar Gujarat Ltd.	Gujarat
17	Vodafone Essar Cellular	Kerala, Maharashtra, Tamil Nadu
18	Vodafone Essar South Ltd.	Chennai, Karnataka, AP, Punjab
19	Tata Teleservices (Maharashtra) Ltd.	Maharashtra, Mumbai
20	Tata Teleservices Ltd	AP, Delhi, Gujarat, Karnataka, Tamil Nadu (including Chennai)
21	Mahanagar Telephone Nigam Ltd.	Delhi, Mumbai

Note: Licences of Vodafone Group were originally with Essar/Hutch etc. Name Vodafone is used for easy identification

ANNEXURE 3.01 [Para 3.2.1 (A)]
Impact on payment of LF and SUC due to non consideration of revenue from Commission and Margin

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	12078741	966299	547167	105804441	8464355	4814102	9066020	9066020	412504	256768072	25676807	11682947
Assam	26136355	1568181	744886	90911098	5454666	3136433	115677660	6940660	3990879	135260260	8115616	4666479
Bihar	209688384	12581303	9079507	306437288	18386237	13942897	537206188	32232371	24442882	524431015	31465861	23861611
Chennai	-	-	-	-	-	-	-	-	-	116340271	11634027	5642503
Delhi	152358530	15235853	6627596	-	-	-	4649258	464926	202243	306971929	30697193	13353279
Gujarat	-	-	-	-	-	-	-	-	-	236633726	23663373	8637131
Haryana	33247429	2659794	1157011	1990666	159253	68678	1633876	130710	56369	99309183	7944735	3426167
HP	1054516	52726	36381	7462189	373109	257446	2347359	140842	80984	97493766	5849626	3363535
J& K	-	-	-	-	-	-	-	-	-	104827985	6289679	3616565
Karnataka	-	-	-	477277719	38182218	22193414	988115138	98811514	45947354	1007948423	100794842	46869602
Kerala	-	-	-	4048432	323875	143719	5330111	426409	189219	246791522	19743322	8761099
Kolkata	4953622	495362	213006	1041912	104191	44802	-	-	-	112724049	11272405	4847134
Maharashtra	7426038	742604	271050	269489732	26948973	9836375	160460021	16046002	6498631	446703043	44670304	20771692
MP	69076411	5526113	2521289	317554950	25404396	11590756	321367123	25709370	11729900	141787391	11342991	5175240
Mumbai	123075296	12307530	5599926	177318855	17731885	8068008	92148641	9214864	4192763	253485417	25348542	11533586
Odisha	-	-	-	2678050	160683	120512	10432679	625961	469471	154661848	9279711	6959783
Punjab	-	-	-	-	-	-	5611411	448913	249708	309785347	24782828	13785448
TN	2370842	237084	90092	-	-	-	11271209	1127121	546654	268285978	26828598	13011870
UIPE	45630435	3650435	1597065	-	-	-	7200932	576075	266434	95338121	7627050	4290215
UPW	-	-	-	-	-	-	-	-	-	78763895	6301112	2796118
WB	-	-	-	66145	5292	1786	-	-	-	170349287	13627943	5962225
TOTAL BAL	687096600	56023284	28484976	1762081478	141699134	74218928	2272517625	193802338	99275993	5164660528	452956563	223014230
NE	11256790	675407	264535	45468753	2728125	1068516	95431725	5725904	2528941	111339190	6680351	3729863
Rajasthan	-	-	-	-	-	-	-	-	-	470289703	37623176	21398181
TOTAL BHL	11256790	675407	264535	45468753	2728125	1068516	95431725	5725904	2528941	581628893	44303528	25128044
TOTAL UASL	698353390	56698692	28749510	1807550231	144427259	75287443	2367949350	199528242	101804934	5746289422	497260091	248142274

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	988.63	84.45	42.50
BHL	73.37	5.34	2.90
Total UASL	1,062.00	89.79	45.40

**ANNEXURE 3.02 [Para 3.2.1 (B)]
Impact on payment of LF and SUC due to non consideration of revenue from Free Air Time (FAT)**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Im- pact	Amount of GR/AGR	LF Impact	SUC Im- pact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	-	-	-	547092069	54709207	24892689	19407204	1940720	883028
Assam	3767350	226041	107369	-	-	-	-	-	-	20910365	1254622	721408
Bihar	32097862	1925872	1389837	41235666	2474140	1876223	100460834	6027650	4570968	103095341	6185720	4690838
Chennai	-	-	-	-	-	-	-	-	-	1944074	194407	94288
Delhi	174435645	17443565	7587951	225559684	22555968	9789290	286607206	28660721	12467413	52235381	5223538	2272239
Gujarat	-	-	-	1300136	130014	47455	-	-	-	19037652	1903765	694874
Haryana	-	-	-	-	-	-	-	-	-	6059028	484722	209036
HP	-	-	-	-	-	-	88000	5280	3036	9042525	542552	311967
J&K	-	-	-	-	-	-	3998900	239934	137962	19802223	1188133	683177
Karnataka	89153807	7132305	4145652	1166696301	93335704	54251378	1375049131	137504913	63939785	844038106	84403811	39247772
Kerala	338326	27066	12011	-	0	0	874431	69954	31042	9817797	785424	348532
Kolkata	-	-	-	2233750	223375	96051	-	-	-	10213502	1021350	439181
Maharashtra	-	-	-	-	-	-	-	-	-	42774589	4277459	1989018
MP	69477825	5558226	2355941	38694734	3095579	1412358	197164099	15773128	7196490	10199841	815987	372294
Mumbai	234223439	23422344	10657166	19811582	1981158	901427	-	-	-	18611751	1861175	846835
Odisha	48492315	2909539	1939693	21202747	1272165	954124	23100194	1386012	1039509	22990735	1379444	1034583
Punjab	-	-	-	-	-	-	-	-	-	14409601	1152768	641227
TN	-	-	-	-	-	-	-	-	-	4811276	481128	233347
UPE	-	-	-	-	-	-	-	-	-	9495664	759653	427305
UPW	-	-	-	30632	2451	1087	-	-	-	3049723	243978	108265
WB	-	-	-	3259500	260760	88007	-	-	-	10152546	812204	355339
TOTAL BAL.	651986569	58644957	28375620	1520024733	125331313	69417400	2534434864	244376799	114278894	1252098924	116912561	56604553
NE	607707	36462	14281	-	-	-	-	-	-	14245367	854722	477220
Rajasthan	-	-	-	-	-	-	-	-	-	12271553	981724	558356
TOTAL BHL	607707	36462	14281	-	-	-	-	-	-	26516920	1836446	1035575
TOTAL UASL	652594277	58681419	28389901	1520024733	125331313	69417400	2534434864	244376799	114278894	1278615844	118749007	57640128

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	595.86	54.52	26.87
BHL	2.71	0.19	0.10
Total UASL	598.57	54.71	26.97

ANNEXURE 3.03 [Para 3.2.1 (B)]
Impact on payment of LF and SUC due to non consideration of revenue from Free of Cost Cards/Coupons/SIMs (FOC)

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	-	-	-	112842	6771	3893	-	-	-	343945	20637	11866
Bihar	-	-	-	852454	51147	38787	-	-	-	-	-	-
Delhi	52096764	5209676	2266209	24268652	2426865	1053259	-	-	-	813390	81339	35382
Gujarat	56118090	5611809	2048310	-	-	-	-	-	-	-	-	-
HP	10058789	502939	347028	2102539	105127	72538	-	-	-	-	-	-
J& K	-	-	-	1239987	74399	42904	154201	9252	5320	-	-	-
Karnataka	25298475	2023878	1176379	-	-	-	-	-	-	902636	90264	41973
Kerala	3358581	268687	119230	4652909	372233	165178	3230997	258480	114700	4101127	328090	145590
Kolkata	2111075	211107	90776	-	-	-	42121	4212	1811	584145	58414	25118
Maharashtra	59266869	5926687	2163241	15663600	1566360	571721	-	-	-	977185	97718	45439
MP	13157250	1052580	480240	-	-	-	-	-	-	-	-	-
Mumbai	2712346	271235	123412	-	-	-	-	-	-	-	-	-
Odisha	-	-	-	-	-	-	-	-	-	2263279	135797	101848
Punjab	9589172	575350	426718	-	-	-	-	-	-	-	-	-
TN	757494	75749	28785	-	-	-	7865859	786586	381494	9930481	993048	481628
UP	33991915	2719353	1189717	-	-	-	-	-	-	-	-	-
UPW	22309918	1784793	792002	-	-	-	-	-	-	-	-	-
WB	5727723	458218	143193	-	-	-	3863613	309089	135226	2226692	178135	77934
TOTAL BAL	296554459	26692062	11395240	48892983	4602902	1948280	15156792	1367619	638552	22142879	1983443	966779
NE	-	-	-	-	-	-	-	-	-	20595	1236	690
Rajasthan	20109729	1206584	709873	-	-	-	-	-	-	3292401	263392	149804
TOTAL BHL	20109729	1206584	709873	-	-	-	-	-	-	3312996	264628	150494
TOTAL UASL	316664188	27898646	12105113	48892983	4602902	1948280	15156792	1367619	638552	25455875	2248070	1117273

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	38.28	3.46	1.49
BHL	2.34	0.15	0.09
Total UASL	40.62	3.61	1.58

ANNEXURE 3.04 [Para 3.2.1 (B)]
Impact on payment of LF and SUC due to non consideration of revenue from Promotional offers to customers

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	-	-	-	-	-	-	23510713	2351071	1069737
Assam	-	-	-	-	-	-	-	-	-	4345139	260708	149907
Bihar	-	-	-	-	-	-	-	-	-	2770156	166209	126042
Chennai	-	-	-	-	-	-	-	-	-	1841168	184117	89297
Delhi	-	-	-	-	-	-	-	-	-	20482143	2048214	890973
Gujarat	-	-	-	-	-	-	-	-	-	4059124	405912	148158
Haryana	-	-	-	-	-	-	-	-	-	148252	11860	5115
HP	1123500	56175	38761	-	-	-	32282147	1936929	1113734	11016170	660970	380058
J& K	-	-	-	-	-	-	271164	16270	9355	87433	5246	3016
Karnataka	-	-	-	-	-	-	-	-	-	13891402	1389140	645950
Kerala	-	-	-	-	-	-	-	-	-	636113	50889	22582
Kolkata	-	-	-	-	-	-	-	-	-	2973665	297367	127868
Maharashtra	-	-	-	-	-	-	-	-	-	11571810	1157181	538089
MP	-	-	-	-	-	-	-	-	-	7571981	605758	276377
Mumbai	281400	28140	12804	2329299	232930	105983	-	-	-	1752150	175215	79723
Odisha	-	-	-	-	-	-	-	-	-	16739398	1004364	753273
Punjab	-	-	-	-	-	-	-	-	-	518195	41456	23060
TN	-	-	-	-	-	-	-	-	-	38167950	3816795	1851146
UP	11056898	884552	386991	-	-	-	167921171	13433694	6213083	19236859	1538949	865659
UPW	118216083	9457287	4196671	3981832	318547	141355	33179703	2654376	1177879	4584222	366738	162740
WB	-	-	-	-	-	-	-	-	-	8875771	710062	310652
TOTAL BAL	130677881	10426153	4635227	6311131	551476	247338	233654185	18041269	8514052	194779813	17248222	8519421
NE	-	-	-	-	-	-	-	-	-	2108586	126515	70638
Rajasthan	29517926	1771076	1041983	68109104	4086546	2417873	61589237	4927139	2371186	20835907	1666873	948034
TOTAL BHL	29517926	1771076	1041983	68109104	4086546	2417873	61589237	4927139	2371186	22944493	1793388	1018671
TOTAL UASL	160195807	12197229	5677210	74420235	4638023	2665211	295243422	22968408	10885238	217724306	19041609	9538093

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	56.54	4.63	2.19
BHL	18.22	1.25	0.69
Total UASL	74.76	5.88	2.88

ANNEXURE 3.05 [Para 3.2.1 (B)]
Impact on payment of LF and SUC due to non consideration of revenue from Full Talk Time (FTT)

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Delhi	-	-	-	-	-	-	-	-	-	379005	37901	16487
J& K	-	-	-	-	-	-	12007963	720478	414275	2836293	170178	97852
Maharashtra	-	-	-	-	-	-	-	-	-	19321901	1932190	898468
Mumbai	6521510	652151	296729	(66192049)	-	-	-	-	-	-	-	-
UP (E)	21524873	1721990	753371	54249690	4339975	1898739	-	-	-	-	-	-
UP (W)	5437102	434968	193017	24428699	1954296	867219	-	-	-	-	-	-
TOTAL BAL	33483485	2809109	1243116	12486340	6294271	2765958	12007963	720478	414275	22537199	2140268	1012807
Rajasthan	25773263	1546396	909796	-	-	-	-	-	-	-	-	-
TOTAL BHL	25773263	1546396	909796	-	-	-	-	-	-	-	-	-
TOTAL UASL	59256748	4355505	2152913	12486340	6294271	2765958	12007963	720478	414275	22537199	2140268	1012807

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	8.05	1.20	0.54
BHL	2.58	0.15	0.09
Total UASL	10.63	1.35	0.63

ANNEXURE 3.06 [Para 3.2.1 (B)]
Impact on payment of LF and SUC due to non consideration of revenue from Adjustments

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	-	-	-	-	-	-	246130112	24613011	11198920
Assam	-	-	-	-	-	-	99907038	5994422	3446793	27351193	1641072	943616
Bihar	173527031	10411622	7513720	160309662	9618580	7294090	-	-	-	5603116	336187	254942
Chennai	17780547	1778055	782344	84259878	8425988	4170864	115643271	11564327	5608699	32653669	3265367	1583703
Delhi	-	-	-	-	-	-	-	-	-	4601549	460155	200167
Gujarat	-	-	-	-	-	-	-	-	-	4337464	433746	158317
Haryana	-	-	-	-	-	-	794656	63573	27416	832990	66639	28738
HP	-	-	-	-	-	-	2750363	165022	94888	230761	13846	7961
J& K	-	-	-	-	-	-	12241009	734461	422315	359026	21542	12386
Karnataka	-	-	-	-	-	-	576318	57632	26799	2674131	267413	124347
Kerala	40352532	3228203	1432515	-	-	-	332506795	26600544	11803991	17145622	1371650	608670
Kolkata	-	-	-	-	-	-	-	-	-	2857426	285743	122869
Maharashtra	-	-	-	-	-	-	-	-	-	81837601	8183760	3805448
MP	-	-	-	-	-	-	-	-	-	9738777	779102	355465
Mumbai	-	-	-	-	-	-	-	-	-	8608271	860827	391676
Odisha	-	-	-	-	-	-	7574335	454460	340845	5368021	322081	241561
Punjab	-	-	-	-	-	-	-	-	-	2478791	198303	110306
TN	106201044	10620104	4035640	342695915	34269591	16963448	449751402	44975140	21812943	135429757	13542976	6568343
UIPE	86872493	6949799	3040537	-	-	-	75856506	6068520	2806691	382572	30606	17216
UPW	-	-	-	-	-	-	37606613	3008529	1335035	111659	8933	3964
WB	788138	63051	19703	-	-	-	-	-	-	3865709	309257	135300
TOTAL BAL	425521785	33050834	16824460	587265455	52314159	28428401	1135208307	99686629	47726413	592598216	57012215	26873918
NE	-	-	-	-	-	-	62809492	3768570	1664452	21984783	1319087	736490
Rajasthan	-	-	-	-	-	-	-	-	-	1113548	89084	50666
TOTAL BHL	-	-	-	-	-	-	62809492	3768570	1664452	23098332	1408171	787157
TOTAL U/ASL	425521785	33050834	16824460	587265455	52314159	28428401	1198017799	103455199	49390865	615696548	58420385	27661074

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	274.06	24.20	11.99
BHL	8.59	0.52	0.24
Total	282.65	24.72	12.23

**ANNEXURE 3.07 [Para 3.2.2]
Impact on payment of LF and SUC due to non consideration of revenue from Discounts**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	50557315	4044585	2290246	24610145	1968812	1119762	32249923	3224992	1467372	640359414	64035941	29136353
Bihar	543836	32630	23548	-	-	-	-	-	-	-	-	-
Chennai	252104509	25210451	11092598	-	-	-	-	-	-	-	-	-
Delhi	25917508	2591751	1127412	-	-	-	-	-	-	2698891	269889	117402
Haryana	-	-	-	-	-	-	-	-	-	42125	3370	1453
HP	-	-	-	-	-	-	-	-	-	119492	7170	4122
Karnataka	5328912	426313	247794	4948611	395889	230110	5035572	503557	234154	-	-	-
Kolkata	569855	56986	24504	-	-	-	-	-	-	-	-	-
MP	-	-	-	-	-	-	771534	61723	28161	-	-	-
Odisha	10788	647	432	-	-	-	-	-	-	-	-	-
Punjab	-	-	-	-	-	-	205435	16435	9142	-	-	-
TN	229026742	22902674	8703016	408771817	40877182	20234205	92586859	9258686	4490463	-	-	-
UPW	29847592	2387807	1059590	1066490	85319	37860	-	-	-	-	-	-
TOTAL UASL (BAL)	593907057	57653844	24569140	439397063	43327201	21621937	130849323	13065393	6229291	643219923	64316370	29259331

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
Total UASL (BAL)	180.74	17.84	8.17

**ANNEXURE 3.08 [Para 3.2.2]
Impact on payment of LF and SUC due to non consideration of revenue from Waivers (Revenue)**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	4200559	336045	190285	21212099	1696968	965151	-	-	-	352859484	35285948	16055107
Assam	34660700	2079642	987830	47725904	2863554	1646544	28923067	1735384	997846	49777685	2986661	1717330
Bihar	3485067	209104	150903	504862	30292	22971	2998562	179914	136435	31230957	1873857	1421009
Chennai	31200	3120	1373	-	-	-	-	-	-	1041656801	104165680	50520355
Delhi	-	-	-	-	-	-	249966888	24996689	10873560	1772430620	177243062	77100732
Gujarat	4550	455	166	-	-	-	-	-	-	271132115	27113212	9896322
Hararyana	17070262	1365621	594045	6144388	491551	211981	9290390	743231	320518	128437299	10274984	4431087
HP	14677621	733881	506378	10129820	506491	349479	4098881	245933	141411	39202778	232167	1352496
J&K	22228966	1333738	733556	10510893	630654	363677	10666508	639990	367995	53980502	3238830	1862327
Karnataka	210944863	16875589	9808936	173544533	13883563	8069821	121831447	12183145	5665162	934065305	93406531	43434037
Kerala	-	-	-	-	-	-	-	-	-	160584865	12846789	5700763
Kolkata	-	-	-	-	-	-	1266767	126677	54471	192895303	19289530	8294498
Maharashtra	327848	32785	11966	-	-	-	173481	17348	7026	243202520	24320252	11308917
MP	3793	303	138	13966578	1117326	509780	14958899	1196712	546000	103428207	8274257	3775130
Mumbai	-	-	-	-	-	-	205132	20513	9334	320184617	32018462	14568400
Odisha	42914577	2574875	1716583	61035695	3662142	2746606	70509795	4230588	3172941	67569461	4054168	3040626
Punjab	117600062	7056004	5233203	77294267	4637656	3439595	25937779	2075022	1154231	479279217	38342337	21327925
UP	-	-	-	-	-	-	6399681	511974	236788	153849304	12307944	6923219
UPW	-	-	-	-	-	-	2083123	166650	73951	119029898	9522392	4225561
WB	-	-	-	-	-	-	609723	48778	21340	39683054	3174644	1388907
TOTAL BAL	468150068	32601161	19935363	422069039	29520196	18325605	549920123	49118548	23779008	6554479992	622091707	288344746
NE	14515648	870939	341118	22900586	1374035	538164	14783728	887024	391769	28943401	1736604	969604
Rajasthan	51652588	3099155	1823336	42947423	2576845	1524634	33975761	2718061	1308067	216846707	17347737	9866525
TOTAL BHL	66168236	3970094	2164454	65848009	3950881	2062797	48759489	3605085	1699836	245790108	19084341	10836129
TOTAL UASL	534318304	36571255	22099817	487917048	33471077	20388402	598679612	52723632	25478844	6800270100	641176048	299180875

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	799.46	73.33	35.04
BHL	42.66	3.06	1.67
Total UASL	842.12	76.39	36.71

**ANNEXURE 3.09 [Para 3.2.2]
Impact on payment of LF and SUC due to non consideration of revenue from Waivers (Expenditure)**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	4780964	382477	216578	8507484	680599	387091	5453968	545397	248156	1098788	1098788	499948
Assam	4366981	262019	124459	3783095	226986	130517	2348512	140911	81024	555698	33342	19172
Bihar	559761	33586	24238	2048348	122901	93200	147490	8849	6711	79413	4765	3613
Chennai	32526968	3252697	1431187	41330406	4133041	2048555	19525319	1952532	946978	15418424	1541842	747794
Delhi	121559368	12155937	5287832	65370911	6537091	2837098	90330770	9033077	3929389	125532922	12553292	5460682
Gujarat	8139171	813917	297080	1551067	155107	56614	1258222	125822	45925	1541141	154114	56252
Haryana	3724540	297963	129614	3199431	255954	110380	2873318	229865	99129	1164588	93167	40178
HP	1114070	55704	38435	411499	20575	14197	140636	8438	4852	26023	1561	898
J&K	-	-	-	22686	1361	785	9210	553	318	12078	725	417
Karnataka	16136110	1290889	750329	39499956	3159996	1836748	31151523	3115152	1448546	28994569	2899457	1348247
Kerala	2650081	212006	94078	4947710	395817	175644	9482808	758625	336640	5408258	432661	191993
Kolkata	5331195	533120	229241	2730974	273097	117432	5532260	553226	237887	9477843	947784	407547
Maharashtra	14299465	1429947	521930	10090561	1009056	368305	10835714	1083571	438846	948668	94867	44113
MP	63657427	5092594	2323496	49466304	3957304	1805520	47294029	3783522	1726232	24772619	1981810	904201
Mumbai	5984787	598479	272308	8796710	879671	400250	11007256	1100726	500830	26239309	2623931	1193889
Odisha	54075	3245	2163	202687	12161	9121	285635	17138	12854	275166	16510	12382
Punjab	32579029	1954742	1449767	8816414	528985	392330	8888488	711079	395538	5099935	407995	226947
UP	6228941	498315	218013	5062641	405011	177192	3564203	285136	131876	2719452	217556	122375
UPW	2701528	216122	95904	2534907	202793	89989	1622732	129819	57607	1998317	159865	70940
WB	340869	27269	8522	727	58	20	112849	9028	3950	265916	21273	9307
TOTAL BAL	326735329	29111026	13515174	258374519	22957564	11048288	251864942	23592466	10653286	261518220	25285305	11360896
NE	1555753	93345	36560	2465531	147932	57940	1455565	87334	38572	236931	14216	7937
Rajasthan	7789425	467366	274967	1308143	78489	46439	7074179	565934	272356	8959992	716799	407680
TOTAL BHL	9345178	560711	311527	3773674	226420	104379	8529744	653268	310928	9196923	731015	415617
TOTAL UASL	336080507	29671737	13826701	262148193	23183985	11152667	260394686	24245735	10964214	270715142	26016320	11776513

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	109.85	10.09	4.66
BHL	3.08	0.22	0.11
Total UASL	112.93	10.31	4.77

ANNEXURE 3.10 [Para 3.2.3]
Impact on payment of LF and SUC due to non consideration of revenue from Inter Operator Traffic (IOT) discounts to other Operators
 (Amount in ₹)

Services/LSA	FY 2006-07			FY 2007-08			FY 2008-09			FY 2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	13353110	1068249	604896	28412500	2273000	1292769	49789665	4978967	2265430	4377842	437784	199192
Bihar	2135129	128108	92451	3298510	197911	150082	6247529	374852	284263	691703	41502	31472
Chennai	19576603	1957660	861371	34168255	3416826	1691329	48322167	4832217	2343625	8251505	825151	400198
Delhi	79333915	7933392	3451025	80984498	8098450	3514727	334934899	33493490	14569668	22905909	2290591	996407
Gujarat	3808764	380876	139020	11715822	1171582	427628	21353129	2135313	779389	-	-	-
Haryana	783391	62671	27262	1667210	133377	57519	3189143	255131	110025	1041878	83350	35945
HP	864401	43220	29822	1601314	80066	55245	2352908	141174	81175	1876557	112593	64741
J&K	4096	246	135	-	-	-	-	-	-	-	-	-
Karnataka	54879029	4390322	2551875	81966274	6557302	3811432	93902986	9390299	4366489	7344056	734406	341499
Kerala	6873415	549873	244006	11281757	902541	400502	19997281	1599782	709903	-	-	-
Kolkata	7514275	751428	323114	10018136	1001814	430780	17898480	1789848	769635	1888972	188897	81226
Maharashtra	20760067	2076007	757742	18500837	1850084	675281	55111716	5511172	2232024	3890648	389065	180915
MP	2067891	165431	75478	5145918	411673	187826	8617496	689400	314539	1463085	117047	53403
Mumbai	61221389	6122139	2785573	61314013	6131401	2789788	121045389	12104539	5507565	-	-	-
Odisha	1110730	66644	44429	1081173	64870	48653	4684997	281100	210825	802613	48157	36118
Punjab	3751177	225071	166927	8913472	534808	396650	10998595	879888	489437	5543841	443507	246701
TN	6452876	645288	245209	10712548	1071255	530271	36331121	3633112	1762059	4354690	435469	211202
UPE	2027531	162202	70964	3629319	290346	127026	5878127	470250	217491	1358634	108691	61139
UPW	3403082	272247	120809	5158467	412677	183126	11754371	940350	417280	3097783	247823	109971
WB	1181815	94545	29545	1731089	138487	46739	3800387	304047	133021	187942	15035	6578
TOTAL BAL	291102686	27095618	12621655	381301112	34738469	16817371	856210586	83804929	37563844	69077658	6519068	3056706
Rajasthan	12234869	734092	431891	17505334	1050320	621439	24865450	1989236	957320	3564362	285149	162178
TOTAL BHL	12234869	734092	431891	17505334	1050320	621439	24865450	1989236	957320	3564362	285149	162178
TOTAL UASL	594440241	54925328	25675200	780107558	70527257	34256181	1737286622	169599094	76085008	141719678	13323284	6275591

(₹ in crore)

Services/Com-pany	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	159.77	15.21	7.00
BHL	5.82	0.41	0.22
Total UASL	165.59	15.62	7.22

ANNEXURE 3.11 [Para 3.2.4]
Impact on payment of LF and SUC due to non consideration of revenue from infrastructure sharing from other telecom operators

(Amount in ₹)

Services/LSA	FY 2006-07			FY 2007-08			FY 2008-09			FY 2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	-	-	-	2700810	162049	93178	231108	13866	7973	-	-	-
Chennai	21030974	2103097	925363	42531416	4253142	2105305	-	-	-	-	-	-
Delhi	-	-	-	94123769	9412377	4084972	3455585	345559	150318	5963669	596367	259420
Gujarat	53024487	5302449	1935394	115125272	11512527	4202072	12254766	1225477	447299	-	-	-
Haryana	39038556	3123084	1358542	95372274	7629782	3290343	-	-	-	-	-	-
HP	1116888	55844	38533	12160227	608011	419528	80153	4809	2765	-	-	-
J&K	-	-	-	5967659	358060	206481	-	-	-	-	-	-
Karnataka	-	-	-	186237912	14899033	8660063	22600937	2260094	1050944	-	-	-
Kerala	44698065	3575845	1586781	123937478	9914998	4399780	17984410	1438753	638447	132373	10590	4699
Kolkata	41788691	4178869	1796914	33903519	3390352	1457851	21957066	2195707	944154	7748080	774808	333167
Maharashtra	-	-	-	253789979	25378998	9263334	-	-	-	-	-	-
Mumbai	-	-	-	-	-	-	7022291	702229	319514	3185357	318536	144934
Odisha	1017452	61047	40698	14506974	870418	652814	-	-	-	-	-	-
Punjab	40130835	2407850	1785822	96525267	5791516	4295374	-	-	-	-	-	-
TN	11814895	1181489	448966	117835305	11783531	5832848	-	-	-	-	-	-
UPPE	4139432	331155	144880	102216115	8177289	3577564	193118	15449	7145	-	-	-
UPW	-	-	-	93371757	7469741	3314697	-	-	-	-	-	-
WB	10892800	871424	272320	80340103	6427208	2169183	-	-	-	-	-	-
Total BAL	268693075	23192155	10334212	1470645835	128039031	58025388	85779434	8201942	3568559	17029479	1700300	742220
NE	-	-	-	345310	20719	8115	1355605	81336	35924	5207219	312433	174442
Rajasthan	-	-	-	-	-	-	-	-	-	393172388	31453791	17889344
Total BHL	-	-	-	345310	20719	8115	1355605	81336	35924	398379606	31766224	18063785
Total UASL	268693075	23192155	10334212	1470991145	128059750	58033503	87135040	8283279	3604483	415409086	33466525	18806006

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	184.21	16.11	7.27
BHL	40.01	3.19	1.81
Total UASL	224.22	19.30	9.08

**ANNEXURE 3.12 [Para 3.2.5]
Impact on payment of Revenue Share (LF and SUC) on Forex gain not considered by BAL/BHL**

(Amount in ₹)

Services/LSA	FY 2006-07			FY 2007-08			FY 2008-09			FY 2009-10		
	Amount of GR/AGR	SUC Impact	LF Impact	Amount of GR/AGR	SUC Impact	LF Impact	Amount of GR/AGR	SUC Impact	LF Impact	Amount of GR/AGR	SUC Impact	LF Impact
AP	5087038	230443	406963	102918	8233	4683	67429605	3068047	79862740	7986274	3633755	
Assam	656447	18709	39387	23	1	1	9462971	326472	13010958	780657	448878	
Bihar	2186272	94666	131176	82	5	4	37635900	1712433	50700922	3042055	2306892	
Delhi	13539689	588976	1353969	14031	1403	609	71067465	3091435	78327119	7832712	3407230	
Gujarat	1731472	63199	173147	509505	50951	18597	24239974	884759	28953954	2895395	1056819	
Haryana	978270	34044	78262	24	2	1	9141674	315388	9839358	787149	339458	
HP	939593	32416	46980	20	1	1	7024700	242352	8143786	488627	280961	
J & K	893346	53601	8219068	33	2	1	13473031	464820	12349476	740969	426057	
Karnataka	8219068	382187	657525	217	17	10	82048776	3815268	91338757	9133876	4247252	
Kerala	1688597	59945	135088	49	4	2	19681141	698681	22145741	1771659	786174	
Kolkata	1604151	68978	160415	51	5	2	17992920	773696	19506509	1950651	838780	
Maharashtra	3665559	133793	366556	2291937	2291936	836557	37619548	1523592	40949256	4094926	1904140	
MP	2282172	83299	182574	61506	4920	2245	27366803	2189344	31936352	2554908	1165677	
Mumbai	5264768	239547	526477	426138	42614	19389	35692106	1623991	36559049	3655905	1663437	
Odisha	1070919	42837	64255	37	2	2	16327315	797639	19803138	1188188	891141	
Punjab	4178339	185936	250700	860694	51642	38301	32605754	2608460	37932550	3034604	1687998	
TN	6324904	240346	632490	9987931	998793	494403	64030471	6403047	74946953	7494695	3634927	
UP	1780772	142462	142462	66	5	2	30888643	2471091	1142880	3196719	1798155	
UPW	1280527	102442	102442	38	3	1	14862372	527614	18366415	1469313	652008	
WB	775611	62049	62049	35	3	1	15630136	1250411	20087138	1606971	703050	
TOTAL BAL	64147513	2655977	5566518	34882756	3450542	1414812	634221305	57061644	734719163	65706253	31872789	
North East	-	-	-	9457985	567479	222263	84932	5096	7063125	423787	236615	
Rajasthan	891458	53487	53487	57906578	3474395	2055684	532309	42585	39743535	3179483	1808331	
TOTAL BHL	891458	53487	53487	67364562	4041874	2277946	617241	22745	46806660	3603270	2044946	
Total U/ASL	65038971	2687445	5620005	102247318	7492416	3692758	634838547	27071279	781525823	69309523	33917735	
NLD (i/c IP1)	9706875	582412	-	196	12	-	101568887	6094133	131673815	7900429	-	
ILD (i/c BBL)	(1252635)	-	-	99152138	5949128	-	53887195	3232323	60618339	3637100	-	
ISP (i/c BBL)	(10657927)	-	-	86311623	5178697	-	25102211	1506133	3213607	192816	-	
VSAT (i/c Satcom)	214327	12860	-	11195112	671707	-	1021976	61319	1089843	65391	-	
GRAND TOTAL	74960173	2687445	6215277	298906387	19291960	3692758	816418816	68004142	978121427	81105259	33917735	

Note: Negative figures not considered for calculation of GR/AGR.

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	146.80	13.18	6.30
BHL	11.57	0.77	0.44
Total U/ASL	158.37	13.95	6.74
NLD (i/c IP1)	24.29	1.46	-
ILD (i/c BBL/GO)	21.37	1.28	-
ISP (i/c BBL)	11.46	0.69	-
VSAT (i/c Satcom)	1.35	0.08	-
GRAND TOTAL	216.84	17.46	6.74

**ANNEXURE 3.13 [Para 3.3.1]
Impact on payment of Revenue Share (LF and SUC) on interest income not considered by BAL & BHL**

(Amount in ₹)

Services/LSA	FY 2006-07			FY 2007-08			FY 2008-09			FY 2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	14417618	1153409	653118	56506170	4520494	2571031	126026902	12602690	5734224	88419845	8841985	4023103
Assam	1860494	111630	53024	7583353	455001	261626	17682179	1060931	610035	14374796	862488	495930
Bihar	6196305	371778	268300	26693889	1601633	1214572	70262728	4215764	3196954	56005985	3360359	2548272
Delhi	26501919	2650192	1152833	71993623	7199362	3124523	133400860	13340086	5802937	88159280	8815928	3834929
Gujarat	4907312	490731	179117	18186284	1818628	663799	45261748	4526175	1652054	32011984	3201198	1168437
Haryana	2767344	221388	96304	7946242	635699	274145	17066655	1365332	588800	10868894	869512	374977
HP	2362372	118119	81502	6648780	332439	229383	13114462	786868	452449	8995906	539754	310359
J & K	2531909	151915	83553	10681996	640920	369597	25194833	1511690	869222	13684613	821077	472119
Karnataka	22462027	1796962	1044484	71000956	5680076	3301544	153199590	153199590	7123781	101120642	10112064	4702110
Kerala	4154413	332353	147482	15882229	1270578	563819	36793995	2943520	1306187	24501900	1960152	869817
Kolkata	4544918	454492	195431	17325182	1732518	744983	34426458	3442646	1480338	22281693	2228169	958113
Maharashtra	9156864	915686	334226	31124925	3112493	1136060	70232199	7023220	2844404	45233959	4523396	2103379
MP	5975803	478064	218117	21935173	1754814	800634	51247010	4099761	1870516	36063245	2885060	1316308
Mumbai	11152194	1115219	507425	34103941	3410394	1551729	66780434	6678043	3038510	40393385	4039339	1837899
Odisha	3035184	182111	121407	12095950	725757	544318	30508051	1830483	1372862	21929038	1315742	986807
Punjab	11594765	695686	515967	30831398	1849884	1371997	60876194	4870096	2708991	41901601	3352128	1864621
TN	16782687	1678269	637742	54827966	5482797	2713984	119538937	119538937	5797638	82948910	8294891	4023022
UP	5047041	403763	176646	21452639	1716211	750842	57918128	4633450	2142971	44278934	3542315	1992552
UPW	3650563	292045	129595	12676030	1014082	449999	27297528	2183802	969062	20288175	1623054	720230
WB	2213755	177100	55344	11605076	928406	313337	29197309	2335785	1021906	22210655	1776852	777373
TOTAL BAL	161315487	13790912	6651617	541101802	45882186	22951922	1186026200	106724195	50583841	815673440	72965463	35380357
NE	-	-	-	-	-	-	-	-	-	3301437	198086	110598
Rajasthan	-	-	-	6301520	378091	223704	12319870	985590	474315	36299283	2903943	1651617
TOTAL BHL	-	-	-	6301520	378091	223704	12319870	985590	474315	39600720	3102029	1762216
TOTAL UASL	161315487	13790912	6651617	547403322	46260277	23175626	1198346070	107709785	51058156	855274160	76067492	37142573
NLD (i/c IPI)	24988611	1499317	-	64820969	389258	-	190303113	11418187	-	145918479	8755109	-
ILD (i/c BILGO)	17781754	1066905	-	51751056	3105063	-	105215478	6312929	-	70490822	4229449	-
ISP	76235	4574	-	1850825	111050	-	5685287	341117	-	3745035	224702	-
VSAT (i/c Satcom)	513916	30835	-	968959	58138	-	1907934	114476	-	1203878	72233	-
GRAND TOTAL	204676003	16392543	6651617	666795131	53423786	23175626	1501457882	125896494	51058156	1076632374	89348985	37142573

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	270.41	23.94	11.55
BHL	5.82	0.45	0.25
Total UASL	276.23	24.38	11.80
NLD (i/c IPI)	42.60	2.56	-
ILD (i/c BILGO)	24.52	1.47	-
ISP (i/c BBL)	1.14	0.07	-
VSAT (i/c Satcom)	0.46	0.03	-
GRAND TOTAL	344.95	28.51	11.80

**ANNEXURE 3.14 [Para 3.3.3]
Impact on payment of Revenue Share (LF and SUC) on income from Investment not considered by BAL**

(Amount in ₹)

Services/LSA	FY 2006-07			FY 2007-08			FY 2008-09			FY 2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	24326091	1946087	1101972	46520592	3721647	2116687	200161236	20016124	9107336	157628063	15762806	7172077
Assam	3139114	188347	89465	6722449	403347	231924	28090332	1685420	969116	25680212	1540813	885967
Bihar	10454700	627282	452689	23711719	1422703	1078883	111720192	6703212	5083269	100070298	6004218	4553199
Delhi	44715300	4471530	1945116	62989965	6298997	2733764	210960033	21096003	9176761	154597151	15459715	6724976
Gujarat	8279850	827985	302215	16154561	1615456	589641	71955088	7195509	2626361	57147496	57147450	2085884
Haryana	4669195	373536	162488	7053201	564256	243335	27136578	2170926	936212	19420308	1553625	670001
HP	3985907	199295	137514	5905996	295300	203757	20852452	1251147	719410	16073693	964422	554542
J & K	4271957	256317	140975	9450969	567058	327004	39993984	2399639	1379792	24374620	1462477	840924
Karnataka	37899003	3031920	1762304	63033830	5042706	2931073	243557478	24355748	11325423	180278705	18027871	8382960
Kerala	7009523	560762	248838	14107909	1128633	500831	58422433	4673795	2073996	43709874	3496790	1551701
Kolkata	7668403	766840	329741	14670905	1467091	630849	53411036	5341104	2296675	385000724	38500072	1655531
Maharashtra	15449897	1544990	563921	27647731	2764773	1009142	111671651	11167165	4522702	80823072	8082307	3758273
MP	10082659	806613	368017	18808848	1504708	686523	81236915	6498953	2965147	63033966	5042717	2300740
Mumbai	18816513	1881651	856151	30116416	3011642	1370297	105950139	10595014	4820731	72157957	7215796	3283187
Odisha	5121107	307266	204844	10672197	640332	480249	48466777	2908007	2181005	39086191	2345171	1758879
Punjab	19563239	1173794	870564	27343155	1640589	1216770	96788467	7743077	4307087	74868887	5989511	3331665
TN	28316549	2831655	1076029	48702732	4870273	2410785	190071087	19007109	9218448	147925592	14792559	7174391
UP	8515608	681249	298046	19056008	1524481	666960	91691312	7335305	3392579	78868550	6309484	3549085
UPW	6159404	492752	218659	11061337	884907	392677	43376766	3470141	1539875	36250477	2900038	1286892
WB	3735154	298812	93379	10222821	817826	276016	46397237	3711779	1623903	39646732	3171739	1387636
TOTAL UASL (BAL)	272179173	23268683	11222927	473953341	40186725	20097167	1881911193	169325177	80265828	1450142568	129686881	62908510
NLD (i/c IP1)	38233480	2294009	-	56731682	3403901	-	301501901	18090114	-	259889511	15593371	-
ILD (i/c BILGO)	30002223	1800133	-	44424800	2665488	-	159961306	9597678	-	119644673	7178680	-
ISP	128628	7718	-	1534517	92071	-	8431997	505920	-	6342816	380569	-
VSAT (i/c Satcom)	867103	52026	-	860710	51643	-	3033682	18201	-	2151064	129064	-
GRAND TOTAL	341410607	27422569	11222927	577505050	46399828	20097167	2354840079	197700910	80265828	1838170632	152968565	62908510

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
Total UASL	407.82	36.25	17.45
NLD (i/c IP1)	65.64	3.94	-
ILD (i/c BILGO)	35.40	2.12	-
ISP (i/c BBL)	1.64	0.10	-
VSAT (i/c Satcom)	0.69	0.04	-
GRAND TOTAL	511.19	42.45	17.45

**ANNEXURE 3.15[Para3.3.4]
Bharti Airtel Ltd, its subsidiaries and share holding pattern**

(₹ in crore)

Sl. No.	Name of the company	Country of incorp.	Principal service	Relation ship	Share holding	Profit after tax	Proposed dividend	
1	Bharti Hexacom Limited	India	Cellular Mobile & BB and Telephone Services	Subsidiary	2006-07	68.89%	153.10	Nil
					2007-08	68.89%	330.67	Nil
					2008-09	70%	545.51	Nil
					2009-10	70%	624.34	Nil
Total profit						1,653.62		
2	Bharti Acqua net Ltd (Merged with BAL w.e.f. 01.1.09)	India	Submarine cable landing station	Subsidiary	2006-07	51%	1.20	Nil
					2007-08	100%	3.00	Nil
					2008-09	100%	-	Nil
					2009-10	-	-	Nil
Total profit						4.20		
3	Satcom Broadband Eqpt. Ltd	India	Enterprise Service Corporate and V SAT eqpt trading	Subsidiary	2006-07	100%	2.74	Nil
					2007-08	-	-	Nil
					2008-09	-	-	Nil
					2009-10	-	-	Nil
Total profit						2.74		
4	Bharti Comtel Ltd/ Bharti Airtel Services Ltd	India	Administrative support to Bharti Airtel and VSAT eqpt trading	Subsidiary	2006-07	100%	(11.86)	Nil
					2007-08	100%	-	Nil
					2008-09	100%	-	Nil
					2009-10	100%	-	Nil
Total profit						(11.86)		
5	Bharti Broadband Ltd	India	Enterprise Services Corporate	Subsidiary	2006-07	100%	(2.88)	Nil
					2007-08	-	-	Nil
					2008-09	-	-	Nil
					2009-10	-	-	Nil
Total profit						(2.88)		
6	Bharti Infratel Ltd	India	Passive infrastructure for mobile services	Subsidiary	2006-07	100%	(0.01)	Nil
					2007-08	92.89%	41.86	Nil
					2008-09	92.51%	296.34	Nil
					2009-10	86.09%	205.50	Nil

Sl. No.	Name of the company	Country of incorp.	Principal service	Relation ship	Share holding	Profit after tax	Proposed dividend
					Total profit	543.69	
7	Bharti Telemedia Ltd	India	DTH Services	Subsidiary	2006-07	(0.10)	Nil
					2007-08	(23.81)	Nil
					2008-09	(223.70)	Nil
					2009-10	(467.24)	Nil
					Total profit	(714.84)	
8	Bharti Airtel (UK) Ltd	UK	International calling services and wholesale switching data products	Subsidiary	2006-07	(1.65)	Nil
					2007-08	(1.91)	Nil
					2008-09	(1.72)	Nil
					2009-10	5.88	Nil
					Total profit	0.60	
9	Bharti Airtel (Canada) Ltd	Canada	International calling services and wholesale switching data products	Subsidiary	2006-07	(0.19)	Nil
					2007-08	(0.12)	Nil
					2008-09	(2.19)	Nil
					2009-10	(1.28)	Nil
					Total profit	(3.78)	
10	Bharti Airtel (USA) Ltd	USA	International calling services and wholesale switching data products	Subsidiary	2006-07	(22.70)	Nil
					2007-08	(31.96)	Nil
					2008-09	(22.80)	Nil
					2009-10	0.78	Nil
					Total profit	(76.67)	
11	Bharti Airtel (Hongkong) Ltd	Hong Kong	International calling services and wholesale switching data products	Subsidiary	2006-07	(0.73)	Nil
					2007-08	(0.80)	Nil
					2008-09	(1.38)	Nil
					2009-10	(1.01)	Nil
					Total profit	(3.91)	
12	Network 12i Ltd (From 2007-08)	Mauritius	Submarine cable system	Subsidiary	2006-07	-	Nil
					2007-08	29.09	Nil
					2008-09	(58.54)	Nil
					2009-10	32.37	Nil
					Total profit	2.92	

Sl. No.	Name of the company	Country of incorp.	Principal service	Relation ship	Share holding	Profit after tax	Proposed dividend	
13	Bharti Airtel Services Ltd (From 2007-08)	India	Manpower support to Bharti Airtel and VSAT eqpt trading	Subsidiary	2006-07	-	Nil	
					2007-08	100	11.02	Nil
					2008-09	100	(3.61)	Nil
					2009-10	100	15.17	Nil
					Total profit		22.59	
14	Bharti Airtel (Singapore) Pte Ltd (From 2007-08)	Singapore	International calling services and wholesale switching data products	Subsidiary	2006-07	-	Nil	
					2007-08	100	(1.17)	Nil
					2008-09	100	(0.25)	Nil
					2009-10	-	9.64	Nil
					Total profit		8.22	
15	Bharti Airtel Lanka (Pvt) Ltd (From 2007-08)	Sri Lanka	Mobile services	Subsidiary	2006-07	-	Nil	
					2007-08	100	(10.37)	Nil
					2008-09	100	(161.06)	Nil
					2009-10	100	(308.57)	Nil
					Total profit		(480.00)	
16	Bharti Airtel Holdings (Singapore) Pvt Ltd (From 2007-08)	Singapore	Investments	Subsidiary	2006-07	-	Nil	
					2007-08	100	(0.03)	Nil
					2008-09	100	5.06	Nil
					2009-10	100	(56.99)	Nil
					Total profit		(51.96)	
17	Bharti Infratel Venture Ltd (From 2007-08)	India	Passive infrastructure services	Subsidiary	2006-07	-	Nil	
					2007-08	100%	(0.03)	Nil
					2008-09	100%	(0.03)	Nil
					2009-10	100%	(0.03)	Nil
					Total profit		(0.10)	
18	Bharti Infratel (Lanka) Pvt. Ltd (From 2007-08)	Sri Lanka	Mobile services	Subsidiary	2006-07	-	Nil	
					2007-08	100	-	Nil
					2008-09	100	-	Nil
					2009-10	100%	(308.57)	Nil
					Total profit		(308.57)	

Sl. No.	Name of the company	Country of incorp.	Principal service	Relation ship	Share holding	Profit after tax	Proposed dividend	
19	Warad Telecom International Ltd (From 2009-10)	Bangladesh	Mobile services	Subsidiary	2006-07	-	Nil	
					2007-08	-	Nil	
					2008-09	-	Nil	
					2009-10	70%	(23.14)	Nil
					Total profit	(23.14)		
20	Bharti International (Singapore) Pvt Ltd (From 2009-10)	Singapore	Investments	Subsidiary	2006-07	-	Nil	
					2007-08	-	Nil	
					2008-09	-	Nil	
					2009-10	100	(51.10)	Nil
					Total profit	(51.10)		
21	Bharti Airtel International (Netherlands) B.V. (From 2009-10)	Netherland		Subsidiary	2006-07	-	Nil	
					2007-08	-	Nil	
					2008-09	-	Nil	
					2009-10	100	-	Nil
					Total profit	-		
22	Indus Towers (From 2007-08)			Joint venture	2006-07	0	Nil	
					2007-08	42%	Nil	
					2008-09	42%	Nil	
					2009-10	42%	Nil	
					Total profit	-		

**ANNEXURE 3.16 [Para 3.3.4]
Particulars of investment of BAL in its subsidiary/JV/Associates**

(₹ in crore)

Investments by BAL	2006-07	2007-08	2008-09	2009-10
In subsidiaries	572.87	9365.20	9706.94	11137.80
In Joint Venture and others	7.37	14.23	15.70	15.71
Total investments	580.24	9379.43	9722.64	11153.51

Source: - Annual Reports of BAL for the respective years

**ANNEXURE 3.17 [Para 3.3.4]
Summary of Bharti Airtel Ltd's statements under Section 212(8) of the Companies Act, 1956 relating to
Subsidiary companies contained in the respective Annual Reports**

(₹ in crores)

Year	Total No. of subsidiaries	No. of profit making subsidiaries	Capital invested in profit making subsidiaries	Profit after Tax / (Loss)	Proposed Dividend
2006-07	11	3	269.06	157.04	Nil
2007-08	14	5	280.32	415.64	Nil
2008-09	14	4	962.10	905.44	Nil
2009-10	17	7	943.75	893.68	Nil
		Total	2455.23	2371.80	

Source: - Annual Reports of BAL for the respective years

ANNEXURE 3.18 [Para 3.3.8]
Impact on payment of Revenue Share (LF and SUC) on Miscellaneous income not considered by BAL

(Amount in ₹)

Services/LSA	FY 2006-07			FY 2007-08			FY 2008-09			FY 2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	1860161	1057967	123032	2703995	270400	123032	4768789	476879	216980
Assam	-	-	-	1767622	60983	32687	947440	56846	32687	1009577	60575	34830
Bihar	-	-	-	8231954	374554	72535	1594184	95651	72535	2736516	164191	124511
Delhi	-	-	-	24658217	1070167	141648	3256270	325627	141648	9521673	952167	414193
Gujarat	-	-	-	8433773	307833	720630	19743288	1974329	720630	4890924	489092	178519
Haryana	-	-	-	2226846	76826	61084	1770550	141644	61084	1150379	92030	39688
HP	-	-	-	2930562	101104	9107	263977	15839	9107	597097	35826	20600
J & K	-	-	-	3622896	217374	24378	706601	42396	24378	829807	49788	28628
Karnataka	-	-	-	28943196	2315456	399979	8601707	860171	399979	8797072	879707	409064
Kerala	-	-	-	14592828	1167426	22062	621476	49718	22062	3153232	252259	111940
Kolkata	-	-	-	8473254	847325	29062	675860	67586	29062	2453533	245353	105502
Maharashtra	-	-	-	13077708	1307771	465342	11489927	1148993	465342	5593362	559336	260091
MP	-	-	-	7044071	563526	71486	1958533	156683	71486	4460904	356872	162823
Mumbai	-	-	-	14108689	1410869	897985	19735943	1973594	897985	11750285	1175029	534638
Odisha	-	-	-	3552460	213148	47094	1046535	62792	47094	1876146	112569	84427
Punjab	11761647	705699	523393	11658799	699528	94560	2124939	169995	94560	4018195	321456	178810
TN	-	-	-	36399559	3639956	135387	2791479	279148	135387	8223690	822369	398849
UP	-	-	-	8053917	644313	95622	2584388	206751	95622	4477859	358229	201504
UPW	-	-	-	5253428	420274	28275	796488	63719	28275	609377	48750	21633
WB	-	-	-	2664547	213164	28374	810684	64855	28374	2403900	192312	84136
TOTAL UASL (BAL)	11761647	705699	523393	19754140	9800213	3500329	84224263	8026737	3500329	83322317	7644789	3611366
NLD (i/c IPI)	-	-	-	2483442	-	-	3208817	192529	-	3420504	205230	-
ILD (i/c BILGO)	13407568	804454	-	42513424	2550805	-	249581968	14974918	-	173315962	10398958	-
ISP (i/c BBL)	10306389	618383	-	6081986	364919	-	483759	29026	-	272318	16339	-
VSAT (i/c Satcom)	35475604	2128536	523393	328481338	572933	-	8068	484	-	109061	6544	-
GRAND TOTAL				25726239	9800213	3500329	337506875	23223694	3500329	260440162	18271860	3611366

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
Total UASL	40.83	3.62	1.74
NLD (i/c IPI)	4.80	0.29	-
ILD (i/c BILGO)	46.54	2.79	-
ISP (i/c BBL)	2.02	0.12	-
VSAT (i/c Satcom)	2.00	0.12	-
GRAND TOTAL	96.19	6.94	1.74

**ANNEXURE 3.19 [Para 3.3.9]
Impact on payment of Revenue Share (LF and SUC) on profit on Sale of Assets not considered by BAL**

(Amount in ₹)

Services/LSA	FY 2007-08			FY 2008-09			FY 2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	377821	30226	17191	98390	9839	4477	176124	17612	8014
Assam	10905	654	376	13808	828	476	693519	41611	23926
Bihar	54506	3270	2480	55024	3301	2504	111813	6709	5087
Delhi	386366	38637	16768	1074769	107477	46752	174367	17437	7585
Gujarat	26206	2621	957	35370	3537	1291	77950	7795	2845
Haryana	11442	915	395	14271	1142	492	21699	1736	749
HP	9581	479	331	10250	615	354	17960	1078	620
J & K	15331	920	530	39994	2400	1380	27235	1634	940
Karnataka	5422750	433820	252158	22308556	2230856	1037348	9381363	938136	436233
Kerala	22886	1831	812	28718	2297	1019	48839	3907	1734
Kolkata	52688842	5268884	2265620	16303455	1630346	701049	6068170	606817	260931
Maharashtra	44850	4485	1637	54893	5489	2223	90307	9031	4199
MP	27720791	2217663	1011809	9699114	775929	354018	249261	19941	9098
Mumbai	48855	4886	2223	52080	5208	2370	301912	30191	13737
Odisha	2131518	127891	95918	24661	1480	1110	44946	2697	2023
Punjab	46263	2776	2059	53466	4277	2379	83654	6692	3723
TN	162353	16235	8036	93430	9343	4531	165283	16528	8016
UPE	31971	2558	1119	45165	3613	1671	88123	7050	3966
UPW	17944	1436	637	21322	1706	757	40504	3240	1438
WB	31112703	2489016	840043	22268607	1781489	779401	754727	60378	26415
TOTAL UASL (BAL)	120343883	10649202	4521099	72295341	6581171	2945602	18617756	1800221	821279
NLD (i/c IPI)	(1623135)	-	-	(993479)	-	-	406045	24363	-
ILD (i/c BILGO)	72066	4324	-	78630	4718	-	133684	8021	-
ISP (i/c BBL)	2489	149	-	4145	249	-	7087	425	-
VSAT (i/c Satcom)	1396	84	-	1491	89	-	2403	144	-
GRAND TOTAL	120419834	10653759	4521099	72379607	6586227	2945602	19166975	1833174	821279

Note: Negative figures not considered for calculation of GR/AGR.

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
Total UASL	21.13	1.90	0.83
NLD (i/c IPI)	0.04	0.00	-
ILD (i/c BILGO)	0.03	0.01	-
ISP (i/c BBL)	0.00	0.00	-
VSAT (i/c Satcom)	0.00	0.00	-
GRAND TOTAL	21.20	1.91	0.83

ANNEXURE 3.20 [(Para 3.4.1)]
Impact on payment of LF and SUC due to deduction of Bad Debts Written Off from GR to arrive at AGR for computation of revenue share

(Amount in ₹)

Services/LSA	FY 2007-08			FY 2008-09			FY 2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	34807986	2784639	1583763	2703776	270378	123022	6810762	681076	309890
Assam	27112682	1626761	935388	9385793	563148	323810	9354651	561279	322735
Bihar	3965989	237959	180452	5280290	316817	240253	9767553	586053	444424
Delhi	75835032	7583503	3291240	12703579	1270358	552606	15670423	1567042	681663
Gujarat	163896984	16389698	5982240	-	-	-	87228130	8722813	3183827
Haryana	105980519	8478442	3656328	69216632	5537331	2387974	11913799	953104	411026
HP	1802405	90120	62183	17654705	1059282	609087	356817	21409	12310
J & K	43616569	2616994	1509133	6661440	399686	229820	162438	9746	5604
Karnataka	29943948	2395516	1392394	-	-	-	2428345	242835	112918
Kerala	81605075	6528406	2896980	28451963	2276157	1010045	52280599	4182448	1855961
Kolkata	23403819	2340382	1006364	7476783	747678	321502	1152075	115208	49339
Maharashtra	319576468	31957647	11664541	92510068	9251007	3746658	7333667	733367	341016
MP	243960087	19516807	8904543	88514264	7081141	3230771	79444482	6355559	2899724
Mumbai	287154831	28715483	13065545	18618566	1861857	847145	22263821	2226382	1013004
Odisha	14714819	882889	662167	8107132	486428	364821	12490824	749449	562087
Punjab	36597404	2195844	1628584	22606226	1808498	1005977	9554700	764376	425184
TN	189752617	18975262	9392755	120058480	12005848	5822836	37532877	3753288	1820345
UPE	7027914	562233	245977	79897328	6391786	2956201	16124781	1289982	725615
UPW	112079233	8966339	3978813	34484924	2758794	1224215	22129171	1770334	785586
WB	8460061	676805	228422	7427476	594198	259962	7348421	587874	257195
TOTAL BAL	1811294443	163521729	72267812	631759425	54680392	25256705	411348336	35873624	16219653
NE	-	-	-	22354432	1341266	592392	-	-	-
Rajasthan	-	-	-	172478	13798	6640	338345	27068	15395
TOTAL BHL	-	-	-	22526910	1355064	599032	338345	27068	15395
TOTAL UASL	1811294443	163521729	72267812	654286335	56035456	25855737	411686681	35900692	16235048

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	285.44	25.41	11.38
BHL	2.28	0.14	0.06
Total UASL	287.72	25.55	11.44

**ANNEXURE 3.21 [Para 3.4.2]
Impact on payment of LF & SUC due to deduction of lease line charges (2006-07)**

(Amount in ₹)

Services/LSA	Amount of GR/AGR	LF Impact	SUC Impact
AP	5681254	454500	257361
Assam	-	-	-
Bihar	134698433	8081906	5832442
Delhi	91775162	9177516	3992220
Gujarat	139189284	13918928	5080409
Haryana	119834958	9586797	4170257
HP	13121316	656066	452685
J&K	12644856	758691	417280
Karnataka	432674658	34613973	20119372
Kerala	127128652	10170292	4513067
Kolkata	63469174	6346917	2729174
Maharashtra	499135568	49913557	18218448
MP	313098261	25047861	11428087
Mumbai	85615307	8561531	3895496
Odisha	-	-	-
Punjab	57064747	3423885	2539381
TN (including Chennai)	533323080	53332308	20266277
UPE	238080782	19046463	8332827
UPW	121832683	9746615	4325060
WB	22902939	1832235	572573
TOTAL BAL	3011271114	264670041	117142416
NE	-	-	-
Rajasthan	259605842	15576351	9164086
TOTAL BHL	259605842	15576351	9164086
TOTAL UASL	3270876956	280246392	126306502

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
BAL	301.13	26.47	11.71
BHL	25.96	1.56	0.92
Total UASL	327.09	28.03	12.63

ANNEXURE 3.22 [Para 3.4.3]
Impact on payment of SUC due to non consideration of revenue from sale/lease of bandwidth

(Amount in ₹)

Services/LSA	2006-07		2007-08		2008-09		2009-10	
	Amount of GR/AGR	SUC Impact	Amount of GR/AGR	SUC Impact	Amount of GR/AGR	SUC Impact	Amount of GR/AGR	SUC Impact
AP	29923939	1355554	29120400	1324978	76980625	3502618	47951780	2181806
Delhi	113660298	4944223	198966064	8635127	462475179	20117670	214085487	9312719
Gujarat	-	-	1979589	72255	7800049	284702	32420174	1183336
Haryana	111080	3866	104717	3613	268385	9259	6754245	233021
Karnataka	207065450	9628543	349648459	16258653	507045098	23577597	135150173	6284483
Kerala	11906375	422676	13188115	468178	18147125	644223	20202885	717202
Kolkata	8140710	350051	19643165	844656	47895614	2059511	20038780	861668
MP	173424848	6330007	82141599	2998168	194190153	7087941	44679689	1630809
Maharashtra	4822117	176007	32367348	1181408	68597513	2778199	65437847	3042860
Mumbai	-	-	82521377	3754723	167692826	7630024	122221994	5561101
Punjab	219127	9751	6653288	296071	13710158	610102	14739745	655919
TN	383228561	14562685	169065836	8368759	309726174	15021719	143772316	6972957
UPE	-	-	207723	7270	2413808	89311	21723467	977556
UPW	-	-	-	-	1312695	46601	18049111	640743
TOTAL BAL	932502505	37783363	985607680	44213859	1878255402	83459477	907227693	40256180
Rajasthan	428891	15140	1106036	39264	7377623	284038	20880534	950064
TOTAL BHL	428891	15140	1106036	39264	7377623	284038	20880534	950064
TOTAL UASL	932931396	37798503	986713716	44253123	1885633025	83743515	928108227	41206244

(₹ in crore)

Services/Company	Total amount of GR/AGR	SUC Impact
BAL	470.36	20.57
BHL	2.98	0.13
Total UASL	473.34	20.70

**ANNEXURE 3.23 [Para 3.5]
Impact on payment of LF and SUC on gain from transfer of assets by BAL during 2007-08**

(Amount in ₹)

Services/LSA	Amount of GR/AGR	LF Impact	SUC Impact
AP	2450296243	245029624	111488479
Assam	354079600	21244776	12215746
Bihar	1248925110	74935507	56826093
Delhi	3317758185	331775819	144322481
Gujarat	850880422	85088042	31057135
Haryana	371500711	29720057	12816775
HP	311076018	18664561	10732123
J&K	497794076	29867645	17173896
Karnataka	3320068629	332006863	154383191
Kerala	743080768	59446461	26379367
Kolkata	772734448	77273445	33227581
Maharashtra	1456239694	145623969	67715146
MP	990684944	79254796	36160000
Mumbai	1586268306	158626831	72175208
Odisha	562117623	33727057	25295293
Punjab	1440197276	115215782	64088779
TN	2565232252	256523225	124413764
UPE	1003703147	80296252	45166642
UPW	582614107	46609129	20682801
WB	538448440	43075875	18845695
TOTAL UASL	24963699999	2264005716	1085166195

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL	2,496.37	226.40	108.52

**ANNEXURE 3.24 [Para 3.6]
Statement showing interest on LF and SUC upto March 2015**

(Amount in ₹)

SI No.	Para No.	No. of Months (upto March 15) Rate@ (PLR+2)%	96 14.25		84 14.25		72 14.25		60 13.75		TOTAL
			Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	
1	3.2.1	Commission/Margin	119398400	60541883	244892030	127657998	267280236	136373912	487801571	243422293	1687368322
2		FAI	123573708	59784602	212512790	117704705	327357610	153083541	116490250	56543739	1167050945
3		Free of Cost	58750098	25491437	7804718	3303519	1832009	855380	2205309	1096021	101338491
4	3.2.1B	Promo	25685419	11955298	7864269	4519154	30767581	14581439	18679414	9356666	123409239
5		Full Talk Time	9171998	4533690	10672617	468981	965124	554946	2099558	993542	33681457
6		Adjustments offered	69599784	35429628	88704312	48203428	138584542	66162072	57309155	27134925	531127846
7		Discounts	121409799	51738689	73465954	36662332	17501890	8344515	63092991	28702781	400918951
8	3.2.2	waivers (REV)	77013230	46538690	56753829	34570739	70626518	34130464	628980064	293490075	1242103608
9		waivers (EXP)	62483945	29116826	39310953	18910552	32478639	14687233	2521457	11552508	234062112
10	3.2.3	IOT Discount	58604930	27488684	60683760	29569388	114926511	51601446	6674792	3157657	352707168
11	3.2.4	Site sharing revenue	48838978	21762203	217139148	98402078	11095957	4828424	32829949	18448291	453345027
12		Forex(BAL)	12975747	5593064	25858169	2398967	91031820	36233159	76027803	31266528	281385256
13	3.2.5	Forex(BHL)	112636	66268	6853434	3862504	63871	30468	3534731	2006048	16529960
14	3.3.1	Interest Income(BAL)	34520081	14007244	89944710	38917465	167325766	67760137	84606429	34707378	531789209
15		Interest Income(BHL)	0	0	641094	379314	1320258	635374	3043024	1728696	7747760
16	3.3.3	Income on investment(BAL)	57747556	23633694	78675924	34076919	264832414	107520967	150058908	61711910	778258292
17	3.3.5	BILGO Revenue(ILD)	10071165	0	13425462	0	9115602	0	9060324	0	41672554
18	3.3.6	Satcom Broadband(VSAT)	26342331	0	36661036	0	18100588	0	21570211	0	102674166
19	3.3.7	IP-1 Revenue(NLD)	59426791	0	54950806	0	52449703	0	28267441	0	195094740
20	3.3.8	Misc. Income(BAL)	4482357	1102182	43621619	16617321	31109553	4688904	17924306	3542673	123088915
21	3.3.9	Profit on sale of assets(BAL)	0	0	18064600	7666013	8822653	3945813	1798304	805657	41103040
22		Deduction of Bad Debt written off(BAL)	0	0	277268768	122537887	73247716	33832895	35191262	15911135	557989663
23	3.4.1	Deduction of Bad Debt written off(BHL)	0	0	0	0	1815191	802440	26553	15102	2659286
24		Deduction of Lease line(BAL)	557352885	246683241	0	0	0	0	0	0	804036126
25	3.4.2	Deduction of Lease line(BHL)	32801310	19298103	0	0	0	0	0	0	52099414
26		Sale/lease of Bandwidth(BAL)	0	79565735	0	74969377	0	111799054	0	39490456	305824623
27	3.4.3	Sale/lease of Bandwidth(BHL)	0	31882	0	66576	0	380486	0	931993	1410938
28	3.5	Transfer of Assets	0	0	3838866423	1840016587	0	0	0	0	5678883010
		TOTAL	1570363147	764363045	5504636423	2665702803	1732651750	852833066	1872793806	886016075	15849360117

Say ₹ 1,584.94 crore

**ANNEXURE 4.01 [Para No.4.2.1]
Impact on payment of LF and SUC due to non-consideration of Commission/discount to dealers**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	248449703	24844970	8819964	325309111	32530911	11548473	310755115	31075512	11031807
Assam	-	-	-	-	-	-	4677156	280629	109913	44639557	2678372	1049029
Bihar	-	-	-	-	-	-	15959813	957589	375056	117699772	7061986	2765945
Chennai	16851410	1685141	716185	156518311	15651831	6652028	158735683	15873568	6746267	159714525	15971453	6787867
Delhi	6000000	600000	264000	-	-	-	-	-	-	197228587	19722859	8678058
Gujarat	84702724	6776218	3853974	488831437	39106515	22241830	658856335	65885634	29977963	115237175	11523717	5243291
Haryana	21056934	1263416	726464	211647358	12698841	7301834	45595955	3647676	1573060	78370732	6269659	2703790
J&K	-	-	-	-	-	-	-	-	-	443098	26586	10413
Karnataka	27771770	2777177	1263616	2417882	241788	110014	338662256	33866226	15409133	322564856	32256486	14676701
Kerala	88540271	5312416	3054639	146578377	8794703	5056954	365387876	29231030	12605882	419015746	33521260	14456043
Kolkata	23903083	2390308	1015881	172831256	17283126	7345328	246679246	24667925	10483868	223164704	22316470	9484500
Maharashtra	72637077	5810966	2578616	194580342	15566427	6907602	393033124	39303312	13952676	439260698	43926070	15593755
MP	-	-	-	-	-	-	2239150	179132	52620	137785458	11022837	3237958
Mumbai	201225804	20122580	9055161	316853495	31685350	14258407	460919004	46091900	20741355	380717179	38071718	17132273
NE	-	-	-	-	-	-	1950235	117014	45831	2366104	141966	55603
Odisha	-	-	-	-	-	-	10312293	618738	242339	43967692	2638062	1033241
Punjab	-	-	-	286419412	22913553	9881470	223670248	17893620	7716624	248474896	19877992	8572384
Rajasthan	42941494	3435320	1481482	335174529	20110472	11563521	458270434	36661635	15810330	474778210	37982257	16379848
TN	82246541	6579723	3742218	-	-	-	490490699	49049070	22317327	560509229	56050923	25503170
UP (E)	41862512	2511751	1988469	182829990	10969799	8684425	207636529	16610922	9862735	195223877	15617910	9273134
WB	34372194	2749776	1185841	281309167	22504733	9705166	410487253	32838980	14161810	468204570	37456366	16153058
Total UASL	744111814	62014792	30926546	3024441258	242372109	118528544	4818872400	446305511	193733261	4940121760	445210458	189821868

(₹ in crore)

Amount of GR/AGR	LF Impact	SUC Impact
1,352.75	119.59	53.30

**ANNEXURE-4.02 [Para No.4.2.3]
Impact on LF and SUC due to netting off of IOT discounts from roaming revenue**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	19860000	1986000	705030	62141998	6214200	2206041	27538534	2753853	977618	15960000	1596000	566580
Chennai	25410000	2541000	1079925	57740000	5774000	2453950	27430000	2743000	1165775	17000000	1700000	722500
Delhi	128880000	12888000	5670720	249230000	24923000	10966120	187760000	18776000	8261440	87217635	8721764	3837576
Gujarat	11350000	908000	516425	38520000	3081600	1752660	16560000	1656000	753480	20880000	2088000	950040
Haryana	1640000	98400	56580	4430000	265800	152835	523515	41881	18061	1626950	130156	56130
Karnataka	44190000	4419000	2010645	84210000	8421000	3831555	85200000	8520000	3876600	30130000	3013000	1370915
Kerala	-	-	-	41350000	2481000	1426575	32060000	2564800	1106070	31469764	2517581	1085707
Kolkata	11880000	1188000	504900	18690000	1869000	794325	12440000	1244000	528700	7750000	775000	329375
Maharashtra	52850000	4228000	1876175	81734625	6538770	2901579	46006406	4600641	1633227	38129097	3812910	1353583
Mumbai	108468229	10846823	4881070	249280000	24928000	11217600	148310000	14831000	6673950	90025000	9002500	4051125
Punjab	8650000	692000	298425	19710000	1576800	679995	9880000	790400	340860	4552198	364176	157051
Rajasthan	16380000	982800	565110	32140000	1928400	1108830	21720000	1737600	749340	8790000	703200	303255
TN	-	-	-	22824108	1825929	1038497	985892	98589	44858	11863966	1186397	539810
UP (E)	4030000	241800	191425	3210000	192600	152475	7670000	613600	364325	6971000	557680	331123
UP (W)	1683766	134701	56406	8771935	701755	293860	8060000	644800	270010	4924517	393961	164971
WB	1820000	145600	62790	1430000	114400	49335	3140000	251200	108330	1800000	144000	62100
Total UASL	437091995	41300124	18475626	975412666	90836253	41026232	635284348	61867364	26872645	379090127	36706324	15881841

(₹ in crore)

Amount of GR/AGR	LF Impact	SUC Impact
242.69	23.07	10.23

**ANNEXURE 4.03 [Para No.4.2.4]
Impact on LF and SUC due to non-consideration of Service tax on FTT**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Bihar	-	-	-	-	-	-	-	-	-	76078518	4564711	3309416
Chennai	-	-	-	-	-	-	20489847	2048985	870818	18725031	1872503	795814
Delhi	-	-	-	-	-	-	11276899	1127690	496184	-	-	-
Gujarat	-	-	-	922192	73775.36	41960	2823855	282386	128485	-	-	-
Haryana	-	-	-	83940325	5036420	2895941	79750192	6380015	2751382	81600907	6528073	3631240
Karnataka	-	-	-	93328558	9332856	4246449	296076913	29607691	13471500	192444127	19244413	8756208
Kerala	-	-	-	-	-	-	58795372	4703630	2028440	83061815	6644945	3696251
MP	-	-	-	-	-	-	-	-	-	16717136	1337371	727195
Mumbai	-	-	-	-	-	-	190873030	19087303	8589286	-	-	-
Punjab	26371285	2109702.8	909809	111730	8938	3855	9804747	784380	338264	45886130	3670890	2041933
Rajasthan	12384607	743076	427269	184717909	11083075	6372768	279622174	22369774	9646965	185955234	14876419	8275008
UP (E)	9948774	596926	472567	135926561	8155594	6456512	12845909	1027673	610181	14958522	1196682	710530
Total U/ASL	48704666	3449706	1809645	498947274	33690657	20017485	962358937	87419526	38931505	715427420	59936006	31943594

(₹ in crore)

Amount of GR/AGR	LF Impact	SUC Impact
222.54	18.45	9.27

**ANNEXURE 4.04 [Para No.4.2.5]
Impact on LF and SUC due to non-consideration of Infrastructure sharing revenue**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Andhra Pradesh	20441695	2044170	725680	152223809	15222381	5403945	26579585	26579585	9435753	5657995	565800	200859
Chennai	33279418	3327942	1414375	53111554	5311155	2257241	60392873	6039287	2566697	24686916	2468692	1049194
Delhi	13091090	1309109	576008	83459975	8345998	3672239	195806809	19580681	8615500	2969631	296963	130664
Gujarat	58041838	4643347	2640904	134550678	10764054	6122056	329861379	32986138	15008693	12964813	1296481	589899
Haryana	-	-	-	113415404	6804924	3912831	167233268	13378661	5769548	14759002	1180720	509186
Karnataka	97254755	9725476	4425091	140935902	14093590	6412584	148798206	14879821	6770318	26573537	2657354	1209096
Kerala	47662086	2859725	1644342	151935817	9116149	5241786	282617254	22609380	9750295	24891977	1991358	858773
Kolkata	28075739	2807574	1193219	39926702	3992670	1696885	50941650	5094165	2165020	5947108	594711	252752
Maharashtra	29364813	2349185	1042451	174739660	13979173	6203258	184413654	18441365	6546685	84240433	8424043	2990535
Mumbai	54914560	5491456	2471155	81862863	8186286	3683829	91659841	9165984	4124693	22176063	2217606	997923
Punjab	-	-	-	13544811	1083585	467296	121117483	9689399	4178553	67107132	5368571	2315196
Rajasthan	28561444	1713687	985370	28561444	1713687	985370	50030745	4002460	1726061	250722652	20057812	8649931
TN	21714008	1737121	987987	69946928	5595754	3182585	100516659	10051666	4573508	13121244	1312124	597017
UP (E)	2411213	144673	114533	51215966	3072958	2432758	261519789	20921583	12422190	6170174	493614	293083
UP (W)	-	-	-	217738077	17419046	7294226	222251896	17780152	7445439	6013035	481043	201437
WB	18884864	1510789	651528	-	-	-	190055785	15204463	6556925	110796056	8863684	3822464
Total U/ASL	453697523	39664252	18872643	1507169591	124701411	58968888	2723013139	246404790	107655876	678797768	58270576	24668009

(₹ in crore)

Amount of GR/AGR	LF Impact	SUC Impact
536.27	46.90	21.02

**ANNEXURE-4.05 [Para No.4.2.6]
Impact on LF and SUC due to non-consideration of gain on foreign exchange fluctuation**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	85160404	8516040	3023194	46409216	4640922	1647527	-	-	-	40000720	4000072	1420026
Assam	-	-	-	-	-	-	-	-	-	1964987	117899	46177
Bihar	-	-	-	-	-	-	-	-	-	12705629	762338	298582
Chennai	4758787	475879	202248	-	-	-	132125	13212	5615	4187525	418753	177970
Delhi	169829	16983	7472	-	-	-	59921611	5992161	2636551	-	-	-
Gujarat	-	-	-	136608856	10928708	6215703	142560309	14256031	6486494	-	-	-
Haryana	-	-	-	32050661	1923040	1105748	-	-	-	8110093	648807	279798
HP	-	-	-	-	-	-	-	-	-	2283253	136995	53656
Karnataka	5327572	532757	242405	1428936	142894	65017	371205139	37120514	16889834	-	-	-
Kerala	-	-	-	7107523	426451	245210	-	-	-	-	-	-
Kolkata	35400	3540	1505	-	-	-	122217025	12221703	5194224	-	-	-
Maharashtra	-	-	-	-	-	-	16241017	1624102	576556	-	-	-
MP	-	-	-	-	-	-	-	-	-	9491548	759324	223051
Mumbai	-	-	-	86287529	8628753	3882939	34200021	3420002	1539001	-	-	-
NE	-	-	-	-	-	-	-	-	-	3274015	196441	76939
Odisha	-	-	-	1118456	67107	26284	-	-	-	-	-	-
Punjab	10801807	864145	372662	33520303	2681624	1156450	-	-	-	-	-	-
Rajasthan	-	-	-	-	-	-	-	-	-	42111252	3368900	1452838
TN	-	-	-	3642860	291429	165750	3772199	377220	171635	-	-	-
UP (E)	14874000	892440	706515	-	-	-	-	-	-	-	-	-
UP (W)	7488994	599120	250881	68673468	5493877	2300561	-	-	-	14479546	1158364	485065
WB	10702807	856225	369247	-	-	-	-	-	-	26058988	2084719	899035
Total UASL	139319600	12757128	5176130	416847808	35224805	16811188	750249446	75024945	33499910	174066223	14404505	5737392
NLD	2911403	174684	-	3259513	195571	-	-	-	-	-	-	-
ILD	114087	6845	-	-	-	-	-	-	-	67625846	4057551	-
Grand Total	142345090	12938657	5176130	420107321	35420376	16811188	750249446	75024945	33499910	241692069	18462056	5737392

(₹ in crore)

Services/ com-pany	Amount of GR/AGR	LF Impact	SUC Impact
Total UASL	148.05	13.74	6.12
NLD	0.62	0.04	-
ILD	6.77	0.41	-
Grand Total	155.44	14.19	6.12

ANNEXURE 4.06 (Para 4.2.7)
Impact on LF and SUC due to non-consideration of amount of Waivers

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	-	-	-	-	-	-	49687	2981	1168	-	-	-
Bihar	-	-	-	-	-	-	-	-	-	1301210	78073	30578
HP	-	-	-	-	-	-	-	-	-	130989	7859	3078
Kerala	-	-	-	2627870	157672	90662	4129113	330329	142454	4750379	380030	163888
Maharashtra	2010875	160870	71386	3793060	303445	134654	6239626	623963	221507	7380967	738097	262024
MP	-	-	-	-	-	-	-	-	-	506103	40488	11893
NE	-	-	-	-	-	-	31298	1878	736	-	-	-
Punjab	-	-	-	2543806	203504	87761	3022957	241837	104292	3351302	268104	115620
Rajasthan	-	-	-	-	-	-	-	-	-	5380463	430437	185626
UP(E)	4114459	246868	195437	5926778	355607	281522	7673205	613856	364477	8837731	707019	419792
UP(W)	-	-	-	-	-	-	-	-	-	4901825	392146	164211
Total UASL	6125334	407738	266823	14891514	1020228	594598	21145886	1814844	834634	36540969	3042253	1356712

(₹ in crore)

Amount of GR/AGR	LF Impact	SUC Impact
7.87	0.63	0.31

ANNEXURE 4.07 (Para4.3.1)
Impact on LF and SUC due to non-consideration of Interest income

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Interest not considered	Impact on LF	Impact on SUC	Interest not considered	Impact on LF	Impact on SUC	Interest not considered	Impact on LF	Impact on SUC	Interest not considered	Impact on LF	Impact on SUC
AP	-	-	-	12010	1201	474	2856828	285683	101417	783030736	78303074	27797591
Assam	-	-	-	-	-	-	-	-	-	91215	5473	2144
Bihar	-	-	-	-	-	-	-	-	-	299936	17996	7048
Chennai	-	-	-	1575769	157577	75637	2269279	226928	96444	426631864	42663186	18131854
Delhi	-	-	-	20998486	2099849	1228411	36262207	3626221	1595537	2339595041	233959504	102942182
Gujarat	-	-	-	-	-	-	917858904	91785890	41762580	328856277	32885628	14962961
Haryana	-	-	-	-	-	-	2648667	211893	91379	469045779	37523662	16182079
HP	-	-	-	-	-	-	2114013	126841	49679	10138777	608327	238261
J&K	-	-	-	-	-	-	32276	1937	758	125563	7534	2951
Karnataka	-	-	-	21435718	2143572	1061068	25430233	2543023	1157076	830056533	83005653	37767572
Kerala	-	-	-	572054	34323	-	2987973	239038	103085	2077640009	166211201	71678580
Kolkata	-	-	-	7079532	707953	339818	17570387	1757039	746741	807207626	80720763	34306324
Maharashtra	446256	35700	15842	8812034	704963	343669	13566125	1356612	481597	2341073090	234107309	83108095
MP	-	-	-	-	-	-	-	-	-	116659	9333	2741
Mumbai	-	-	-	668951663	66895166	30102825	2042590345	204259035	91916566	4781895386	478189539	215185292
NE	-	-	-	-	-	-	-	-	-	63218	3793	1486
Odisha	-	-	-	-	-	-	1464147	87849	34407	125340	7520	2945
Punjab	-	-	-	69966	5597	2659	1689593	135167	58291	507981011	40638481	17525345
Rajasthan	-	-	-	130430	7826	4826	2250589	180047	77645	983565997	78685280	33933027
TN	-	-	-	3168089	253447	-	3954433	395443	179927	1500739873	150073987	68283664
UP(E)	-	-	-	6224444	373467	7407088	47053991	3764319	2235065	1619849872	129587990	76942869
UP(W)	-	-	-	441201	35296	15442	381268	30501	12772	743641370	59491310	24911986
WB	-	-	-	59366	4749	2197	1875667	150053	64711	803152864	64252229	27708774
Total UASL	446256	35700	15842	739530762	73424986	40584114	3124856925	311163520	140765679	21354924035	1990958770	871625772
NLD	-	-	-	269838	16190	-	6795493	407730	-	1612382788	96742967	-
ILD	-	-	-	119550	7173	-	2483676	149021	-	571922740	34315364	-
Grand Total	446256	35700	15842	739920150	73448349	40584114	3134136094	311720270	140765679	23559229562	2122017102	871625772

(₹ in crore)

Services/ Company	Amount of GR/AGR	LF Impact	SUC Impact
Total UASL	2,521.98	237.56	105.30
NLD	161.94	9.72	-
ILD	57.45	3.45	-
Grand Total	2,741.37	250.73	105.30

**ANNEXURE-4.08 [Para No.4.3.2]
Impact on LF and SUC due to non-consideration of Profit on Sale of Fixed Assets**

(Amount in ₹)

SERVICES/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	2608	261	93	149838	14984	5319	672098	67210	23859	75649478	7564948	2685556
Assam	-	-	-	-	-	-	-	-	-	29217221	1753033	686605
Bihar	-	-	-	-	-	-	-	-	-	581352	34881	13662
Chennai	1114453	111445	47364	2955410	295541	125605	-	-	-	141833	14183	6028
Delhi	1032649	103265	45437	-	-	-	1815521	181552	79883	19382	1938	853
Gujarat	373719	29897	17004	6930346	554428	315331	1594057596	159405760	72529621	22560100	2256010	1026485
Haryana	-	-	-	883357	53001	30476	-	-	-	5092386	407391	175687
HP	-	-	-	-	-	-	-	-	-	6072	364	143
J&K	-	-	-	-	-	-	-	-	-	1	-	-
Karnataka	502986	50299	22886	37855	3785	1722	-	-	-	5260019	526002	239331
Kerala	-	-	-	472745	28365	16310	-	-	-	7933410	634673	273703
Kolkata	1669	167	71	505716	50572	21493	327144	32714	13904	12871	1287	547
Maharashtra	16599	1328	589	-	-	-	-	-	-	-	-	-
MP	-	-	-	-	-	-	-	-	-	-	-	-
Mumbai	1620242	162024	72911	12822783	1282278	577025	547296	54730	24628	1864080	186408	83884
NE	-	-	-	-	-	-	-	-	-	-	-	-
Odisha	-	-	-	1860	112	44	152252	9135	3578	1	-	-
Punjab	5326	4426	1909	49333	3947	1702	1598014	127841	55131	829849	66388	35269
Rajasthan	3476	209	120	-	-	-	82253999	6580320	2837763	66246191	5299695	2285494
TN	-	-	-	-	-	-	-	-	-	116393	11639	5296
UP (E)	585609	35137	27816	663782	39827	31530	72387	5791	3438	193650	15492	9198
UP (W)	-	-	-	23291	1863	780	-	-	-	10786709	862937	361355
WB	8562	685	295	-	-	-	-	-	-	69105256	5528420	2384131
Total UASL	5317898	499142	236495	25496316	2328702	1127337	1681496307	166465053	75571806	295616255	25165690	10273225
NLD	-	-	-	-	-	-	38150	2289	-	-	-	-
VECL Corp	168713	16871	5821	-	-	-	-	-	-	-	-	-
Grand Total	5486611	516014	242316	25496316	2328702	1127337	1681534457	166467342	75571806	295616255	25165690	10273225

Note :- lowest rates in VECL is taken as rates of VECL corp

(₹ in crore)

Services/ Company	Amount of GR/AGR	LF Impact	SUC Impact
Total UASL	200.79	19.45	8.72
NLD	0.00	0.00	-
VECL Corp	0.02	0.00	0.00
Grand Total	200.81	19.45	8.72

**ANNEXURE 4.09 [Para No.4.4]
Impact on LF and SUC due to deduction of Bad debts from GR**

(Amount in ₹)

Services/ LSA	2007-08			2008-09			2009-10		
	Amount of LF/ SUC	LF Impact	SUC Impact	Amount of LF/ SUC	LF Impact	SUC Impact	Amount of LF/ SUC	LF Impact	SUC Impact
AP	58523756	5852376	2077593	103062415	10306242	3658716	44282931	4428293	1572044
Chennai	53491549	5349155	2273391	45832767	4583277	1947893	28659206	2865921	1218016
Delhi	129003996	12900400	5676176	374212571	37421257	16465353	162266124	16226612	7139709
Gujarat	29258431	2340674	1331259	100118469	10011847	4555390	40788053	4078805	1855856
Haryana	14983471	899008	516930	11391169	911294	392995	3248727	259898	112081
Karnataka	169266065	16926607	7701606	115120781	11512078	5237996	34259950	3425995	1558828
Kerala	52094462	3125668	1797259	44267630	3541410	1527233	18136780	1450942	625719
Kolkata	60178535	6017854	2557588	102151052	10215105	4341420	36335789	3633579	1544271
Maharashtra	123273537	9861883	4376211	127315371	12731537	4519696	24811104	2481110	880794
Mumbai	133482884	13348288	6006730	284764500	28476450	12814403	108445208	10844521	4880034
Odisha	-	-	-	-	-	-	132638	7958	3117
Punjab	36878737	2950299	1272316	79426920	6354154	2740229	17763801	1421104	612851
Rajasthan	13902293	834138	479629	43449275	3475942	1499000	12152686	972215	419268
TN	50704213	4056337	2307042	39471454	3947145	1795951	20701422	2070142	941915
UP(E)	18431615	1105897	875502	46013048	3681044	2185620	23764671	1901174	1128822
UP(W)	10966635	877331	367382	28093193	2247455	941122	18658630	1492690	625064
WB	2101270	168102	72494	9024659	721973	311351	14457969	1156638	498800
Total U/ASL	956541449	86614015	39689106	1553715274	150138210	64934366	608865689	58717598	25617190

(₹ in crore)

Amount of LF/SUC	LF Impact	SUC Impact
311.91	29.55	13.02

**ANNEXURE-4.10 [Para No.4.6]
Statement showing interest on LF and SUC up to March 2015**

(Amount in ₹)

Sl No.	Para No.	Issues	96		84		72		60		TOTAL
			Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	
		No. of Months (upto March 2015)	14.25		14.25		14.25		13.75		
		Rate@ (PLR+2)%	2006-07		2007-08		2008-09		2009-10		
1	4.2.1	COMMISSION/ MARGIN	130593259	65126371	410968110	200977959	597853423	259517506	436741989	186211215	2287989832
2	4.2.3	Roaming Commission	86971473	38906722	154022686	69564411	82875104	35997545	36008123	15579748	519925812
3	4.2.4	Free Talk time	7264530	3810824	57126151	33941809	117103781	52151122	58795947	31335986	361530150
4	4.2.5	Infrastructure revenue	83526588	39742775	211444722	99988124	330074227	144211605	57162196	24198792	990349029
5	4.2.6	Forex	27246748	10900104	60059077	28505187	100500484	44875170	18110884	5628260	295825913
6	4.2.7	Waivers	858630	561886	1729907	1008206	2431094	1118042	2984385	1330905	12023057
7	4.3.1	Interest Income	75180	33361	124539616	68814752	417568293	188564203	2081653638	855046341	3736295384
8	4.3.2	Fixed Assets	1086642	510278	3948567	1911521	222993146	101233038	24687007	10077815	366448014
9	4.4	Bad Debt	-	-	146863425	67297170	201119279	86983539	57600715	25129918	584994046
		TOTAL	337623050	159592322	1170702260	572009139	2072518831	914651771	2773744884	1154538981	9155381238

Say

₹ 915.54 crore

**ANNEXURE -5.01 [Para No.5.2.2(A)]
Impact on payment of LF and SUC due to non-consideration of commission/discount**

(Amount in ₹)

Services/LSA	2006-07				2007-08				2008-09				2009-10			
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)		
AP	176798235	17679823	4592147	196282303	19628230	5419847	203565842	20356584	5698677	25361	419349415	41934942	106233380	1105787		
Bihar	62141646	3728499	1514495	90892816	5453569	2248222	99205339	5952320	2522005	-	229401777	13764107	5686627	-		
Chennai	58746163	5874616	1252895	63399508	6339951	423792	-	-	-	-	-	-	-	-		
Delhi	209372553	20937255	4750150	205933473	20593347	4614603	217400744	21740074	4680989	56994	596963571	59696357	10019073	3224257		
Gujarat	126761903	12676190	3155306	131560190	13156019	3540360	126937448	12693745	3308912	28491	290956010	29095601	5897205	1894790		
Haryana	33080302	2646424	831318	41270749	3301660	1147374	43025020	3442002	1256085	18232	104117549	8329404	2222144	788810		
HP	5813364	348802	138671	12485763	749146	347786	11543137	692588	307443	-	21849451	1310967	605157	-		
J&K	702291	42137	4240	4900225	294013	117897	712927	42776	18327	770	18218033	1093082	8127	496253		
Karnataka	126675446	12667545	3026100	149445606	14944561	3831873	157968538	15796854	3881727	30163	355712929	35571293	6861418	1746519		
Kerala	132898838	10631907	3514383	152089589	12167167	4758059	146707308	11736585	4543040	13598	244483813	19558705	6985037	409227		
Kolkata	81827171	8182717	1752889	93695073	9369507	1945762	96437834	9643783	1912094	-	169077997	16907800	3871434	-		
Maharashtra	160955107	16095511	4123656	167799129	16779913	5034158	157730019	15773002	4482539	30411	390046786	39004679	8463010	2702836		
MP	79206130	6336490	1997926	100952616	8076209	2790101	108302294	8664184	3084582	-	230349405	18427952	6485861	-		
Mumbai	230970494	23097049	5211374	249526578	24952658	5967511	261046043	26104604	5864042	36929	633274701	63327470	11754199	2458954		
Odisha	24540951	1472457	620027	30920807	1855248	869994	28810844	1728651	831235	-	58908970	3534538	1580342	-		
Punjab	56732487	4538599	1408044	55766074	4461286	1501883	52337690	4187015	1402768	25509	129620748	10369660	2431449	1147618		
Rajasthan	82755974	6620478	2171835	84994724	6799578	2444530	83805199	6704416	2419003	32383	207120176	16569614	4342687	1737396		
TN	107831631	10783163	3119648	134157889	13415789	5618923	192658716	19265872	5348682	19694	380020109	38002011	9113076	1121629		
UP(E)	109113350	8729068	3108240	123840053	9907204	3925893	141689685	11335175	4057662	38250	364828004	29186240	8089038	2557180		
UP(W)	83944255	6715540	2347843	96231465	7698517	3253446	103512280	8280982	3272311	34066	270117397	21609392	6149539	2299970		
WB	31663985	2533119	800743	43586168	3486893	1248325	47639171	3811134	1465438	-	97412744	7793019	2686554	-		
TOTAL UASL (RCL)	1982532273	182337391	49441931	2229730800	203430467	61050339	2281036076	207952345	60357562	390850	5211829585	475086833	113875357	23691227		

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	1,170.51	106.88	30.88

**ANNEXURE-5.02 [Para No.5.2.2 (B)]
Impact on payment of LF and SUC due to non-consideration of SMS content and R world**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10			
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)
AP	98409848	9840985	2556092	198284122	19828412	5475123	352817483	35281748	9876868	222817128	22281713	5644627	587549
Bihar	34589429	2075366	843002	91819803	5509188	2271151	171941312	10316479	4371105	121890346	7313421	3021532	-
Chennai	32699427	3269943	697390	64046099	6404610	428114	-	-	-	-	-	-	-
Delhi	116541442	11654144	2644040	208033721	20803372	4661666	376795943	37679594	8113026	317190637	31719064	5323535	1713177
Gujarat	70558508	7055851	1756314	132901930	13290193	3576467	220006217	22000622	5734960	154596573	15459657	3133421	1006778
Haryana	18413235	1473059	462730	41691656	3335332	1159076	74570365	5965629	2177029	55321821	4425746	1180714	419126
HP	3235848	194151	77188	12613101	756786	351333	20006404	1200384	532855	11609488	696569	321544	-
J&K	390911	23455	2360	4950200	297012	119099	1235635	74138	31764	9679970	580798	4318	263679
Karnataka	70510384	7051038	1684395	150969753	15096975	3870953	273788870	27378887	6727755	189004516	18900452	3645746	927996
Kerala	73974463	5917957	1956184	153640701	12291256	4806585	254271063	20341685	7873934	129904035	10392323	3711430	217439
Kolkata	45546832	4554683	975697	94650638	9465064	1965607	167144711	16714471	3314015	89837907	8983791	2057048	-
Maharashtra	89591209	8959121	2295319	169510458	16951046	5085499	273375473	27337547	7769074	207247468	20724747	4496736	1436125
MP	44087902	3527032	1112090	101982199	8158576	2818556	187708029	15016642	5346154	122393858	9791509	3446197	-
Mumbai	128563338	12856334	2900767	252071418	25207142	6028372	452441367	45244137	10163475	336484194	33648419	6245476	1306541
Odisha	13660042	819602	345121	31236159	1874170	878867	49934553	2996073	1440684	31300693	1878042	839699	-
Punjab	31578570	2526286	783749	56334814	4506785	1517200	90710955	7256876	2431259	68872691	5509815	1291926	609776
Rajasthan	46063825	3685106	1208892	85861558	6868925	2469461	145250004	11620000	4192583	110051239	8804099	2307443	923148
TN	60021496	6002150	1736466	135526121	13552612	5676229	333913405	33391340	9270261	201919894	20191989	4842142	595967
UP(E)	60734929	4858794	1730116	125103057	10008245	3965932	245574590	19645967	7032684	193847720	15507818	4298030	1358732
UP(W)	46725248	3738020	1306862	97212898	7777032	3286627	179406044	14352483	5671524	143524184	11481935	3267496	1222066
WB	17624882	1409991	445711	44030689	3522455	1261056	82567548	6605404	2539877	51759289	4140743	1427474	-
TOTAL UASL (RCL)	1103521766	101493066	27520484	2252471095	205505188	61672972	3953459972	360420109	104610886	2769253651	252432648	60506535	12588097

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	1,007.87	91.99	26.76

**ANNEXURE-5.03 [Para No.5.2.2 (C)]
Impact on payment of LF and SUC due to non-consideration of revenue from CRBT**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)
AP	25618822	2561882	665422	110043569	11004357	3038579	161772737	16177274	4528710	20155	165615889	4195548
Bihar	9004591	540275	219457	50958083	3057485	1260442	78837977	4730279	2004225	-	90598861	2245850
Chennai	8512571	851257	181550	35544254	3554425	237594	-	-	-	-	-	-
Delhi	30338980	3033898	688317	115454393	11545439	2587128	172767263	17276726	3719958	45292	235761990	3956886
Gujarat	18368343	1836834	457217	73757810	7375781	1984865	100876543	10087654	2629575	22641	114908800	2329015
Haryana	4793478	383478	120461	23138003	1851040	643263	34191764	2735341	998204	14489	41119696	877603
HP	842381	50543	20094	7000009	420001	194983	9173272	550396	244323	-	8629120	238998
J&K	101765	6106	614	2747258	164836	66097	566559	33994	14564	612	7194945	3210
Karnataka	18355815	1835581	438495	83785076	8378508	2148299	125536792	12553679	3084789	23970	140483594	2709816
Kerala	19257611	1540609	509249	85267397	6821392	2667555	116587550	9327004	3610331	10806	96555289	2758638
Kolkata	11857108	1185711	254001	52529138	5252914	1090871	76638655	7663865	1519532	-	66774870	1528966
Maharashtra	23323085	2332308	597535	94074782	9407478	2822347	125347242	12534724	3562251	24167	154043246	3342341
MP	11477308	918185	289508	56598002	4527840	1564240	86067281	6885383	2451301	-	90973112	2561495
Mumbai	33468614	3346861	755150	139894400	13989440	3345621	207451960	20745196	4660124	29347	250102537	4642148
Odisha	3556089	213365	89845	17335419	1040125	487753	22895831	1373750	660578	-	23265232	624133
Punjab	8220780	657662	204032	31264651	2501172	842015	41592495	3327400	1114773	20272	51191809	960265
Rajasthan	11991695	959336	314708	47651381	3812110	1370499	66599564	5327965	1922370	25734	81799070	1715080
TN	15625265	1562527	452050	75214182	7521418	3150189	153104900	15310490	4250570	15651	150083358	3599076
UP(E)	15810992	1264879	450397	69429598	5554368	2201010	112600071	9008006	3224603	30397	144083459	3194647
UP(W)	12163882	973111	340212	53951139	4316091	1824010	82260682	6580855	2600489	27072	106678896	2428670
WB	4588247	367060	116031	24436118	1954889	699860	37858606	3028689	1164576	-	38471732	1061015
TOTAL UASL (RCL)	287277422	26421469	7164348	1250074662	114051110	34227218	1812727745	165258669	47965847	310606	2058335505	44973399

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	540.84	49.34	14.40

**ANNEXURE 5.04 [Para No.5.2.2 (D)]
Impact on payment of LF and SUC due to non-consideration of sale of SIM cards**

(Amount in ₹)

Services/LSA	2008-09				2009-10			
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)
AP	31859952	3185995	319918	381354	54284565	5428457	445313	600394
Bihar	15526561	931594	141583	-	29695941	1781756	238373	-
Delhi	34025244	3402524	262786	856999	77276626	7727663	419981	1750629
Gujarat	19866894	1986689	185759	428406	37664105	3766411	247200	1028788
Haryana	6733817	538705	70515	274149	13477963	1078237	93148	428289
HP	1806609	108397	17260	-	2828400	169704	25367	-
J&K	111580	6695	1029	11583	2358315	141499	341	269443
Karnataka	24723549	2472355	217916	453554	46046855	4604685	287618	948283
Kerala	22961062	1836885	255042	204465	31648303	2531864	292800	222192
Kolkata	15093420	1509342	107343	-	21887059	2188706	162283	-
Maharashtra	24686219	2468622	251645	457280	50491355	5049135	354754	1467521
MP	16950319	1356026	173165	-	29818611	2385489	271875	-
Mumbai	40856140	4085614	329201	555290	81977083	8197708	492715	1335104
Odisha	4509166	270550	46665	-	7625736	457544	66245	-
Punjab	8191336	655307	78750	383576	16779339	1342347	101922	623106
Rajasthan	13116295	1049304	135800	486932	26811600	2144928	182038	943330
TN	30152886	3015289	300270	296133	49193407	4919341	382004	608995
UP(E)	22175757	1774061	227793	575160	47226797	3778144	339078	1388436
UP(W)	16200637	1296051	183704	512241	34966557	2797325	257777	1248782
WB	7455974	596478	82268	-	12610029	1008802	112615	-
TOTAL U/ASL (RCL)	357003416	32546481	3388414	5877122	674668646	61499745	4773448	12863294

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
U/ASL (RCL)	103.17	9.40	2.69

ANNEXURE -5.05 [Para 5.2.2 (E)]
Impact on payment of LF and SUC due to non-consideration of sale of Handsets

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)
AP	1660312663	166031266	43124863	523809430	52380943	14463694	34696211	3469621	977847	22722835	2272284	697489
Bihar	583572348	35014341	14222630	242561421	14553685	5999725	16908777	1014527	432756	12430347	745821	373361
Chennai	551685366	55168537	11765944	169191310	16919131	1130954	-	-	-	-	-	-
Delhi	1966218167	196621817	44608671	549565056	54956506	12314776	37054263	3705426	803220	32347022	3234702	657813
Gujarat	1190421344	119042134	29631488	351088546	35108855	9447993	21635499	2163550	567782	15765720	1576572	387187
Haryana	310657199	24852576	7806905	110137323	8810986	3061944	7333279	586662	215534	5641706	451336	145897
HP	54593312	3275599	1302264	33320173	1999210	928120	1967438	118046	52755	1183933	71036	39732
J&K	6595216	395713	39817	13077001	784620	314625	121513	7291	3145	987161	59230	534
Karnataka	1189609429	118960943	28418109	398818520	39881852	10225942	26924506	2692451	666073	19274634	1927463	450494
Kerala	1248053316	99844265	33003579	405874395	32469952	12697609	25005117	2000409	779549	13247581	1059806	458610
Kolkata	768439171	76843917	16461389	250039672	25003967	5192566	16437077	1643708	328100	9161647	916165	254183
Maharashtra	1511529808	151152981	38725262	447797712	44779771	13434422	26883853	2688385	769167	21135045	2113505	555648
MP	743824966	59505997	18762529	269407539	21552603	7445811	18459282	1476743	529289	12481695	998536	425836
Mumbai	2169044484	216904448	48940024	665899944	66589994	15925219	44493264	4449326	1006222	34314574	3431457	771734
Odisha	230464129	13827848	5822676	82516917	4951015	2321712	4910584	294635	142633	3192037	191522	103759
Punjab	532774924	42621994	13222947	148820321	11905626	4008006	8920551	713644	240704	7023620	561890	159639
Rajasthan	777161562	62172925	20395707	226821458	18145717	6523603	14283943	1142715	415081	11222998	897840	285124
TN	1012647118	101264712	29296622	358020902	35802090	14994958	32837177	3283718	917790	20591741	2059174	598328
UP(E)	1024683739	81974699	29189494	330486175	26438894	10476847	24149903	1931992	696262	19768542	1581483	531094
UP(W)	788320704	63065656	22048597	256808423	20544674	8682321	17642862	1411429	561502	14636561	1170925	403754
WB	297356562	23788525	7519779	116316374	9305310	3331345	8119725	649578	251457	5278399	422272	176388
TOTAL UASL (RCL)	18617965526	1712330893	464309297	5950378614	542885401	162922194	388784824	35443857	10356867	282407799	25743019	7476604

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	2,523.95	231.64	64.51

**ANNEXURE -5.06 [Para No.5.2.2(F)]
Impact on payment of LF and SUC due to non-consideration of 'Up-front charges' in respect of Fixed Wireless Phone/Terminal (FWP/T)**

(Amount in ₹)

Services/L.SA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)
AP	80540981	8054098	2091967	57970688	5797069	1600716	52999479	5299948	1493690	26338958	2633896	808488
Bihar	28308818	1698529	689933	26844596	1610676	663998	25828652	1549719	661047	14408518	864511	432778
Chennai	26761996	2676200	570760	18724628	1872463	125164	-	-	-	-	-	-
Delhi	95380312	9538031	2163945	60821097	6082110	1362893	56601472	5660147	1226942	37494742	3749474	762497
Gujarat	57746775	5774678	1437409	38855437	3885544	1045622	33048858	3304886	867304	18274684	1827468	448804
Haryana	15069834	1205587	378709	12189044	975124	338869	11201799	896144	329234	6539529	523162	169115
HP	2648296	158898	63172	3687588	221255	102716	3005319	180319	80584	1372344	82341	46055
J&K	319931	19196	1931	1447249	86835	34820	185614	11137	4804	1144258	68655	619
Karnataka	57707390	5770739	1378549	44137777	4413778	1131719	41127972	4112797	1017446	22342007	2234201	522185
Kerala	60542475	4843398	1600988	44918660	3593493	1405261	38196049	3055684	1190784	15355807	1228465	531593
Kolkata	37276620	3727662	798534	27672224	2767222	574668	25108117	2510812	501182	10619636	1061964	294634
Maharashtra	73323595	7332359	1878544	49558370	4955837	1486805	41065872	4106587	1174925	24498486	2449849	644074
MP	36082597	2886608	910161	29815691	2385255	824038	28197094	2255768	808505	14468038	1157443	493604
Mumbai	105219320	10521932	2374057	73696034	7369603	1762465	67964764	6796476	1537033	39775411	3977541	894548
Odisha	11179706	670782	282455	9132257	547935	256947	7501061	450064	217876	3700019	222001	120271
Punjab	25844659	2067573	641439	16470143	1317611	443571	13626404	1090112	367682	8141362	651309	185044
Rajasthan	37699739	3015979	989386	25102633	2008211	721976	21819142	1745531	634049	13009031	1040722	330498
TN	49123032	4912303	1421165	39622650	3962265	1659512	50159750	5015975	1401952	23868719	2386872	693547
UP(E)	49706923	3976554	1415969	36575345	2926028	1159487	36889684	2951175	1063560	22914517	1833161	615613
UP(W)	38241064	3059285	1069567	28421330	2273706	960884	26949988	2155999	857711	16965829	1357266	468008
WB	14424626	1153970	364781	12872888	1029831	368684	12403119	992249	384108	6118406	489473	204459
TOTAL UASL (RCL)	903148686	83064360	22523424	658536331	60081851	18030816	593880208	54141529	15820418	327350303	29839774	8666434

(₹ in crore)

Services/ Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	248.29	22.71	6.50

**ANNEXURE-5.07 [Para No.5.2.3]
Impact on payment of LF and SUC due to netting of commission paid on Broadband pre-paid vouchers**

(Amount in ₹)

Services/LSA	2008-09					2009-10				
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)		
AP	149827	14983	4018	25	313655	31366	6989	1370		
Delhi	49366	4937	1152	8	20285	2029	393	90		
Gujarat	232398	23240	6233	39	444976	44498	9915	1943		
Karnataka	113559	11356	3046	19	211233	21123	4707	923		
Kerala	158838	12707	4575	28	6159004	492720	147408	29051		
Maharashtra	35101	3510	1011	6	89999	9000	2154	393		
MP	28887	2311	780	0	84759	6781	2289	-		
Mumbai	20287	2029	514	4	2885	288	61	14		
Punjab	169133	13531	4536	28	56827	4546	1266	248		
Rajasthan	102813	8225	2757	18	283107	22649	6309	1335		
TN	297083	29708	7968	52	449958	44996	10026	2122		
UP(E)	212592	17007	5702	37	851819	68146	18981	4018		
UP(W)	-	-	-	-	-4254	-	-	-		
WB	302734	24219	8779	-	306162	24493	8266	-		
TOTAL UASL(RCL)	1872617	167762	51071	264	9270416	772633	218765	41509		

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL(RCL)	1.11	0.09	0.03

ANNEXURE-5.08 (Para 5.2.4)
Impact on payment of LF and SUC due to Netting of Revenue with Expenses by RCL during the period 2006-07 to 2009-10

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10			
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)
AP	436000	43600	11074	1333280	133328	35999	2046000	204600	54872	343	1940000	194000	8473
Chennai	-	-	-	776794	77679	18255	-	-	-	-	-	-	-
Delhi	212510	21251	4866	522958	52296	12290	736346	73635	17188	126	509992	50999	2272
Gujarat	-	-	-	2184000	218400	60988	1804388	180439	48392	302	1758000	175800	7678
Haryana	-	-	-	182000	14560	4732	443000	35440	11881	74	208000	16640	908
HP	-	-	-	-	-	-	260000	15600	7020	-	-	-	-
Karnataka	772000	77200	19223	400000	40000	10800	732000	73200	19632	123	576000	57600	2516
Kerala	408000	32640	10404	1220000	97600	36509	1061467	84917	30576	185	993400	79472	4686
Kolkata	88000	8800	2015	702000	70200	16497	604000	60400	14194	0	449550	44955	-
Maharashtra	400000	40000	10320	1137135	113714	34540	1843116	184312	53092	309	1173713	117371	5126
MP	-	-	-	675857	54069	18248	741067	59285	20009	-	781264	62501	-
Mumbai	-	-	-	108000	10800	2754	412000	41200	10436	74	2510900	251090	12282
Odisha	-	-	-	279000	16740	7533	320000	19200	8640	-	308000	18480	-
Punjab	-	-	-	540130	43210	14584	1317000	105360	35321	221	680000	54400	2970
Rajasthan	-	-	-	100645	8052	2717	8000	640	215	-	-	-	-
TN	688000	68800	19058	1309592	130959	39975	2351366	235137	63062	410	2079137	207914	9807
UP(W)	44000	3520	1166	742133	59371	23377	547668	43813	15776	95	323742	25899	1527
WB	-	-	-	144000	11520	3888	56000	4480	1624	-	16000	1280	-
TOTAL UASL (RCL)	3048510	295811	78126	12357524	1152497	343685	15283418	1421658	411928	2260	14307698	1358402	58245

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	4.50	0.42	0.12

ANNEXURE -5.09 [Para No. 5.2.5]
Impact on payment of LF and SUC due to Netting of discount given to distributors/ dealers/ franchisees from the revenue on sale of prepaid products
 (Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	20972551	1048628	721456	119929268	5996463	4137560	176458945	10587537	6087834	209708700	12582522	7234950
Bihar	154612678	7730634	5952588	227969699	11398485	10030667	276767543	16606053	12039388	263353153	15801189	11455862
HP	24596701	1229835	819070	60721689	3036084	2034177	95429808	5725788	3196899	94483758	5669025	3165206
Kolkatta	78604313	7860431	2578221	67097396	6709740	2200795	82710464	8271046	2688090	221456234	22145623	7197328
MP	95209326	5712560	3275201	120701244	7242075	4043492	159749080	12779926	5351594	242041476	19363318	8108389
NE	18411251	920563	614936	54702210	2735111	1832524	72263620	4335817	2420831	48148463	2888908	1612974
Odisha	81104376	4055219	2708886	124490136	6224507	4170420	181909841	10914590	6093980	200705709	12042343	6723641
WB	69514327	4170860	2307876	71436183	4286171	2421687	91087697	7287016	3051438	123597082	9887767	4140502
TOTAL UASL (RTL)	543025523	32728728	18978234	847047825	47628635	30871320	1136376998	76507774	40930053	1403494575	100380695	49638852

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RTL)	392.99	25.72	14.04

**ANNEXURE-5.10 [Para No. 5.2.6]
Impact on payment of LF and SUC due to non consideration of Free of Charge Recharge vouchers distributed to Distributors in GR**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	18288445	914422	629123	17092086	854604	589677	17007935	1020476	586774	-	-	-
Bihar	41658075	2082904	1603836	32279694	1613985	1420307	14701451	882087	639513	29239	1754	1272
HP	742141	37107	24713	23339887	1166994	781886	16114826	966890	539847	-	-	-
Kolkatta	-	-	-	16580736	1658074	543848	54216536	5421654	1762037	1556539	155654	50588
MP	120996072	7259764	4162265	169995186	10199711	5694839	152065228	12165218	5094185	-	-	-
NE	8505795	425290	284094	7123273	356164	238630	3984661	239080	133486	-	-	-
Odisha	22966197	1148310	767071	18229885	911494	610701	28275791	1696547	947239	1912622	114757	64073
WB	36555678	2193341	1213648	21425749	1285545	726333	27548455	2203876	922873	-	-	-
TOTAL UASL (RTL)	249712403	14061138	8684750	306066495	18046571	10606220	313914884	24595828	10625955	3498400	272166	115932

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RTL)	87.32	5.70	3.00

**ANNEXURE -5.11 [Para No. 5.3.1]
Impact on payment of LF and SUC due to Forex gains not considered for GR**

RCL

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)
AP	58748057	5874806	1492201	117240449	11724045	3165492	261347961	26134796	7009117	43776	303236325	30323633
Bihar	20648967	1238938	481121	54290756	3257445	1248687	127364752	7641885	2929389	-	165883031	9952982
Chennai	19520687	1952069	447024	37868859	3786886	889918	-	-	-	-	-	-
Delhi	69572135	6957213	1593202	123005144	12300514	2890621	279109897	27910990	6515137	47686	431671138	43167114
Gujarat	42121549	4212155	1069887	78581592	7858159	2192426	162968614	16296861	4370672	27297	210393595	21039360
Haryana	10992211	879377	264912	24651235	1972099	640932	55237662	4419013	1481424	9252	75288582	6023087
HP	1931715	115903	48100	7457812	447469	201361	14819654	889179	400131	-	15799586	947975
J&K	233363	14002	5064	2926930	175616	65271	915291	54917	22729	153	13173667	790420
Karnataka	42092820	4209282	1048111	89264644	8926464	2410145	202807872	20280787	5439125	33970	257220059	25722006
Kerala	44160783	3532863	1126100	90843910	7267513	2716233	188350144	15068012	5425558	32811	176789022	14143122
Kolkata	27190245	2719024	622657	55964558	5596456	1315167	123811691	12381169	2909575	-	122262220	12226222
Maharashtra	53483564	5348356	1379876	100227300	10022730	3046910	202501650	20250165	5833202	33919	282047261	28204726
MP	26319303	2105544	655351	60299527	4823962	1628087	139043876	11123510	3754185	-	166568271	13325462
Mumbai	76748887	7674889	1818949	149043534	14904353	3800610	335143904	33514390	8488910	59954	457928129	45792813
Orissa	8154681	489281	203052	18469160	1108150	498667	36988795	2219328	998697	-	42597745	2555865
Punjab	18851565	1508125	469404	33309369	2664749	899353	67193731	5375499	1802075	11255	93730235	7498419
Rajasthan	27498876	2199910	684722	50767795	4061424	1370730	107593286	8607463	2885555	18743	149770951	11981676
TN	35831233	3583123	992525	80133211	8013321	2444063	247344850	24734485	6633566	43087	274796857	27479686
UP	36257134	2900571	1004323	73970313	5917625	2256095	181908271	14552662	4878616	31688	263811274	21104902
UPW	27893728	2231498	739184	57479559	4598365	1810606	132894218	10631537	3828111	23150	195324957	15625997
WB	10521585	841727	261987	26034247	2082740	702925	61161539	4892923	1773685	-	70440261	5635221
TOTAL UASL (RCL)	658773084	60588656	16407750	1331829902	121510085	36194300	2928507659	266979572	77379458	416742	3768733169	343540685
NLD	116745735	7004744	-	259264025	15555842	-	718644776	43118687	-	-	1282228523	76933711
ILD	143800765	8628046	-	219627508	13177650	-	448743379	26924603	-	-	422457709	25347463
GRAND TOTAL	919319584	76221446	16407750	1810721436	150243577	36194300	4095895814	337022861	77379458	416742	5473419401	445821859
											86950816	86950816
											14559526	14559526

Contd.

RTL

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	220140	11007	7573	64395272	3219764	2221637	13237008	794220	456677	89984851	5399091	3104477
Bihar	422006	21100	16247	97701897	4885095	4298883	20024881	1201493	871082	120666858	7240011	5249008
HP	50621	2531	1686	20035728	1001786	6711197	4991863	299512	167227	30740898	1844454	1029820
Kolkatta	-	-	-	15119211	1511921	495910	3005801	300580	97689	48820315	4882032	1586660
MP	340924	20455	11728	67537406	4052244	2262503	14687638	1175011	492036	141455243	11316419	4738751
NE	80405	4020	2686	25247974	1262399	845807	4896408	293785	164030	20317260	1219036	680628
Odisha	189021	9451	6313	45912128	2295606	1538056	11139161	668350	373162	76145558	4568733	2550876
WB	206974	12418	6872	33713254	2022795	1142879	7154340	572347	239670	60775109	4862009	2035966
TOTAL UASL (RTL)	1510092	80984	53104	369662870	20251611	13476873	79137100	5305298	2861573	588906092	41331785	20976187

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	868.78	79.26	23.19
UASL (RTL)	103.92	6.70	3.74
NLD	237.69	14.26	-
ILD	123.46	7.41	-
GRAND TOTAL	1,333.86	107.63	26.93

**ANNEXURE-5.12 (i) [Para No. 5.3.2]
Impact on payment of LF and SUC due to Interest income not considered for GR**

RCL

(Amount in ₹)

Services/LSA	2006-07			2008-09			2009-10				
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)
AP	52126744	5212674	1324019	364241989	36424199	9768642	61011	319726798	31972680	7124504	1396407
Bihar	18321686	1099301	426895	177508907	10650534	4082705	-	174904013	10494241	4022792	-
Chennai	17320570	1732057	396641	-	-	-	-	-	-	-	-
Delhi	61730874	6173087	1413637	388996890	38899689	9080179	66460	455146100	45514610	8827354	2027608
Gujarat	37374159	3737416	949304	227130191	22713019	6091427	38044	221835133	22183513	4943174	968865
Haryana	9753313	780265	235055	76985012	6158801	2064669	12895	79382895	6350632	1768897	346705
HP	1713997	102840	42679	20654227	1239254	557664	-	16658793	999528	449787	-
J&K	207062	12424	4493	1275646	76539	31677	214	13890072	833404	286587	60665
Karnataka	37348668	3734867	929982	282654368	28265437	7580536	47345	271208094	27120809	6043357	1184501
Kerala	39183557	3134685	999181	262504559	21000365	7561628	45728	186403090	14912247	4461316	879245
Kolkata	24125716	2412572	552479	172556987	17255699	4055089	-	128911034	12891103	3029409	-
Maharashtra	47455597	4745560	1224354	282227585	28222758	8129763	47273	297385439	29738544	7117534	1298831
MP	23352935	1868235	581488	193786161	15502893	5232226	-	175626518	14050121	4741916	-
Mumbai	68098756	6809876	1613941	467091772	46709177	11831038	83558	482830988	48283099	10161251	2361816
Odisha	7235592	434136	180166	51551473	3093088	1391890	-	44914278	2694857	1212686	-
Punjab	16726863	1338149	416499	93648247	7491860	2511562	15686	98827434	7906195	2202182	431629
Rajasthan	24399562	1951965	607549	149953313	11996265	4021613	26122	157915734	12633259	3518852	744873
TN	31792805	3179281	880661	344725782	34472578	9245235	60051	289740747	28974075	6456322	1366678
UP	32170704	2573656	891129	253526487	20282119	6799352	44164	278157750	22252620	6198217	1312042
UPW	24749912	1979993	655873	185215351	14817228	5335258	32265	205947039	16475763	4929075	971432
WB	9335729	746858	232460	85241150	6819292	2471993	-	74270915	5941673	2005315	-
TOTAL UASL (RCL)	584524801	53759895	14558483	4081476096	372090794	107844147	580816	3973682863	362222973	89500526	15351296
NLD	103587683	6215261	-	1001578898	60094734	-	-	1351958147	81117489	-	-
ILD	127593424	7655605	-	625415941	37524956	-	-	445431630	26725898	-	-
GRAND TOTAL	815705908	67630762	14558483	5708470935	469710484	107844147	580816	5771072640	470066359	89500526	15351296

Impact on payment of LF and SUC due to Interest income not considered for GR

RTL

(Amount in ₹)

Services/LSA	2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	156987658	9419259	5416074	69774441	4186466	2407218
Bihar	237490169	14249410	10330822	93565334	5613920	4070092
HP	59202269	3552136	1983276	23836556	1430193	798525
Kolkatta	35648057	3564806	1158562	37855374	3785537	1230300
MP	174191781	13935342	5835425	109684691	8774775	3674437
NE	58070201	3484212	1945352	15754046	945243	527761
Odisha	132107718	7926463	4425609	59043424	3542605	1977955
WB	84848713	6787897	2842432	47125146	3770012	1578692
TOTAL UASL (RTL)	938546565	62919526	33937551	456639012	32048752	16264979

**ANNEXURE-5.12 (ii) [Para 5.3.2]
Impact on payment of LF and SUC due to Other income not considered for GR**

RCL

Services/LSA	2006-07			2008-09			2009-10				
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)
AP	20772345	2077235	527618	10818381	1081838	290139	1812	16948070	1694807	377656	74021
Bihar	7301135	438068	170116	5272206	316332	121261	-	9271307	556278	213240	-
Chennai	6902193	690219	158060	-	-	-	-	-	-	-	-
Delhi	24599561	2459956	563330	11553628	1155363	269691	1974	24126373	2412637	467920	107479
Gujarat	14893486	1489349	378295	6746012	674601	180922	1130	11759031	1175903	262028	51358
Haryana	3886665	310933	93669	2286538	182923	61323	383	4207926	336634	93766	18378
HP	683023	40981	17007	613453	36807	16563	-	883049	52983	23842	-
J&K	82513	4951	1791	37888	2273	941	6	736285	44177	15191	3216
Karnataka	14883328	1488333	370595	8395140	839514	225150	1406	14376192	1437619	320346	62788
Kerala	15614526	1249162	398170	7796669	623734	224589	1358	9880850	790468	236485	46607
Kolkata	9614023	961402	220161	5125129	512513	120441	-	6833313	683331	160583	-
Maharashtra	18910908	1891091	487901	8382464	838246	241463	1404	15763800	1576380	377286	68848
MP	9306072	744486	231721	5755658	460453	155403	-	9309606	744768	251359	-
Mumbai	27137142	2713714	643150	13873130	1387313	351395	2482	25593893	2559389	538627	125195
Odisha	2883361	173002	71796	1531134	91868	41341	-	2380815	142849	64282	-
Punjab	6665603	533248	165974	2781454	222516	74596	466	5238642	419091	116733	22880
Rajasthan	9723150	777852	242106	4453775	356302	119446	776	8370793	669663	186527	39484
TN	12669334	1266933	350941	10238728	1023873	274593	1784	15358570	1535857	342237	72445
UP	12819925	1025594	355112	7530011	602401	201948	1312	14744579	1179566	328555	69549
UPW	9862763	789021	261363	5501096	440088	158463	958	10916835	873347	261280	51494
WB	3720259	297621	92634	2531754	202540	73421	-	3936951	314956	106298	-
TOTAL UASL (RCL)	232931314	21423151	5801510	121224250	11051499	3203088	17251	210636879	19200706	4744242	813741
NLD	41279369	2476762	-	29747976	1784879	-	-	71664563	4299874	-	-
ILD	50845582	3050735	-	18575529	1114532	-	-	23611428	1416686	-	-
GRAND TOTAL	325050266	26950648	5801510	169547755	13950909	3203088	17251	305912870	24917265	4744242	813741

(Amount in ₹)

Impact on payment of LF and SUC due to Other income not considered for GR

RTL

(Amount in ₹)

Services/LSA	2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	555057376	33303443	19149479	312905895	18774354	10795253
Bihar	839688113	50381287	36526433	419596975	25175819	18252468
HP	209319995	12559200	7012220	106895862	6413752	3581011
Kolkatta	126039953	12603995	4096298	169763735	16976373	5517321
MP	615885567	49270845	20632167	491884790	39350783	16478140
NE	205317371	12319042	6878132	70649564	4238974	2366760
Odisha	467089987	28025399	15647515	264782279	15886937	8870206
WB	299997493	23999799	10049916	211334348	16906748	7079701
TOTAL UASL (RTL)	3318395855	222463011	119992160	2047813446	143723739	72940862

(₹ in crore)

Services/Company	Interest income			Other income			Total (interest + other) income			
	Total amount of GR/AGR	LF Impact	SUC Impact	Total amount of GR/AGR	LF Impact	SUC Impact	Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	863.97	78.81	22.78	56.48	5.17	1.46	UASL (RCL)	920.45	83.97	24.24
NLD	245.71	14.74	-	14.27	0.85	-	NLD	259.98	15.60	-
ILD	119.84	7.19	-	9.30	0.56	-	ILD	129.14	7.75	-
UASL (RTL)	139.52	9.50	5.02	536.62	36.62	19.30	UASL (RTL)	676.14	46.12	24.32
GRAND TOTAL	1,369.04	110.24	27.80	616.67	43.20	20.76	GRAND TOTAL	1,985.72	153.44	48.56

ANNEXURE -5.13 [Para No. 5.3.4]

Impact on payment of LF and SUC due to non-consideration of income from non trade investment

(Amount in ₹)

Amount shown in the Schedule O- Financial charges (Net) under the head 'Income from non-trade investments'

GL code	Description of item	Amount	
6345600	Profit/Loss of sale of cumulative investment units	3305651923	(a)
6345800	Profit/Loss of sale of cumulative investment in PMS (Loss)	-2216452461	(b)
	Total (a-b)	1089199462	Say ₹ 108.92 crore

The loss of ₹ 221.65 Crore shown in GL code 6345800 above has been arrived as follow-

GL code	Description of item		Amount
6345800	Reversal of Marked to Market (MTM)* gain for 08-09 in RCIL -MF FP	Dr	3433283200
	Profit/Loss & interest transferred by RCIL for 08-09	Cr	1216830739
	Loss shown in accounts	Say ₹ 221.65 crore	2216452461

* Process of revaluation to reflect its current market value instead of its acquisition price or book value, also called 'Marking to Market'

Services/LSA	2008-09		
	Amount of GR/AGR	LF Impact	SUC Impact
Assam	182186882	10931213	6285447
Bihar	275611434	16536686	11989098
HP	68705253	4122316	2301626
Kolkatta	41370185	4137019	1344531
MP	202152563	16172205	6772111
NE	67391468	4043488	2257614
Odisha	153313283	9198797	5135995
WB	98468393	7877472	3298691
TOTAL UASL (RTL)	1089199462	73019196	39385114

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RTL)	108.92	7.30	3.94

**ANNEXURE - 5.14 [Para No. 5.3.5]
Summary of Reliance Communication Ltd's statements under Section 212 (8) of the Companies Act, 1956
relating to Subsidiary companies contained in the respective Annual Reports**

(₹ in crore)

Investments by RCL	2006-07	2007-08	2008-09	2009-10	TOTAL
In subsidiaries	5358.50	13712.39	31342.32	31875.99	82289.20
In others	75.92	131.74	22.30	22.31	252.27
Total Investments	5434.42	13844.13	31364.62	31898.30	82541.47

Source: Annual report of RCL for the respective years

Statement showing Capital invested in profit making subsidiaries and Profit after Tax

(₹ in crore)

Year	Total No. of Subsidiaries	No. of Profit making subsidiaries	Capital invested in profit making subsidiaries	Profit after tax/ (Loss)	Proposed dividend
2006-07	13	5	1598.39	708.61	Nil
2007-08	14	6	8611.87	668.65	Nil
2008-09	16	6	29353.14	1118.01	Nil
2009-10	19	8	31748.42	1499.98	Nil
Total	62	25	71311.82	3995.25	

**ANNEXURE -5.15 [Para No. 5.4.1]
Impact on payment of SUC due to non-consideration of income from sale/lease of bandwidth charges**

(Amount in ₹)

Services/LSA	2006-07		2007-08		2008-09		2009-10	
	Amount of GR/AGR	SUC Impact	Amount of GR/AGR	SUC Impact	Amount of GR/AGR	SUC Impact	Amount of GR/AGR	SUC Impact
AP	142892486	3629469	247431991	6680664	295558121	7980069	199767185	5393714
Bihar	30311470	706257	5003054	115070	17358525	399246	105806670	2433553
Chennai	110641678	2533694	125212511	2942494	40491817	1093279	-	-
Delhi	252266322	5776899	571979548	13441519	766545192	18013812	984295626	23130947
Gujarat	122228833	3104612	288664272	8053733	289046159	7804246	68338995	1845153
Haryana	6320063	152314	7008075	182210	10517229	283965	5160339	139329
HP	2754932	68598	5697984	153846	4770735	128810	3997698	107938
J&K	40	1	2994	67	1329249	33231	88948	2224
Karnataka	220466945	5489627	375863648	10148319	719465667	19425573	586718108	15841389
Kerala	61244895	1561745	96165062	2875335	107077615	3105251	45391489	1316353
Kolkata	267518318	6126169	609846008	14331381	802710032	18863686	122775223	2885218
Maharashtra	189580588	4891179	303439605	9224564	363306248	10535881	128424465	3724309
MP	108782397	2708682	185760708	5015539	173204175	4676513	190314004	5138478
Mumbai	494029143	11708491	657428991	16764439	1391576387	35485198	1472582879	37550863
Odisha	24728697	615745	45061785	1216668	43172794	1165665	103725547	2800590
Punjab	51173206	1274213	82165766	2218476	94200615	2543417	21517961	580985
Rajasthan	11805822	293965	12223293	330029	16853387	455041	8125697	219394
TN	20015622	554433	22884521	697978	154565056	4173256	163319735	4409633
UP(E)	60064554	1663788	78865230	2405390	90372973	2440070	28041431	757119
UP(W)	11813467	313057	11067798	348636	18183703	527327	11026909	319780
WB	38621887	961685	25768567	695751	103708767	3007554	143640280	3878288
TOTAL UASL (RCL)	2227261364	54134622	3757541410	97842107	5504014446	142141092	4393059189	112475257

(₹ in crore)

Services/Company	Total amount of GR/AGR	SUC Impact
UASL (RCL)	1,588.19	40.66

**ANNEXURE -5.16 [Para No. 5.4.2]
Impact on payment of SUC due to non-consideration of income from investment**

(Amount in ₹)

Services/LSA	2006-07	
	Amount of GR/AGR	SUC Impact (CDMA)
AP	33721609	856529
Bihar	11852586	276165
Chennai	11204949	256593
Delhi	39934671	914504
Gujarat	24177930	614119
Haryana	6309571	152061
HP	1108812	27609
J&K	133951	2907
Karnataka	24161440	601620
Kerala	25348458	646386
Kolkata	15607305	357407
Maharashtra	30699770	792054
MP	15107380	376174
Mumbai	44054154	1044083
Odisha	4680818	116552
Punjab	10820870	269440
Rajasthan	15784460	393033
TN	20567265	569713
UP(E)	20811733	576485
UP(W)	16011106	424294
WB	6039430	150382
TOTAL UASL (RCL)	378138270	9418111
NLD	67012498	-
ILD	82542189	-
GRAND TOTAL	527692957	9418111

(₹ in crore)

Services/Company	Total amount of GR/AGR	SUC Impact
UASL (RCL)	37.81	0.94
NLD	6.70	-
ILD	8.25	-
GRAND TOTAL	52.77	0.94

ANNEXURE -5.17 [Para No. 5.5.1]

Impact on payment of LF and SUC due to non-consideration of profit on transfer of OFU by RCL to RITL

(Amount in ₹)

Services/LSA	2008-09			
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)
AP	2733745073	273374507	73316582	457902
Bihar	1332257437	79935446	30641921	-
Delhi	2919538009	291953801	68149462	498803
Gujarat	1704680016	170468002	45717984	285534
Haryana	577795542	46223643	15495956	96781
HP	155016155	9300969	4185436	-
J&K	9574103	574446	237749	1604
Karnataka	2121405573	212140557	56894188	355335
Kerala	1970175233	157614019	56752277	343205
Kolkata	1295091800	129509180	30434657	-
Maharashtra	2118202440	211820244	61016304	354799
MP	1454423103	116353848	39269424	-
Mumbai	3505663461	350566346	88795476	627128
Odisha	386909225	23214554	10446549	-
Punjab	702858103	56228648	18850022	117729
Rajasthan	1125444464	90035557	30183408	196052
TN	2587270102	258727010	69388256	450702
UP(E)	1902792116	152223369	51031172	331466
UP(W)	1390096611	111207729	40042706	242155
WB	639760326	51180826	18521061	-
TOTAL UASL (RCL)	30632698894	2792652703	809370590	4359196

(₹ in crore)

Services/ Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	3,063.27	279.27	81.37

**ANNEXURE -5.18 [Para No. 5.5.2]
Impact on payment of LF and SUC due to non-consideration of gain on revaluation of
investment on transfer to passive infrastructure to RTIL**

(Amount in ₹)

Services/LSA	2007-08		
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)
AP	111551105	11155111	3011880
Bihar	51656181	3099371	1188092
Chennai	36031191	3603119	846733
Delhi	117036055	11703606	2750347
Gujarat	74768252	7476825	2086034
Haryana	23454981	1876398	609830
HP	7095905	425754	191589
J&K	2784894	167094	62103
Karnataka	84932886	8493289	2293188
Kerala	86435514	6914841	2584422
Kolkata	53248758	5324876	1251346
Maharashtra	95363555	9536356	2899052
MP	57373363	4589869	1549081
Mumbai	141810877	14181088	3616177
Odisha	17572905	1054374	474468
Punjab	31692960	2535437	855710
Rajasthan	48304179	3864334	1304213
TN	76244575	7624457	2325460
UP(E)	70380745	5630460	2146613
UP(W)	54690240	4375219	1722743
WB	24770879	1981670	668814
TOTAL UASL (RCL)	1267200000	115613547	34437894

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	126.72	11.56	3.44

**ANNEXURE-5.19 [Para No.5.5.2]
Impact on payment of LF and SUC due to non-consideration of gain on transfer of
passive infrastructure assets of RITL to RCL**

(Amount in ₹)

Services/LSA	2007-08		
	Amount of GR/AGR	LF Impact	SUC Impact (GSM)
Assam	560152181	28007609	19325250
Bihar	849874979	42493749	37394499
HP	174283859	8714193	5838509
Kolkatta	131516786	13151679	4313751
MP	587484520	35249071	19680731
NE	219623387	10981169	7357383
Odisha	399373713	19968686	13379019
WB	293259925	17595595	9941511
TOTAL UASL (RTL)	3215569350	176161751	117230655

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RTL)	321.56	17.62	11.72

ANNEXURE-5.20 (Para 5.6)

Impact on payment of LF and SUC due to non-consideration of refund of service Tax for GR by RCL

(Amount in ₹)

Services/LSA	2009-10			
	Amount of GR/AGR	LF Impact	SUC Impact (CDMA)	SUC Impact (GSM)
AP	41393933	4139393	1048691	109123
Bihar	22644223	1358653	561358	-
Delhi	58926206	5892621	989037	318182
Gujarat	28720234	2872023	582145	186985
Haryana	10277431	822195	219360	77843
HP	2156757	129405	59738	-
J&K	1798300	107898	802	48972
Karnataka	35112382	3511238	677328	172353
Kerala	24132969	1930638	689531	40384
Kolkata	16689670	1668967	382170	-
Maharashtra	38501473	3850147	835430	266726
MP	22737763	1819021	640255	-
Mumbai	62510473	6251047	1160321	242659
Odisha	5814898	348894	156004	-
Punjab	12794849	1023588	240022	113251
Rajasthan	20444809	1635585	428690	171453
TN	37511741	3751174	899601	110687
UP(E)	36012130	2880970	798513	252352
UP(W)	26663257	2133061	607054	226970
WB	9615601	769248	265204	-
TOTAL UASL (RCL)	514459100	46895767	11241254	2337938

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
UASL (RCL)	51.45	4.69	1.36

**ANNEXURE 5.21 (para No. 5.7)
Statement showing interest on LF & SUC upto March 2015**

Sl No.	Para No.	No. of Months(upto March 15)	96		84		72		60		TOTAL
			14.25		14.25		14.25		13.75		
			2006-07	2007-08	2007-08	2008-09	2009-10	Interest on SUC	Interest on LF	Interest on SUC	
Issues	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC		
1	5.2.2 A	Non consideration commission/discount paid to RCIL/ distributors (₹ 1170.51 cr)	383973458	104116819	344938347	103517450	278564835	81376198	466050077	134949893	1897487077
2	5.2.2 B	Non consideration of gross value of end users revenue (₹ 1007.87 cr)	213728207	57953748	348456260	104573191	482804694	141040093	247631058	71704279	1667891532
3	5.2.2 C	Non inclusion of CRBT revenue (₹ 540.84 cr)	55639399	15086973	193385985	58035948	221374055	64669250	184059629	53296477	845547717
4	5.2.2 D	Booking of revenue on account of Sale of SIM cards by RCIL (₹ 103.17 cr)	-	-	-	-	43597994	12411749	60329942	17301268	133640953
5	5.2.2 E	Booking of Revenue of Sale of Handsets by RCIL (₹ 2523.95 cr)	3605895701	977761311	920520881	276252192	47479205	13873654	25253354	7334390	5874370688
6	5.2.2 F	Booking of 'non refundable Up-front charges' in respect of Fixed Wireless Phone/Terminal (FWP/T) by RCIL (₹ 248.29 cr)	174920292	47430738	101875273	30573198	72525877	21192414	29272184	8501588	486291563
7	5.2.3	Non consideration of commission netted off (₹ 1.11 cr)	-	-	-	-	224727	68766	757937	255323	1306753
8	5.2.4	Netting of Revenue with Expenses (₹4.50 cr)	622931	164522	1954183	582756	1904397	554831	1332563	375083	7491266
9	5.2.5	Netting of discount to distributors/ dealers/ franchisees on sale of prepaid products (₹ 392.99 cr)	68921481	39965133	80759500	52345659	102486824	54828300	98471327	48694658	546472882
10	5.2.6	Non inclusion of FOC (Free of Charges) Recharge vouchers distributed to Distributors (₹ 87.32cr)	29610513	18288697	30599912	17983993	32947610	14234113	266989	113727	144045554
11	5.3.1	Non consideration of Forex gain (RCL & RTL)	160680744	34663932	289093020	84222844	458569424	108046001	477887362	120156679	1733320008
12	5.3.2	Non consideration of Other and interest income (RCL & RTL)	199173361	42874898	-	-	1030181197	355753908	657997482	195818703	2481799548
13	5.3.4	Netting of revenue by ₹ 108.92 crore arising on account of non inclusion of 'Income from Non-trade investment' in Gross Revenue of RTL for the year 2008-09	-	-	-	-	97813661	52758759	-	-	185860261
14	5.4.1	Non consideration of revenue from sale/lease of bandwidth charges for SUC (₹ 1588.19 cr)	-	113998878	-	165901870	-	190406653	-	110335835	580643235

Contd.....

Sl No.	Para No.	No. of Months (upto March 15)	96		84		72		60		TOTAL
			Rate@ (PLR+2)%		14.25		14.25		13.75		
Issues			Interest on L/F	Interest on SUC	Interest on L/F	Interest on SUC	Interest on L/F	Interest on SUC	Interest on L/F	Interest on SUC	
15	5.4.2	Non-consideration of Income from investment for SUC (₹ 52.77 cr)	-	19833040	-	-	-	-	-	-	19833040
16	5.5.1	Non-inclusion of Profit of ₹3063.27 crore arising as a result of transfer of Optic Fiber Undertaking (OFU) by RCL to Reliance Infratel Ltd (RITL)	-	-	-	3740928434	1090040623	-	-	-	4830969058
17	5.5.2	Non-inclusion of gain of ₹ 126.72 crore on revaluation of investment as a result of transfer of passive infrastructure to RTIL by RCL	-	-	196035267	58393172	-	-	-	-	254428439
18	5.5.2	Non-consideration of gain for ₹ 321.56 crore from the transfer of passive infrastructure assets of RTIL for computation of revenue share	-	-	298701292	198777248	-	-	-	-	497478539
19	5.6	Refund of Service Tax	-	-	-	-	-	-	46003750	13320899	59324649
TOTAL			4893166086	1472138690	2806319920	1151159520	2201255313	6611402936	2295313652	782158802	22212914919

Say ₹ 2,221.29 crore

**ANNEXURE-6.01 [para 6.2.1(A)]
Impact on LF and SUC due to non-consideration of discount/ margins**

(Amount in ₹)

Discount Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Im- pact	SUC Im- pact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	87399849	6991988	3801893	375255217	37525522	16323602	249884759	24988476	10869987
Delhi	328257598	32825760	13950948	315345269	31534527	13402174	-	-	-	-	-	-
Gujarat	-	-	-	-	-	-	41691472	4169147	1396664	-	-	-
HP	-	-	-	4082498	244950	95939	21752565	1305154	511185	9029644	541779	212197
Karnataka	-	-	-	-	-	-	-	-	-	33246288	3324629	1080504
Kerala	-	-	-	194377924	11662675	8455440	534522097	42761768	23251711	606695974	48535678	26391275
Maharashtra	-	-	-	218816513	17505321	9518518	618981289	61898129	26925686	609574040	60957404	26516471
MP	-	-	-	94429639	5665778	4107689	239401369	19152110	10413960	521038364	41683069	22665169
Mumbai	-	-	-	-	-	-	1849069	184907	41604	-	-	-
Odisha	-	-	-	-	-	-	-	-	-	18702765	1122166	439515
Rajasthan	-	-	-	115072223	9205778	3854919	178849505	14307960	5991458	105323005	8425840	3528321
UP(W)	79679827	4780790	3466072	120258712	7215523	5231254	483341169	38667294	21025341	448415314	35873225	19506066
Total UASL	407937425	37606549	17417020	1149782627	90026540	48467827	2495643752	219971990	105881212	2601910154	225452266	111209504

Contd.....

ANNEXURE-6.01 [para 6.2.1(A)]......contd

Margin/Commission

Services/ LSA	2007-08		2008-09			2009-10			
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	-	-	-	3523077	352308	153254
Kerala	18578175	1114691	808151	-	-	-	64606289	5168503	2810374
MP	-	-	-	133008357	10640669	5785864	111999946	8959996	4871998
Total UASL	18578175	1114691	808151	133008357	10640669	5785864	180129312	14480807	7835625

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
698.70	59.93	29.74

ANNEXURE-6.02 [Para 6.2.1 (B)]
Impact on LF and SUC due to non-consideration of Free Air Time (FAT)/Un-used Airtime/Free talk time

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	3144870	251590	136802	-	-	-	-	-	-
Delhi	-	-	-	-	-	-	12097310	1209731	514136	-	-	-
Gujarat	86296437	6903715	2890931	-	-	-	-	-	-	-	-	-
Haryana	418496472	25109788	14019632	-	-	-	-	-	-	-	-	-
Kerala	-	-	-	2306896	138414	100350	-	-	-	-	-	-
Maharashtra	-	-	-	81905528	6552442	3562890	-	-	-	482933351	48293335	21007601
Mumbai	-	-	-	-	-	-	-	-	-	67580183	6758018	1520554
Rajasthan	22944129	1835530	768628	50872339	4069787	1704223	-	-	-	-	-	-
TN	-	-	-	-	-	-	-	-	-	1383814	138381	32520
UP(E)	15202810	1216225	509294	63711153	5096892	2134324	-	-	-	-	-	-
UP(W)	77365738	4641944	3365410	205086100	12305166	8921245	209537342	16762987	9114874	222767610	17821409	9690391
Total UASL	620305586	39707202	21553895	407026886	28414291	16559834	221634652	17972718	9629010	774664958	73011143	32251066

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
202.36	15.91	8.00

**ANNEXURE-6.03 [Para 6.2.1(B)]
Impact on LF and SUC due to non-consideration of Free SMS/Free SIM**

Services/LSA	2006-07			2008-09		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	36141099	3614110	1572138
MP	10082230	604934	379092	-	-	-
Total UASL	10082230	604934	379092	36141099	3614110	1572138

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
4.62	0.42	0.20

**ANNEXURE - 6.04 [Para 6.2.1(B)]
Impact on LF and SUC due to non-consideration of Bonus/Bonus Airtime and Promotional Talk Time**

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	245744485	19659559	10689885	54508287	4360663	2371110	-	-	-	-	-	-
Delhi	-	-	-	12858966	1285897	546506	203284922	20328492	8639609	42354233	4235423	1800055
Gujarat	104296829	8343746	3493944	116150689	9292055	3891048	138695857	13869586	4646311	80459750	8045975	2695402
Haryana	-	-	-	-	-	-	-	-	-	11569333	925547	387573
Kerala	-	-	-	38612	2317	1680	-	-	-	-	-	-
Maharashtra	-	-	-	-	-	-	643581651	64358165	27995802	395364239	39536424	17198344
MP	-	-	-	-	-	-	139195078	11135606	6054986	76756296	6140504	3338899
Mumbai	-	-	-	-	-	-	33537949	3353795	754604	54454894	5445489	1225235
Punjab	-	-	-	-	-	-	-	-	-	209642	16771	9119
Rajasthan	-	-	-	56551443	4524115	1894473	284291419	22743314	9523763	513455411	41076433	17200756
TN	-	-	-	-	-	-	-	-	-	33397	3340	785
UP (W)	478140	28688	20799	1692674	101560	73631	-	-	-	231744873	18539590	10080902
Total UASL	350519454	28031993	14204628	241800671	19566607	8778448	1442586876	135788958	57615075	1406402068	123965496	53937070

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
344.13	30.74	13.45

ANNEXURE-6.05 [Para 6.2.1(B)]
Impact on LF and SUC on netting of refund of Admin Fee etc.

Services/ LSA	2006-07			2007-08			2008-09		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	8660572	692846	376735	-	-	-
Delhi	-	-	-	-	-	-	2789619	278962	118559
Gujarat	-	-	-	-	-	-	1390645	139065	46587
Kerala	53213766	3192826	2314799	-	-	-	-	-	-
Maharashtra	-	-	-	4836400	386912	210383	-	-	-
Total UASL	53213766	3192826	2314799	13496972	1079758	587118	4180264	418027	165146

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
7.09	0.47	0.31

ANNEXURE 6.06 [Para 6.2.1 (B)]
Impact on LF and SUC due to non-consideration of PCO-Free Promotional Air Time/recharge fee/activation charges

Services/LSA	2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	-	-	-	328884422	32888442	14306472
Karnataka	-	-	-	2185000	218500	71013
Kerala	125395577	10031646	5454708	162023297	12961864	7048013
Maharashtra	-	-	-	16603597	1660360	722256
MP	-	-	-	3106464	248517	135131
Mumbai	81748244	8174824	1839335	255891444	25589144	5757557
Rajasthan	-	-	-	49597178	3967774	1661505
TN	-	-	-	39423445	3942345	926451
UP(W)	-	-	-	14429641	1154371	627689
Total UASL	207143821	18206470	7294043	872144488	82631317	31256087

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
107.93	10.08	3.86

**ANNEXURE-6.07 [Para 6.2.2]
Impact on LF and SUC due to non-consideration of Postpaid Promotional Discount**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	52151472	4172118	2268589	42931440	3434515	1867518	65176871	6517687	2835194	101855623	10185562	4430720
Assam	-	-	-	-	-	-	-	-	-	87348	5241	2053
Bihar (ABTL)	-	-	-	-	-	-	118769	7126	2791	1327509	79651	31196
Delhi	56949588	5694959	2420357	47843832	4784383	2033363	68989362	6898936	2932048	111527808	11152781	4739932
Gujarat	53759300	4300744	1800937	38521626	3081730	1290474	53057330	5305733	1777421	88287664	8828766	2957637
Haryana	13193984	791639	441998	9885223	593113	331155	13907164	1112573	465890	25518159	2041453	854858
HP	79911	4795	1878	51479	3089	1210	101769	6106	2392	268358	16101	6306
J&K	-	-	-	-	-	-	-	-	-	1313371	78802	30864
Karnataka	-	-	-	-	-	-	-	-	-	2116494	211649	68786
Kerala	34925327	2095520	1519252	27402046	1644123	1191989	41130977	3290478	1789197	75459673	6036774	3282496
Kolkata	-	-	-	-	-	-	-	-	-	325687	32569	7328
Maharashtra	104993058	8399445	4567198	90632838	7250627	3942528	141126725	14112673	6139013	238149762	23814976	10359515
MP	24856200	1491372	934593	22115599	1326936	962029	33460091	2676807	1455514	55112572	4409006	2397397
Mumbai	-	-	-	-	-	-	5683053	568305	127869	21026108	2102611	473087
NE	-	-	-	-	-	-	-	-	-	23025	1382	541
Odisha	-	-	-	-	-	-	-	-	-	291212	17473	6843
Punjab	-	-	-	-	-	-	-	-	-	10967009	877361	477065
Rajasthan	1994334	159547	66810	4435192	354815	148579	5259642	420771	176198	9455328	756426	316753
TN	-	-	-	-	-	-	-	-	-	2330509	233051	54767
UPPE	572245	45780	19170	1993831	159506	66793	4050276	324022	135684	9075716	726057	304036
UPW	41885882	2513153	1822036	35750874	2145052	1555163	47387871	3791030	2061372	86946909	6955753	3782191
WB	-	-	-	-	-	-	-	-	-	81070	6486	1905
Total U/ASL	385361301	29669072	15862818	321563980	24777889	13390801	479449900	45032247	19900583	841546914	78569931	34586276

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
202.79	17.80	8.37

ANNEXURE-6.08 [Para 6.2.3]
Impact on LF and SUC due to non-consideration of irregular netting off of Roaming Discount

(Amount in ₹)

Services/LSA	2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	786606	62928	34217	815204	81520	35461	16404283	1640428	713586
Delhi	7245656	724566	307940	46441300	4644130	1973755	71620544	7162054	3043873
Gujarat	-	-	-	498836	49884	16711	5810840	581084	194663
Haryana	1191473	71488	39914	-	-	-	708665	56693	23740
HP	560737	33644	13177	-	-	-	-	-	-
Kerala	450174	27010	19583	491842	39347	21395	-	-	-
Maharashtra	192966	15437	8394	778741	77874	33875	63882743	6388274	2778899
MP	438467	26308	19073	15845440	1267635	689277	-	-	-
Mumbai	-	-	-	454424	45442	10225	-	-	-
Punjab	-	-	-	-	-	-	30196298	2415704	1313539
Rajasthan	157376	12590	5272	-	-	-	-	-	-
UIPE	75644	6052	2534	189414	15153	6345	17761563	1420925	595012
UPW	432179	25931	18800	-	-	-	3968884	317511	172646
Total UASL	11531278	1005954	468904	65515201	6220985	2787044	210353820	19982673	8835958

(₹ in crore)

Total amount of GR/AGR		
Total amount of GR/AGR	28.74	1.21
LF Impact	2.72	SUC Impact

ANNEXURE-6.09 [Para 6.2.4]
Impact on LF and SUC due to non-consideration of Infrastructure sharing revenue
(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	22326758	1786141	971214	80015801	6401264	3480687	76426596	76426660	3324557	10371407	1037141	451156
Delhi	45888136	4588814	1950246	51716613	5171661	2197956	129567213	12956721	5506607	619907	61991	26346
Gujarat	43261023	3460882	1449244	73924035	5913923	2476455	133745814	13374581	4480485	2338516	233852	78340
Haryana	20793281	1247597	696575	60662637	3639758	2032198	70695337	5655627	2368294	2427828	194226	81332
HP	1029157	61749	24185	5062105	303726	118959	24612785	1476767	578400	36974315	2218459	868896
Kerala	44019678	2641181	1914856	89659302	5379558	3900180	230638931	18451114	10032793	10138352	811068	441018
Maharashtra	74777191	5982175	3252808	191117207	15289377	8313599	355896278	35589628	15481488	504668988	50466899	21953101
MP	11795142	707709	443497	47608182	2856491	2070956	124073201	9925856	5397184	228107572	18248606	9922679
Mumbai	-	-	-	-	-	-	15577451	1557745	350493	-	-	-
Rajasthan	1538102	123048	51526	15056656	1204532	504398	57780139	4622411	1935635	22259694	1780776	745700
UP	-	-	-	7336525	586922	245774	47796990	3823759	1601199	1350699	108056	45248
UPW	44842591	2690555	1950653	69289603	4157376	3014098	147883334	11830667	6432925	7803440	624275	339450
Total UASL	310271059	23289851	12704804	691448666	50904588	28355260	1414694069	126907536	57490060	827060718	75785349	34953266

(₹ in crore)

Total amount of GR/AGR	324.35
LF Impact	27.69
SUC Impact	13.35

**ANNEXURE-6.10 [Para 6.2.5]
Impact on LF and SUC due to non-consideration of Switch Sharing Revenue paid by NLD**

Services/LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	4020242	321619	174881	31449529	2515962	1368055	68619813	6861981	2984962	64515226	6451523	2806412
Assam	-	-	-	-	-	-	-	-	-	478738	28724	11250
Bihar (ABTL)	-	-	-	-	-	-	-	-	-	2647272	158836	62211
Delhi	15517331	1551733	659487	94701422	9470142	4024810	193145703	19314570	8208692	264378149	26437815	11236071
Gujarat	8207164	656573	274940	55368608	4429489	1854848	105907357	10590736	3547896	141896686	14189669	4753539
Haryana	3725132	223508	124792	26439151	1586349	885712	58969750	4717580	1975487	71807840	5744627	2405563
HP	247162	14830	5808	2996535	179792	70419	10147171	608830	238459	20196683	1211801	474622
J&K	-	-	-	-	-	-	-	-	-	453092	27186	10648
Karnataka (Spice)	-	-	-	-	-	-	-	-	-	2097880	209788	68181
Kerala	-	-	-	-	-	-	44622468	3569797	1941077	39527030	3162162	1719426
Kolkata	-	-	-	-	-	-	-	-	-	2222372	222237	50003
Maharashtra	11195130	895610	486988	71889750	5751180	3127204	127837129	12783713	5560915	132007813	13200781	5742340
MP	6325191	379511	237827	40357554	2421453	1755554	83187474	6654998	3618655	97726297	7818104	4251094
Mumbai	-	-	-	-	-	-	35632741	3563274	801737	125532511	12553251	2824481
NE	-	-	-	-	-	-	-	-	-	105319	6319	2475
Odisha	-	-	-	-	-	-	-	-	-	6242034	374522	146688
Punjab (Spice)	-	-	-	-	-	-	-	-	-	2985988	238879	129890
Rajasthan	1557908	124633	52190	17832718	1426617	597396	34643970	2771518	1160573	54197401	4335792	1815613
TN	-	-	-	-	-	-	-	-	-	8806420	880642	206951
UP	897874	71830	30079	17033659	1362693	570628	38949691	3115975	1304815	53540640	4283251	1793611
UPW	6106878	366413	265649	38626806	2317608	1680266	75999441	6079955	3305976	100212695	8017016	4359252
WB	-	-	-	-	-	-	-	-	-	1004306	80344	23601
Total UASL	57800012	4606260	2312641	396695732	31461285	15934892	877662708	80632927	34649244	1192582392	109633269	44893922

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
252.47	22.63	9.78

ANNEXURE - 6.11 [Para 6.2.7]
Impact on LF and SUC due to non-consideration of gain on foreign exchange fluctuation

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Im- pact	Amount of GR/ AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Im- pact	Amount of GR/AGR	LF Impact	SUC Im- pact
	(Amount in ₹)											
AP	914290	73143	39772	1249861	99989	54369	-	-	-	33135884	3313588	1441411
Assam	-	-	-	-	-	-	-	-	-	177582	10655	4173
Bihar	-	-	-	-	-	-	-	-	-	49401385	2964083	1160933
Delhi	-	-	-	61004407	6100441	2592687	5885139	588514	250118	48457809	4845781	2059457
Gujrat	-	-	-	13179570	1054366	441516	-	-	-	4649718	464972	155766
Haryana	8836	530	296	-	-	-	3592065	287365	120334	11507113	920569	385488
HP	-	-	-	-	-	-	-	-	-	161028	9662	3784
J&K	-	-	-	-	-	-	-	-	-	1273489	76409	29927
Karnataka	-	-	-	-	-	-	-	-	-	12322131	1232213	400469
Kerala	30727	1844	1337	32371323	1942279	1084439	-	-	-	-	-	-
Maharashtra	-	-	-	42289410	3383153	1839589	-	-	-	35154361	3515436	1529215
MP	-	-	-	42790503	2567430	1861387	-	-	-	2556341	204507	111201
Mumbai	-	-	-	-	-	-	91874	9187	2067	4122589	412259	92758
NE	-	-	-	-	-	-	-	-	-	113665	6820	2671
Odisha	-	-	-	-	-	-	-	-	-	8360143	501609	196463
Rajasthan	-	-	-	31200062	2496005	1045202	-	-	-	912260	72981	30561
TN	-	-	-	-	-	-	-	-	-	11501844	1150184	270293
UPPE	-	-	-	40209002	3216720	1347002	2681816	214545	89841	15357728	1228618	514484
UPW	554479	33269	24120	-	-	-	-	-	-	18572000	1485760	807882
Total UASL	1508332	108786	65525	264294138	20860383	10266191	12250894	1099611	462360	257737070	22416106	9196936

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
53.58	4.45	2.00

**ANNEXURE-6.12 [Para 6.3.1]
Impact on LF and SUC due to non-consideration of Interest Income**

Services/LSA	2007-08			2008-09			2009-10		
	Total Interest	LF	SUC	Total Interest	LF	SUC	Total Interest	LF	SUC
	(Amount in ₹)								
AP	116105787	9288463	5050602	319752249	31975225	13909223	218270375	21827887	9495131
Assam	-	-	-	-	-	-	427424	25646	10045
Bihar (ABTL)	-	-	-	104870000	6292200	2464445	410968638	24658221	9657803
Delhi	91614240	9161424	3893605	197560931	19756093	8396340	134499478	13450466	5716448
Gujarat	84893651	6791492	2843937	212951038	21295104	7133860	160239610	16024584	5368236
Haryana	33610419	2016625	1125949	90304696	7224376	3025207	66427663	5314420	2225413
HP	1855576	111335	43606	7985242	479115	187653	7656901	459432	179944
J&K	-	-	-	-	-	-	454228	27255	10675
Karnataka (Spice)	-	-	-	-	-	-	6502823	650308	211350
Kerala	85207459	5112448	3706524	260979773	20878382	11352620	203758010	16301275	8863818
Kolkata	-	-	-	-	-	-	2129540	212962	47917
Maharashtra	174678091	11454921	7598497	448382564	35578123	19504642	340905476	23433058	14829965
MP	93801199	5628072	4080352	246915947	19753276	10740844	195045572	15604252	8484812
Mumbai	-	-	-	21531117	21531112	484450	54401753	5440387	1224087
NE	-	-	-	-	-	-	75775	4547	1781
Odisha	-	-	-	-	-	-	5755927	345369	135270
Punjab (Spice)	-	-	-	-	-	-	11174475	893990	486107
Rajasthan	20588188	1647055	689704	60782073	4862566	2036199	48449616	3876120	1623125
TN	-	-	-	-	-	-	7994556	799487	187879
UP	21071782	1685743	705905	83958929	6716714	2812624	83669362	6693809	2803033
UPW	84097764	5045866	3658253	224916191	17993295	9783854	179718454	14378036	7818057
WB	-	-	-	-	-	-	1898789	151909	44623
Total U/ASL	807524156	57943444	33396934	2280890750	194957581	91831961	2140424445	170573420	79425519
NLD	41988772	2519326	-	154335587	9260133	-	175602528	10536562	-
ILD	-	-	-	-	-	-	2037468	122253	-
Grand Total	849512928	60462770	33396934	2435226337	204217714	91831961	2318064441	181232235	79425519

(₹ in crore)

Services	Amount of GR/AGR	LF Impact	SUC Impact
UASL	522.89	42.35	20.47
NLD	37.19	2.23	-
ILD	0.20	0.01	-
Total	560.28	44.59	20.47

**ANNEXURE-6.13 [Para 6.3.2]
Impact on LF and SUC due to non-consideration of Profit on sale of Investment**

Services/ LSA	2007-08			2008-09			2009-10			(Amount in ₹)
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	
Total	431792260						878708917			
Andhra Pradesh	58957696	4716616	2564660	305870650	30587065	13305373	98455230	9845523	4282803	
Assam	-	-	-	-	-	-	190380	11423	4474	
Bihar (ABTL)	-	-	-	450337000	27020220	10582920	19776882	1186613	464757	
Delhi	46585814	4658581	1979897	188957567	18895757	8030697	60106550	6010655	2554528	
Gujarat	43159034	3452723	1445828	203673139	20367314	6823050	72256206	7225621	2420583	
Haryana	17095727	1025744	572707	85224900	6817992	2855034	29963530	2397082	1003778	
Himachal Pradesh	943827	56630	22180	7638574	458314	179506	3453799	207228	81164	
Jammu & Kashmir	-	-	-	-	-	-	196975	11818	4629	
Karnataka (Spice)	-	-	-	-	-	-	2933229	293323	95330	
Kerala	43335810	2600149	1885108	249632797	19970624	10859027	91906743	7352539	3997943	
Kolkata	-	-	-	-	-	-	958178	95818	21559	
Madhya Pradesh	47632911	2857975	2072032	236074750	18885980	10269252	87914970	7033198	3824301	
Maharashtra	88800959	7104077	3862842	428728358	42872836	18649684	153661141	15366114	6684260	
Mumbai	-	-	-	20585819	2058582	463181	24498700	2449870	551221	
North East	-	-	-	-	-	-	34180	2051	803	
Odisha	-	-	-	-	-	-	2596326	155780	61014	
Punjab (Spice)	-	-	-	-	-	-	4601150	368092	200150	
Rajasthan	10465536	837243	350595	58121075	4649686	1947056	21834830	1746786	731467	
Tamil Nadu	-	-	-	-	-	-	3597977	359798	84552	
UP East	10718028	857442	359054	80301085	6424087	2690086	37724583	3017967	1263774	
UP West	42739595	2564376	1859172	215034679	17202774	9354009	81062787	6485023	3526231	
West Bengal	-	-	-	-	-	-	856487	68519	20127	
Total UASL	410434937	30731554	16974074	2530180393	216211231	96008874	798580834	71690840	31879448	
NLD	21357323	1281439	-	147635323	8858119	-	79209042	4752543	-	
ILD	-	-	-	-	-	-	919041	55142	-	
Grand Total	431792260	32012993	16974074	2677815716	225069350	96008874	878708917	76498525	31879448	

(₹ in crore)

Services/ Company	Total amount of GR/AGR	LF	SUC
Total UASL	373.92	31.86	14.49
NLD	24.82	1.49	-
ILD	0.09	0.01	-
Grand Total	398.83	33.36	14.49

**ANNEXURE - 6.14 [Para 6.3.3]
Impact on LF and SUC due to non-consideration of Misc. Income**

(Amount in ₹)

Services/ LSA	2007-08			2008-09		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Andhra Pradesh	689887	55191	30010	5603966	560397	243773
Delhi	1246614	124661	52981	3423454	342345	145497
Gujarat	10825291	866023	362647	9154854	915485	306688
Haryana	2266746	136005	75936	2436681	194934	81629
Himachal Pradesh	163430	9806	3841	350404	21024	8235
Kerala	5818319	349099	253097	6932579	554606	301567
Madhya Pradesh	554830	33290	24135	5473452	437876	238095
Maharashtra	4485443	358835	195117	9108022	910802	396199
Mumbai	-	-	-	573120	57312	12895
Rajasthan	1119796	89584	37513	3128923	250314	104819
UP East	1012564	81005	33921	2072793	165823	69439
UP West	869635	52178	37829	4890972	391278	212757
Total U/ASL	29052554	2155677	1107027	53149220	4802197	2121592
NLD	29801	1788	-	1065035	63902	-
Grand Total	29082355	2157465	1107027	54214255	4866099	2121592

(₹ in crore)

Services/ Company	Amount of GR/AGR	LF Impact	SUC Impact
Total U/ASL	8.22	0.69	0.32
NLD	0.11	0.01	-
Grand Total	8.33	0.70	0.32

**ANNEXURE - 6.15 [Para 6.3.4]
Impact on LF and SUC due to non-consideration of Profit on Sale of Assets**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Andhra Pradesh	1221601	97728	53140	263693	21095	11471	120672956	12067296	5249274	685070	68507	29801
Assam	-	-	-	-	-	-	-	-	-	145	9	3
Bihar	-	-	-	-	-	-	1178000	70680	27683	(424920)	-	-
Delhi	213493	21349	9073	1174525	117452	49917	1060359	106036	45065	2335830	233583	99273
Gujarat	22938	1835	768	321985	25759	10786	3001945	300194	100565	825094	82509	27641
Haryana	52658	3159	1764	12670	760	424	1719183	137535	57593	572847	45828	19190
Himachal Pradesh	2907	174	68	699	42	16	40823	2449	959	2633	158	62
Jammu & Kashmir	-	-	-	-	-	-	-	-	-	150	9	4
Karnataka (Spice)	-	-	-	-	-	-	-	-	-	2237	224	73
Kerala	193482	11609	8416	1762116	105727	76652	5686897	454952	247380	450077	36006	19578
Kolkata	-	-	-	-	-	-	-	-	-	731	73	16
Madhya Pradesh	536718	32203	20181	1185301	71118	51561	1045436	83635	45476	1847034	147763	80346
Maharashtra	853523	68282	37128	65810	5265	2863	2026193	202619	88139	7164	716	312
Mumbai	-	-	-	-	-	-	-	-	-	68680	6868	1545
North East	-	-	-	-	-	-	-	-	-	26	2	1
Odisha	-	-	-	-	-	-	-	-	-	1980	119	47
Punjab (Spice)	-	-	-	-	-	-	-	-	-	173508	13881	7548
Rajasthan	32236	2579	1080	(42244)	-	-	(163738)	-	-	556649	44532	18648
Tamil Nadu	-	-	-	-	-	-	-	-	-	232743	23274	5469
UP East	33014	2641	1106	7943	635	266	8652	692	290	148764	11901	4984
UP West	1611646	96699	70107	2591674	155500	112738	(416831)	-	-	4511809	360945	196264
West Bengal	-	-	-	-	-	-	-	-	-	653	52	15
Total UASL	4774215	338259	202832	7386416	503355	316695	136442662	13426088	5862425	12423825	1076958	510818
NLD	65785	3947	0	15828	950	0	15907	954	0	60395	3624	0
Total	4840000	342206	202832	7402244	504304	316695	136458569	13427043	5862425	12484920	1080582	510818

(₹ in crore)

Note: Negative figures not considered for calculation of GR/AGR.

Services/ Company	Amount of GR/AGR	LF Impact	SUC Impact
Total UASL	16.10	1.54	0.69
NLD	0.02	0.00	-
Total	16.12	1.54	0.69

**ANNEXURE-6.16 [Para 6.4.1]
Impact on LF and SUC due to writing off of Bad Debts from GR**

(Amount in ₹)

Services/ LSA	2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact
AP	382398930	38239893	16634353
Delhi	171652171	17165217	7295217
Gujarat	417361535	41736154	13981611
Haryana	20911877	1672950	700548
Kerala	21490876	1719270	934853
Maharashtra	584077440	58407744	25407369
MP	67889501	5431160	2953193
UPW	56031875	4482550	2437387
Total UASL	1721814205	168854938	70344531

(₹ in crore)

Amount of GR/AGR	LF Impact	SUC Impact
172.18	16.89	7.03

**ANNEXURE-6.17 [Para 6.6]
Statement showing interest on LF and SUC upto March 2015**

Sl No.	Para No.	Issues	No. of Months(upto March 15)		72		84		60		TOTAL
			Rate@(PLR+2)%		14.25		14.25		13.75		
					2006-07		2007-08		2008-09		
		Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC		
1	6.2.1(A)	Margin/Discount not considered	79193393	36677466	154539809	83552746	308919705	149584850	235369240	116780740	1164617949
2	6.2.1(B)	Free AirTime not considered	83617035	45389064	48179502	28078990	24075551	12898646	71622379	31637609	345498776
3	6.2.1(B)	Free Sim/Free SMS not considered	1273894	798307	-	-	4841320	2105974	-	-	9019496
4	6.2.1(B)	Free Talk Time not considered	59030908	29912681	33177297	14884809	181897582	77178902	121607515	52911118	570600811
5	6.2.1(B)	Expenses/Admn. Fee adjustments against revenue	6723582	4874597	1830846	995523	559972	221222	0	0	15205742
6	6.2.1(B)	PCO Incentives	-	-	-	-	24388677	9770815	81059564	30661559	145880615
7	6.2.2	Promotional discounts-Post Paid	62478328	33404566	42013593	22705551	60323440	26658042	77075430	33928722	358587672
8	6.2.3	Discount Netting Off	0	0	1705705	795080	8333390	3733417	19602578	8667889	42838058
9	6.2.4	Infra sharing revenue not considered	49044710	26754291	86314233	48079408	170000377	77011438	74343814	34288412	565836683
10	6.2.5	NLD Switch sharing revenue not considered	9700049	4870051	53346011	27019330	108012720	46414772	107547906	44039983	400950822
11	6.2.6	IRU Revenue not considered	-	-	-	-	-	-	664678	-	664678
12	6.2.7	Forex Gains not considered	229086	137983	35371034	17407437	1472997	619361	21989724	9021999	86249621
13	6.3.1	Interest income (ICL) not considered	-	-	102521161	56628113	265133283	119713232	177780505	77912997	799689290
		Interest income (ABTL) not considered	-	-	-	-	8428785	3301274	-	-	11730059
14	6.3.2	Investment (ICL) not considered	-	-	54281490	28781378	265298876	114433270	75043426	31273060	569111500
		Investment (ABTL) not considered	-	-	-	-	36195231	14176465	-	-	50371696
15	6.3.3	Misc. Income (ICL) not considered	-	-	3655183	1877084	6432835	2842002	-	-	14807105
16	6.3.4	Profit on sale of Fixed Assets (ICL)	720631	427132	855102	536991	17891958	7816059	1060069	501102	29809044
		Profit on sale of Fixed Assets (ABTL)	-	-	-	-	94680	37083	-	-	131763
17	6.4.1	Bad debts written off taken as deductions	-	-	-	-	-	-	165643102	69006489	234649591
18	6.5.1	Transfer Infra Assets	-	-	-	-	-	-	-	-	0
		TOTAL	352011616	183246139	617790966	331342437	1492301379	668516825	1230409929	540631678	5,416,250,971

Say ₹ 541.63 crore

**ANNEXURE -7.01 [Para No.7.2.1]
Impact on Licence fee and SUC due to non-consideration of commission paid by TTSL**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	198570400	19857040	5857827	188151173	18815117	5550460	189403406	18940341	5587400	246653418	24665342	7276276
Assam	-	-	-	-	-	-	900362	54022	22509	5809176	348551	145229
Bihar	37863000	2271780	1022301	51849660	3110980	1399941	61221436	3673286	1652979	86916340	5214980	2346741
Chennai	49402200	4940220	1235055	41772666	4177267	1044317	-	-	-	-	-	-
Delhi	198450200	19845020	5556606	200412160	20041216	5611540	218696781	21869678	6123510	242782127	24278213	6797900
Gujarat	100006400	10000640	2700173	80635448	8063545	2177157	69131325	6913133	1866546	76389711	7638971	2062522
Haryana	36901400	2952112	922535	40889728	3271178	1022243	44785591	3582847	1119640	61526934	4922155	1538173
HP	6250400	375024	168761	7513065	450784	202853	6866586	411995	185398	7759825	465590	209515
J&K	-	-	-	-	-	-	717267	43036	17932	7056620	423397	176416
Karnataka	131378600	13137860	3547222	121682714	12168271	3285433	110103776	11010378	2972802	172345971	17234597	4653341
Kerala	52527400	4202192	1523295	59487777	4759022	1725146	57638826	4611106	1671526	65957530	5276602	1912768
Kolkata	61302000	6130200	1716456	58822414	5882241	1647028	58297301	5829730	1632324	68653837	6865384	1922307
MP	30771200	2461696	830822	35731173	2858494	964742	34726051	2778084	937603	64233954	5138716	1734317
NE	-	-	-	-	-	-	233840	14030	5846	3325480	199529	83137
Orissa	19472400	1168344	525755	23657377	1419443	638749	24797316	1487839	669528	43690173	2621410	1179635
Punjab	58176800	4654144	1454420	57685053	4614804	1442126	54343454	4347476	1358586	66399680	5311974	1659992
Rajasthan	46156800	3692544	1246234	59735019	4778802	1612846	63644683	5091575	1718406	66653098	5332248	1799634
TN	59979800	5997980	1499495	55928506	5592851	1398213	87530217	8753022	2188255	122824829	12282483	3070621
UP	44233600	3538688	1105840	46996486	3759719	1174912	44705926	3576474	1117648	53906691	4312535	1347667
UPW	47719400	3817552	1288424	60052175	4804174	1621409	62562521	5005002	1689188	78675046	6294004	2124226
WB	22838000	1827040	662302	26597405	2127792	771325	26793333	2143467	777007	35239559	2819165	1021947
Total USL	1202000000	110870076	32863521	1217600000	110695700	33290438	1217100000	110136520	33314634	1576800000	141645846	43062365

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
521.35	47.33	14.25

**ANNEXURE – 7.02 [Para No. 7.2.2]
Impact on Licence fee and SUC due to non-consideration of discounts netted off in respect of TTSL**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	1892324922	189232492	55823585	2055611542	205561154	60640541	2247371964	224737196	66297473	2515920897	251592090	74219666
Assam	-	-	-	-	-	-	10414660	624880	260366	118481352	7108881	2962034
Bihar	229070327	13744220	6184899	196930262	11815816	5317117	273790518	16427431	7392344	501516661	30091000	13540950
Chennai	420886560	42088656	10522164	332443292	33244329	8311082	402913864	40291386	10072847	-	-	-
Delhi	2078428434	207842843	58195996	2897705041	289770504	81135741	3242303702	324230370	90784504	28753323770	2875332377	80509066
Gujarat	1040670405	104067040	28098101	754440117	75444012	20369883	789110623	78911062	21305987	922089825	92208983	24896425
Haryana	671188239	53695059	16779706	555574022	44445922	13889351	676461441	54116915	16911536	619028391	49522271	15475710
HP	64040433	3842426	1729092	80531110	4831867	2174340	100692004	6041520	2718684	101279666	6076780	2734551
J&K	-	-	-	-	-	-	6100914	366055	152523	121046746	7262805	3026169
Karnataka	795554105	79555410	21479961	669449844	66944984	18075146	829431146	82943115	22394641	1237680519	123768052	33417374
Kerala	257932077	20634566	7480030	207246070	16579686	6010136	223401003	17872080	6478629	333755837	26700467	9678919
Kolkata	478358115	47835812	13394027	395723329	39572333	11080253	505581993	50558199	14156296	700750230	70075023	19621006
MP	341353534	27308283	9216545	229230626	18338450	6189227	222338792	17787103	6003147	245651568	19652125	6632592
NE	-	-	-	-	-	-	1917754	115065	47944	61374099	3682446	1534352
Orissa	105137214	6308233	2838705	86736704	5204202	2341891	123440407	7406424	3332891	215694078	12941645	5823740
Punjab	753595836	60287667	18839896	709894210	56791537	17747355	819985715	65598857	20499643	656945299	52555624	16423632
Rajasthan	459741797	36779344	12413029	512635405	41010832	13841156	679891275	54388488	18356115	661468081	52917446	17859638
TN	296363382	29636338	7409085	272071551	27207155	6801789	271706573	27170657	6792664	1012589630	101258963	25314741
UPPE	388144468	31051557	9703612	282628807	22610305	7065720	284094762	22727581	7102369	379940212	30395217	9498505
UPW	529168695	42333496	14287555	428688139	34295051	11574580	563790575	45103246	15222346	570251549	45620124	15396792
WB	119275634	9542051	3458993	89779770	7182382	2603613	125968118	10077449	3653075	211501134	16920091	6133533
Total UASL	10921234178	1005785493	297854980	10757319842	1000850520	295168921	12400707803	1147495083	339936024	14062289545	1287882409	384699396

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
4,814.16	444.20	131.77

**ANNEXURE – 7.03 [Para No. 7.2.2]
Impact on Licence fee and SUC due to non-consideration of total discounts netted off in respect of TTML**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Maharashtra (including Mumbai)	2770662145	277066215	90877718	3248310423	324831042	106544582	4025364112	402536411	132031943	4717496137	471749614	154733873
Total UASL	2770662145	277066215	90877718	3248310423	324831042	106544582	4025364112	402536411	132031943	4717496137	471749614	154733873

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
1,476.18	147.62	48.42

**ANNEXURE -7.04 [Para No.7.2.3]
Impact on Licence fee and SUC due to non-consideration of adjustments netted off in respect of TTSL**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC
AP	19231359	1923136	567325	59897666	5989767	1766981	13578412	1357841	400563	28072119	2807212	828128
Assam	-	-	-	-	-	-	273660	16420	6842	4491443	269487	112286
Bihar	4548161	272890	122800	4500770	270046	121521	8824596	529476	238264	23289207	1397352	628809
Chennai	2827904	282790	70698	2810315	281031	70258	1977517	197752	49438			
Delhi	4825875	4825875	1351245	15064390	1506439	421803	16333423	1633342	457336	80164862	8016486	2244616
Gujarat	16968023	1696802	458137	7175902	717590	193749	15256951	1525695	411938	10470270	1047027	282697
Haryana	7602742	608219	190069	11765758	941261	294144	10138148	811052	253454	25973653	2077892	649341
HP	2341093	140466	63210	2357539	141452	63654	2386801	143208	64444	4084378	245063	110278
J&K	-	-	-	-	-	-	149002	8940	3725	6314411	378865	157860
Karnataka	20070469	2007047	541903	5711958	571196	154223	7632283	763228	206072	17911238	1791124	483603
Kerala	11538190	923055	334608	17325388	1386031	502436	14654576	1172366	424983	31542314	2523385	914727
Kolkata	26260139	2626014	735284	49868893	4986889	1396329	51819496	5181950	1450946	34006843	3400684	952192
MP	20965202	1677216	566060	17352508	1388201	468518	20467624	1637410	552626	24280249	1942420	655567
NE	-	-	-	-	-	-	18535	1112	463	1827633	109658	45691
Orissa	1593962	95638	43037	5643283	338597	152369	7454945	447297	201284	19374873	1162492	523122
Punjab	20639413	1651153	515985	30102053	2408164	752551	33025995	2642080	825650	44576354	3566108	1114409
Rajasthan	7099323	567946	191682	16716772	1337342	451353	26406163	2112493	712966	52467914	4197433	1416634
TN	2450990	245099	61275	2456364	245636	61409	4377522	437752	109438	16490769	1649077	412269
UPPE	9488074	759046	237202	12435665	994853	310892	13360036	1068803	334001	28078402	2246272	701960
UPW	5501693	440135	148546	10940924	875274	295405	11603116	928249	313284	29152758	2332221	787124
WB	2134703	170776	61906	5713963	457117	165705	11246026	899682	326135	19126607	1530129	554672
Total UASL	229520185	20913303	6260970	277840111	24836887	7643299	270984827	23516147	7343850	501696297	42690387	13575985

(₹ in crore)

Amount of GR/ AGR	LF	SUC
128.00	11.20	3.48

**ANNEXURE -7.05 [Para No.7.2.3]
Impact on Licence fee and SUC due to non-consideration of adjustments shown in trial balance netted off from the revenue by TTML
(Amount in ₹)**

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF	SUC	Amount of GR/ AGR	LF	SUC	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC
Maharashtra (including Mumbai)	442873296	44287330	14526244	386404624	38640462	12674072	266974624	26697462	8756768	381043420	38104342	12498224
Total UASL	442873296	44287330	14526244	386404624	38640462	12674072	266974624	26697462	8756768	381043420	38104342	12498224

(₹ in crore)

Total amount of GR/AGR	LF	SUC
147.73	14.77	4.85

**ANNEXURE -7.06 [Para No.7.2.4]
Impact on Licence fee and SUC due to non-consideration of miscellaneous income
netted off from the revenue by TTSL**

(Amount in ₹)

Services/ LSA	2008-09			2009-10		
	Amount of GR/ AGR	LF Impact	SUC Impact	Amount of GR/ AGR	LF Impact	SUC Impact
AP	765	77	23	103900290	10390029	3065059
Assam	704672	42280	17617	536730	32204	13418
Bihar	11053997	663240	298458	53931706	3235902	1456156
Delhi	127	13	4	-	-	-
Gujarat	-	-	-	17307330	1730733	467298
Haryana	14667375	1173390	366684	69643359	5571468	1741084
HP	-	-	-	6359811	381589	171715
Karnataka	9048822	904882	244318	138627194	13862719	3742934
Kerala	-	-	-	43530205	3482416	1262376
Kolkata	788	79	22	37722762	3772276	1056237
MP	14285144	1142812	385699	124420110	9953609	3359343
NE	673752	40425	16844	-	-	-
Orissa	-	-	-	49455315	2967319	1335294
Punjab	21560126	1724810	539003	58172847	4653828	1454321
Rajasthan	37350884	2988071	1008474	80677016	6454162	2178279
TN	-	-	-	72869644	7286964	1821741
UPE	17188715	1375097	429718	30273280	2421862	756832
UPW	5040019	403202	136081	1021855	81748	27590
WB	-	-	-	28157205	2252576	816559
Total UASL	131575187	10458378	3442945	916606660	78531404	24726236

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
104.82	8.90	2.82

ANNEXURE -7.07 [Para No.7.2.4]

Impact on Licence fee and SUC due to non-consideration of other revenue heads shown in trial balance netted off from the revenue

(Amount in ₹)

Services/ LSA	2009-10		
	Amount of GR/ AGR	LF	SUC
Maharashtra (including Mumbai)	84986842	8498684	2787568
Total UASL	84986842	8498684	2787568

(₹ in crore)

Total amount of GR/ AGR	LF Impact	SUC Impact
8.50	0.85	0.28

**ANNEXURE -7.08 [Para No.7.2.5]
Impact on Licence fee and SUC due to non-consideration of revenue towards
OPEX receipt for infra sharing by TTSL**

(Amount in ₹)

Services/ LSA	2008-09			2009-10		
	Amount of GR/ AGR	LF Impact	SUC Impact	Amount of GR/ AGR	LF Impact	SUC Impact
AP	15025641	1502564	443256	33014092	3301409	973916
Bihar	2158804	129528	58288	2578639	154718	69623
Delhi	30202518	3020252	845671	26755357	2675536	749150
Gujarat	7345586	734559	198331	14029487	1402949	378796
Haryana	5969	478	149	-	-	-
HP	1233347	74001	33300	-	-	-
J&K	7806	468	195	366275	21977	9157
Karnataka	29263822	2926382	790123	31481393	3148139	849998
Kerala	2915	233	85	-	-	-
Kolkata	12093	1209	339	-	-	-
MP	-	-	-	11454799	916384	309280
Orissa	4113840	246830	111074	4756591	285395	128428
Punjab	3352283	268183	83807	498292	39863	12457
Rajasthan	146330	11706	3951	-	-	-
TN	3735225	373523	93381	13363178	1336318	334079
Total UASL	96606179	9289916	2661949	138298103	13282688	3814884

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
23.49	2.26	0.65

**ANNEXURE - 7.09 [Para No.7.2.6]
Impact on Licence fee & SUC on net forex gain realised which was not considered for gross revenue by TTSL during 2006-07 to 2009-10**

(Amount in ₹)

Services/LSA	2006-07			2007-08			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	835708	83570.82	24653	102800184	10280018	3032605	304587030	30458703	8985317
Assam	-	-	-	-	-	-	7173627	430418	179341
Bihar	159351	9561.07	4302	28329107	1699746	764886	107331129	6439868	2897940
Chennai	207915	20791.53	5198	22823338	2282334	570583	-	-	-
Delhi	835202	83520.23	23386	109499221	10949922	3065978	299806455	29980645	8394581
Gujarat	420889	42088.94	11364	44056801	4405680	1189534	94332020	9433202	2546965
Haryana	155304	12424.33	3883	22340927	1787274	558523	75978294	6078264	1899457
HP	26306	1578.34	710	4104914	246295	110833	9582442	574947	258726
J&K	-	-	-	-	-	-	8714069	522844	217852
Karnataka	552923	55292.32	14929	66483802	6648380	1795063	212826353	21282635	5746312
Kerala	221068	17685.45	6411	32502345	2600188	942568	81449542	6515963	2362037
Kolkata	257997	25799.71	7224	32138811	3213881	899887	84779154	8477915	2373816
MP	129504	10360.35	3497	19522446	1561796	527106	79321136	6345691	2141671
NE	-	-	-	-	-	-	4106564	246394	102664
Orissa	81952	4917.12	2213	12925685	775541	348993	53952060	3237124	1456706
Punjab	244844	19587.54	6121	31517391	2521391	787935	81995545	659644	2049889
Rajasthan	194257	15540.53	5245	32637431	2610994	881211	82308485	6584679	2222329
TN	252432	25243.24	6311	30557666	3055767	763942	151673754	15167375	3791844
UPPE	186163	14893.01	4654	25677477	2054198	641937	66568219	5325458	1664205
UPW	200833	16066.64	5422	32810716	2624857	885889	97154132	7772331	2623162
WB	96117	7689.32	2787	14532028	1162562	421429	43516577	3481326	1261981
Total UASL	5058766	466610	138310	665260290	60480826	18188901	1947156588	174915425	53176793

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
261.75	23.59	7.15

**ANNEXURE -7.10 [Para No.7.2.6]
Impact on Licence fee on net Forex gain realised which was not considered for gross revenue by TTML**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Maharashtra (including Mumbai)	87190314	8719031	2859842	220295347	22029535	7225687	115479212	11547921	3787718	169616014	16961601	5563405
Total USAL	87190314	8719031	2859842	220295347	22029535	7225687	115479212	11547921	3787718	169616014	16961601	5563405

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
59.26	5.93	1.94

**ANNEXURE -7.11 [Para No.7.3.1]
Impact on Licence fee and SUC due to non-consideration of interest income for gross revenue by TTSL**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Im- pact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Im- pact	Amount of GR/AGR	LF Impact	SUC Impact
AP	66184924	6618492	1952455	25021148	2502115	738124	52684145	5268414	1554182	748624351	74862435	22084418
Assam	-	-	-	-	-	-	250443	15027	6261	17631584	1057895	440790
Bihar	12620007	757200	340740	6895190	413711	186170	17029256	1021755	459790	263802095	15828126	7122657
Chennai	16466104	1646610	411653	5555108	555511	138878	-	-	-	-	-	0
Delhi	66144860	6614486	1852056	26651666	2665167	746247	60832343	6083234	1703306	736874492	73687449	20632486
Gujarat	33332843	3333284	899987	10723247	1072325	289528	19229458	1922946	519195	231852443	23185244	6260016
Haryana	12299499	983960	307487	5437691	435015	135942	12457488	996599	311437	186742033	14939363	4668551
HP	2083303	124998	56249	999119	59947	26976	1909998	114600	51570	23552052	1413123	635905
J&K	-	-	-	-	-	-	199514	11971	4988	21417736	1285064	535443
Karnataka	43789420	4378942	1182314	16181888	1618189	436911	30626288	3062629	826910	523091842	52309184	14123480
Kerala	17507755	1400620	507725	7910939	632875	229417	16032723	1282618	464949	200189453	16015156	5805494
Kolkata	20432392	2043239	572107	7822456	782246	219029	16215883	1621588	454045	208373086	20837309	5834446
MP	10256259	820501	276919	4751684	380135	128295	9659342	772747	260802	194958183	15596655	5263871
NE	-	-	-	-	-	-	65045	3903	1626	10093252	605595	252331
Orissa	6490289	389417	175238	3146059	188764	84944	6897581	413855	186235	132605207	7956312	3580341
Punjab	19390740	1551259	484769	7671205	613696	191780	15116087	1209287	377902	201531436	16122515	5038286
Rajasthan	15384389	1230751	415379	7943818	635505	214483	17703302	1416264	477989	202300592	16184047	5462116
TN	19991693	1999169	499792	7437612	743761	185940	24347264	2434726	608682	372788907	37278891	9319723
UP	14743373	1179470	368584	6249794	499983	156245	12435328	994826	310883	163613631	13089090	4090341
UPW	15905215	1272417	429441	7985995	638880	215622	17402290	1392183	469862	238788726	19103098	6447296
WB	7612068	608965	220750	3537037	282963	102574	7452790	596223	216131	106956523	8556522	3101739
Total UASL	400635133	36953783	10953645	161921655	14720787	4427105	338546567	30635396	9266745	4785787625	429913074	130699729

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
568.69	51.22	15.53

ANNEXURE -7.12 [Para No.7.3.2]
Impact on Licence fee and SUC due to non-consideration of revenue on profit on sale of investments for gross revenue by TTSL
 (Amount in ₹)

vices/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	15131763	1513176	446387	495172	49517	14608	1185470090	118547009	34971368	2051707576	205170758	60525374
Assam	-	-	-	-	-	-	5635337	338120	140883	48321772	2899306	1208044
Bihar	2885294	173118	77903	136457	8187	3684	383183085	22990985	10345943	722985776	43379147	19520616
Chennai	3764621	376462	94116	109936	10994	2748	-	-	-	-	-	-
Delhi	15122603	1512260	423433	527440	52744	14768	1368816422	136881642	38326860	2019505479	201950548	56546153
Gujarat	7620839	762084	205763	212214	21221	5730	432690836	43269084	11682653	635423379	63542338	17156431
Haryana	2812016	224961	70300	107613	8609	2690	280311639	22424931	7007791	511792120	40943370	12794803
HP	476302	28578	12860	19773	1186	534	42977748	2578665	1160399	64547624	3872857	1742786
J&K	-	-	-	-	-	-	4489350	269361	112234	58698238	3521894	1467456
Karnataka	10011512	1001151	270311	320242	32024	8647	689136145	68913614	18606676	1433604845	143360484	38707331
Kerala	4002773	320222	116080	156558	12525	4540	360759640	28860771	10462030	548646616	43891729	15910752
Kolkata	4671428	467143	130800	154807	15481	4335	364881013	36488101	10216668	571074985	57107499	15990100
MP	2344874	187590	63312	94036	7523	2539	217349287	17387943	5868431	534309605	42744768	14426359
NE	-	-	-	-	-	-	1463597	87816	36590	27661939	1659716	691548
Orissa	1483865	89032	40064	62261	3736	1681	155205640	9312338	4190552	363422735	21805364	9812414
Punjab	4433277	354662	110832	151814	12145	3795	340134009	27210721	8503350	552324504	44185960	13808113
Rajasthan	3517311	281385	94967	157209	12577	4245	398350111	31868009	10755453	554432483	44354599	14969677
TN	4570672	457067	114267	147191	14719	3680	547848935	54784893	13696223	1021679063	102167906	25541977
UPPE	3370756	269660	84269	123684	9895	3092	279813013	22385041	6995325	448405566	35872445	11210139
UPW	3636386	290911	98182	158044	12644	4267	391576895	31326152	10572576	654433211	52354657	17669697
WB	1740336	139227	50470	69998	5600	2030	167698650	13415892	4863261	293129001	23450320	8500741
Total UASL	91596629	8448690	2504316	3204449	291326	87613	7617791443	689341089	208515266	13116106519	1178235666	358200510

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
2,082.87	187.63	56.93

ANNEXURE -7.13 [Para No.7.3.2]
Impact on Licence fee and SUC due to non-consideration of revenue on profit on sale of investments for gross revenue by TTML
 (Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC
Maharashtra (including Mumbai)	4700000	470000	154160	700000	70000	22960	300000	30000	9840	600000	60000	19680
Total UASL	4700000	470000	154160	700000	70000	22960	300000	30000	9840	600000	60000	19680

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
0.63	0.06	0.02

ANNEXURE -7.14 [Para No.7.3.3]
Impact on Licence fee and SUC on sale of fixed assets not considered for gross revenue by TTSL
 (Amount in ₹)

Services/ LSA	2007-08			2008-09			2009-10		
	Amount of GR/ AGR	LF Impact	SUC Impact	Amount of GR/ AGR	LF Impact	SUC Impact	Amount of GR/ AGR	LF Impact	SUC Impact
AP	76958221	7695822	2270268	55413604	5541360	1634701	56061958	5606196	1653828
Assam	-	-	-	263418	15805	6585	1320370	79222	33009
Bihar	21207721	1272463	572608	17911507	1074690	483611	19755251	1185315	533392
Chennai	17085996	1708600	427150	-	-	-	-	-	-
Delhi	81973251	8197325	2295251	63983943	6398394	1791550	55182051	5518205	1545097
Gujarat	32981780	3298178	890508	20225697	2022570	546094	17362649	1736265	468792
Haryana	16724853	1337988	418121	13102885	1048231	327572	13984482	1118759	349612
HP	3073019	184381	82972	2008952	120537	54242	1763734	105824	47621
J&K	-	-	-	209850	12591	5246	1603902	96234	40098
Karnataka	49771070	4977107	1343819	32212974	3221297	869750	39172588	3917259	1057660
Kerala	24331889	1946551	705625	16863346	1349068	489037	14991514	1199321	434754
Kolkata	24059740	2405974	673673	17055995	1705600	477568	15604359	1560436	436922
MP	14614884	1169191	394602	10159773	812782	274314	14599762	1167981	394194
NE	-	-	-	68414	4105	1710	755850	45351	18896
Orissa	9676419	580585	261263	7254931	435296	195883	9930358	595821	268120
Punjab	23594533	1887563	589863	15899221	1271938	397481	15092011	1207361	377300
Rajasthan	24433017	1954641	659691	18620474	1489638	502753	15149610	1211969	409039
TN	22876064	2287606	571902	25608646	2560865	640216	27916907	2791691	697923
UPPE	19222659	1537813	480566	13079577	1046366	326989	12252474	980198	306312
UPW	24562741	1965019	663194	18303867	1464309	494204	17882084	1430567	482816
WB	10878960	870317	315490	7838904	627112	227328	8009614	640769	232279
Total UASL	498026819	45277125	13616566	356085979	32222554	9746836	358391528	32194743	9787663

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
121.25	10.97	3.32

ANNEXURE -7.15 [Para No.7.3.3]
Impact on licence fee sale of fixed assets not considered for gross revenue by TTML
 (Amount in ₹)

2009-10			
Services/ LSA	Amount of GR/AGR	LF Impact	SUC Impact
Maharashtra (including Mumbai)	354889478	35488948	11640375
Total UASL	354889478	35488948	11640375

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
35.49	3.55	1.16

ANNEXURE -7.16 [Para No.7.4.1]

Impact on Licence fee and SUC due to non-consideration of bad debts written off (adjusted from respective revenues) in respect of TTSL of 2009-10

(Amount in ₹)

Services/ LSA	Amount of GR/AGR	LF Impact	SUC Impact
AP	1034024491	103402449	30503722
Bihar	10303059	618184	278183
Delhi	633150438	63315044	17728212
Gujarat	192080943	19208094	5186185
Haryana	19408344	1552668	485209
HP	2933027	175982	79192
Karnataka	299570488	29957049	8088403
Kerala	32454902	2596392	941192
Kolkata	36034160	3603416	1008956
MP	56738984	4539119	1531953
Orissa	7011030	420662	189298
Punjab	39706081	3176486	992652
Rajasthan	32004900	2560392	864132
TN	252895892	25289589	6322397
UPE	36797881	2943830	919947
UPW	32572636	2605811	879461
WB	5173210	413857	150023
Total UASL	2722860466	266379024	76149117

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
272.29	26.64	7.61

ANNEXURE -7.17 [Para No.7.4.2]
Impact on Licence fee and SUC due to non-consideration of leased line and port charges included in the access charges claimed as deduction by TTSL

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	110298762	11029876	3253813	77371506	7737151	2282459	97006576	9700658	2861694	78226722	7822672	2307688
Assam	-	-	-	-	-	-	26393590	1583615	659840	44829829	2689790	1120746
Bihar	21304593	1278276	575224	16546212	992773	446748	30279777	1816787	817554	29894223	1793653	807144
Chennai	18228451	1822845	455711	18622715	1862272	465568	-	-	-	-	-	-
Delhi	44549989	4454999	1247400	42829439	4282944	1199224	61294685	6129469	1716251	58719493	5871949	1644146
Gujarat	41000795	4100080	1107021	35897125	3589713	969222	66999130	6699913	1808977	42879847	4287985	1157756
Haryana	21385356	1710828	534634	11625355	930028	290634	32770949	2621676	819274	22816904	1825352	570423
HP	15386399	923184	415433	10455269	627316	282292	13420302	805218	362348	6334754	380085	171038
J&K	-	-	-	-	-	-	3258456	195507	81461	13036799	782208	325920
Karnataka	45076854	4507685	1217075	52812858	5281286	1425947	52952460	5295246	1429716	29520053	2952005	797041
Kerala	24536853	1962948	711569	21435525	1714842	621630	42540483	3403239	1233674	32895298	2631624	953964
Kolkata	16706631	1670663	467786	13062021	1306202	365737	31349070	3134907	877774	21371486	2137149	598402
MP	18657137	1492571	503743	39192251	3135380	1058191	64456742	5156539	1740332	39091830	3127346	1055479
NE	-	-	-	-	-	-	12361590	741695	309040	40007473	2400448	1000187
Orissa	29996260	1799776	809899	25932115	1555927	700167	22827570	1369654	616344	25676346	1540581	693261
Punjab	26557098	2124568	663927	11569329	925546	289233	45026512	3602121	1125663	27309914	2184793	682748
Rajasthan	25215957	2017277	680831	28330959	2266477	764936	48416823	3873346	1307254	33277275	2662182	898486
TN	29732532	2973253	743313	45268457	4526846	1131711	52905827	5290583	1322646	38762713	3876271	969068
UPPE	21714806	1737184	542870	24658259	1972661	616456	29126178	2330094	728154	24371425	1949714	609286
UPW	17867353	1429388	482419	11689601	935168	315619	27071416	2165713	730928	17797919	1423834	480544
WB	54482237	4358579	1579985	34754974	2780398	1007894	39338802	3147104	1140825	22732316	1818585	659237
Total U/ASL	582698063	51393980	15992653	522053970	46422928	14233670	799796938	69063084	21689750	649552619	54158227	17502564

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
255.41	22.10	6.94

**ANNEXURE -7.18 [Para No.7.4.2]
Impact on Licence fee and SUC due to non-consideration of leased line and port charges included in the access charges
claimed as deduction by TTML**

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC	Amount of GR/AGR	LF	SUC
Maharashtra (including Mumbai)	189168368	18916837	6204722	205385522	20538552	6736645	268186848	26818684	8796529	209906596	20990659	6884936
Total UASL	189168368	18916837	6204722	205385522	20538552	6736645	268186848	26818684	8796529	209906596	20990659	6884936

(₹ in crore)

Total amount of GR/AGR	LF	SUC
87.26	8.73	2.86

**ANNEXURE -7.19 [Para No.7.4.3]
Impact on SUC due to non-consideration of revenue from sharing/leasing of Infrastructure/bandwidth links for payment of SUC by TTSL**

(Amount in ₹)

Services/ LSA	2006-07		2007-08		2008-09		2009-10	
	Amount of GR/AGR	SUC Impact	Amount of GR/AGR	SUC Impact	Amount of GR/AGR	SUC Impact	Amount of GR/AGR	SUC Impact
AP	285478116	8421604	428650588	12645192	284864733	8403510	417656346	12320862
Assam	-	-	-	-	26568	664	1856466	46412
Bihar	9719778	262434	35444044	956989	33214442	896790	352173245	9508678
Chennai	86380098	2159502	105071621	2626791	-	-	-	-
Delhi	201006556	5628184	102157534	2860411	79196109	2217491	152035594	4256997
Gujarat	107116212	2892138	165636253	4472179	102483051	2767042	100494399	2713349
Haryana	19495053	487376	45855282	1146382	3774824	94371	17520762	438019
HP	1472130	39748	5952486	160717	161452	4359	7009287	189251
J&K	-	-	-	-	-	-	1786114	44653
Karnataka	578707480	15625102	777072279	20980952	1014932276	27403171	1081891727	29211077
Kerala	104048131	3017396	93728455	2718125	73240837	2123984	198908984	5768361
Kolkata	22089794	618514	18188679	509283	6556473	183581	86016898	2408473
MP	34604054	934309	132584561	3579783	56164676	1516446	285966243	7721089
NE	-	-	-	-	-	-	724319	18108
Orissa	36994503	998852	35455272	957292	9913940	267676	80407946	2171015
Punjab	41666909	1041673	58258140	1456454	39463766	986594	61211186	1530280
Rajasthan	42061225	1135653	58115073	1569107	27951069	754679	154287440	4165761
TN	106249362	2656234	109053499	2726337	309627114	7740678	492798497	12319962
UPPE	23556671	588917	90098734	2252468	31379602	784490	149931134	3748278
UPW	15570329	420399	96937366	2617309	25529957	689309	168493372	4549321
WB	25503805	739610	25971354	753169	16285473	472279	254241663	7373008
Total UASL	1741720206	47667645	2384231220	64988941	2114766361	57307115	4065411623	110502952

(₹ in crore)

Total amount of GR/AGR		SUC Impact	
1,030.61		28.05	

**ANNEXURE -7.20 [Para No.7.4.4]
Impact on Licence fee and SUC due to non-consideration of Rental Income by TTSL**

(Amount in ₹)

Services/ LSA	2006-07			2007-08			2008-09			2009-10		
	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	5976411	597641	176304	19040406	1904041	561692	18787406	1878741	554228	10582987	1058299	312198
Assam	-	-	-	-	-	-	152793	9168	3820	521522	31291	13038
Bihar	434277	26057	11725	1088088	65285	29378	2712367	162742	73234	2454645	147279	66275
Chennai	566804	56680	14170	842780	84278	21070	2308499	230850	57712	3078000	307800	76950
Delhi	2337841	233784	65460	4086716	408672	114428	3938031	393803	110265	9123147	912315	255448
Gujarat	1147465	114746	30982	1626853	162685	43925	1244835	124483	33611	1465929	146593	39580
Haryana	423667	33893	10592	824967	65997	20624	806446	64516	20161	2815845	225268	70396
HP	71387	4283	1927	151579	9095	4093	123645	7419	3338	3771104	226266	101820
J&K	-	-	-	-	-	-	12916	775	323	3584719	215083	89618
Karnataka	1552445	155245	41916	2493566	249357	67326	2758039	275804	74467	1498691	149869	40465
Kerala	626248	50100	18161	1200190	96015	34806	1317078	105366	38195	559269	44742	16219
Kolkata	703996	70400	19712	13781647	1378165	385886	1049748	104975	29393	1839196	183920	51497
MP	556036	44483	15013	804891	64391	21732	739748	59180	19973	2198967	175917	59372
NE	-	-	-	-	-	-	11711	703	293	12595	756	315
Orissa	222920	13375	6019	477297	28638	12887	546125	32768	14745	979840	58790	26456
Punjab	743981	59518	18600	2458461	196677	61462	1027580	82206	25690	9416348	753308	235409
Rajasthan	641092	51287	17309	1322256	105780	35701	1569566	125565	42378	1789290	143143	48311
TN	688720	68872	17218	1128380	112838	28210	2222763	222276	55569	1111802	111180	27795
UPE	571000	45680	14275	1011173	80894	25279	931011	74481	23275	1174577	93966	29364
UPW	673795	53904	18192	1337577	107006	36115	1252551	100204	33819	1090517	87241	29444
WB	262286	20983	7606	536613	42929	15562	482462	38597	13991	734020	58722	21287
Total UASL	18200371	1700932	505182	54213440	5162743	1520174	43995322	4094621	1228482	59803010	5131747	1611257

(₹ in crore)

Total amount of GR/AGR	LF Impact	SUC Impact
17.62	1.61	0.49

**ANNEXURE -7.21 [Para No.7.5]
Statement showing interest on LF & SUC upto March 2015 (TTSL)**

(Amount in ₹)

SI No.	Para No.	No. of Months(upto March 15) Rate@(PLR+2)%	96 14.25 2006-07		84 14.25 2007-08		72 14.25 2008-09		60 13.75 2009-10		TOTAL
			Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	
		Issues									
1	7.2.1	Commission	233474694	69205334	187696524	56447536	147534578	44626981	138951561	42243264	920180473
2	7.2.2	Discounts	2118023801	627235073	1697050246	500490812	1537143342	455366286	1263385248	377381925	8576076732
3	7.2.3	Adjustments	44040080	13184604	42113626	12960039	31501312	9837534	41878361	13317752	208833309
4	7.2.4	Starter Kit and Misc Rev	0	0	0	0	14009634	4612035	77037637	24255912	119915217
5	7.2.5	OPEX income	0	0	0	0	12444409	5110269	13030035	2611315	33196028
6	7.2.6	Forex Gain	982607	291259	102551777	30841249	0	0	171588311	52165303	358420506
7	7.3.1	Interest Income	77818773	23066629	24960686	7506635	41037980	12413369	421735580	128213654	736753306
8	7.3.2	Profit on sale of investment	17791593	5273690	493975	148557	923414386	279318903	1155824126	351387081	2733652311
9	7.3.3	Profit on sale of asset	0	0	76772259	23088360	43164074	13056480	31582358	9601489	197265021
10	7.4.1	Bad debts	0	0	0	0	0	0	261312156	74700664	336012820
11	7.4.2	LL & Port Charges	108227523	33677976	78715096	24134723	92514209	29054740	53128068	17169643	436621977
12	7.4.3	Difference between Licence fee AGR & Spectrum usage AGR	0	100380456	0	110195774	0	76766372	0	108401045	395743647
13	7.4.4	Non consideration of rental income in GR	3581891	1063832	8753989	2577620	5484994	1645626	5034135	1580609	29722695
		TOTAL	2603940962	873378852	2219108179	768391305	2848248919	931808596	3634487576	1203029655	15082394043

Say ₹ 1508.24 crore

Statement showing interest on LF & SUC upto Mar 15 (TTML)

(Amount in ₹)

Para No.	No. of Months(upto March 15)	96		84		72		60		TOTAL
		14.25		14.25		14.25		13.75		
		Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	Interest on LF	Interest on SUC	
7.2.1	Commission	-	-	-	-	-	-	-	-	-
7.2.2	Discounts	583457250	191373977	550786145	180657856	539222047	176864832	462776336	151790638	2836629080
7.2.3	Adjustments	93262051	30589953	65519081	21490259	35762877	11730224	37379549	12260492	307994485
7.2.4	Starter Kit and Misc Rev	-	-	-	-	-	-	8337028	2734545	11071573
7.2.5	OPEX income	-	-	-	-	-	-	-	-	-
7.2.6	Forex Gain	18360889	6022372	37353457	12251934	15469144	5073879	16638970	5457582	116628228
7.3.1	Interest Income	-	-	-	-	-	-	-	-	-
7.3.2	Profit on sale of investment	989745	324636	118693	38931	40187	13181	58859	19306	1603538
7.3.3	Profit on sale of asset	-	-	-	-	-	-	34813903	11418960	46232863
7.4.1	Bad debts	-	-	-	-	-	-	-	-	-
7.4.2	LL & Port Charges	39835841	13066156	34825335	11422710	35925261	11783486	20591390	6753976	174204155
7.4.3	Difference between license fee AGR & spectrum usage AGR	-	-	-	-	-	-	-	-	-
	TOTAL=	735905776	241377093	688602711	225861690	626419516	205465602	580596035	190435499	3494663922

Say ₹ 349.47 crore

ANNEXURE- 8.01 [Para 8.2.1 A]
Statement showing the details of amount of Waivers, Discounts, Promo offers etc. not considered for revenue sharing by Aircel Group
 (Amount in ₹)

Description	2006-07	2007-08	2008-09	2009-10	TOTAL
Debit entry notified in the Revenue heads on account of "Waiver offered to customers"	59510915	240436740	403032886	287916983	990897524
Debit entry notified in the Revenue heads on account of "Discount offered to customers"	461524197	-	-	6222170	467746367
Debit entry notified in the Revenue heads on account of "Promo Talk Time Transfer"	769669	5700808	2028460	1091226	9590164
Amount Booked under Exp Head "3330011-Promo talk Time/usage", which was grouped/net off against revenue, while deriving "Total Income as per Financials"	698275	765493	216311398	29356454	247131620
Total netting off against revenue	522503055	246903041	621372744	324586834	1715365675
Amount added back in revenue while calculating GR/AGR - under description "Promo talk time given as discount"	698285	4209779	216311398	6547449	227766911
Amount added back in revenue while calculating GR/AGR - under description "Goodwill waiver and royalty discount"	25404373	32462939	19098986	-	76966298
Amount not considered for AGR	496400398	210230323	385962360	318039385	1410632466
Say ₹ in crore	49.64	21.02	38.60	31.80	141.06

ANNEXURE-8.02 [Para 8.2.1 A]
Impact on payment of LF and SUC due to non-consideration of waivers discounts promotion offers etc

(Amount in ₹)

Services/ LSA	Company	2006-07			2007-08			2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	DWL	234836	14090	6223	204299	12258	6844	0	0	0	0	0	
Bihar	DWL	0	0	0	1732403	103944	40711	321288	19277	7550	954905	57294	
HP	DWL	1627	98	38	3779	227	89	198091	11885	4655	81935	4916	
J&K	DWL	40671	2440	956	305361	18322	7176	1509081	90545	35463	35732	2144	
Kerala	DWL	-	-	-	-	-	-	-	-	-	6384546	510764	
Kolkata	DWL	-	-	-	-	-	-	-	-	-	-657898	-	
NE	DWL	23117	1387	543	-	-	-	-	-	-	-	-	
Orissa	DWL	185565	11134	4361	10680	641	251	0	0	0	13204628	792278	
WB	DWL	30867	2469	725	1	-	-	-	-	-	-	-	
	TOTAL DWL UASL	516683	31618	12847	2256522	135391	55071	2028460	121708	47669	20003848	1367396	485551
AP	AL	-	-	-	-	-	-	48692	4869	1144	9698890	969889	227924
Delhi	AL	-	-	-	-	-	-	77121	7712	1735	13652895	1365290	307190
Karnataka	AL	-	-	-	-	-	-	109151	10915	2565	7968210	796821	187253
Maharash- tra	AL	-	-	-	-	-	-	-	-	-	2682322	268232	63035
Mumbai	AL	-	-	-	-	-	-	-	-	-	9153646	915365	205957
TN	AL	307943882	24635511	13395559	133181033	10654483	5793375	284929415	28492942	12394430	203093665	20309367	8834574
	TOTAL AL	307943882	24635511	13395559	133181033	10654483	5793375	285164378	28516438	12399874	246249629	24624963	9825933
Chennai	ACL	187939833	18793983	7987443	74792767	7479277	3178693	96416795	9641680	4097714	51785908	5178591	2200901
	TOTAL ACL	187939833	18793983	7987443	74792767	7479277	3178693	96416795	9641680	4097714	51785908	5178591	2200901
	TOTAL UASL	496400398	43461112	21395848	210230323	18269151	9027139	383609634	38279825	16545257	318039385	31170949	12512385
ISP	DWL	-	-	-	-	-	-	2352726	141164	-	-	-	-
	GRAND TOTAL	496400398	43461112	21395848	210230323	18269151	9027139	385962360	38420989	16545257	318039385	31170949	12512385

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
ISP	0.24	0.01	-
DWL UASL	2.48	0.17	0.06
AL UASL	97.25	8.84	4.14
ACL UASL	41.09	4.11	1.75
GRAND TOTAL	141.06	13.13	5.95

**ANNEXURE-8.03 [Para 8.2.1 B]
Impact on payment of LF and SUC due to non-consideration of Full Talk time (FTT)**

(Amount in ₹)

Services/ LSA	Company	2006-07			2007-08			2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Im- pact	SUC Impact	Amount of GR/AGR	LF Im- pact	SUC Impact
Assam	DWL	-	-	-	126517527	7591052	4238337	327460224	19647613	10969918	177711346	10662681	5953330
Bihar	DWL	-	-	-	56195226	3371714	1320588	74974705	4498482	1761906	-	-	-
Kolkata	DWL	-	-	-	-	-	-	11926263	1192626	268341	8838135	883814	198858
NE	DWL	-	-	-	85032126	5101928	1998255	193205130	11592308	4540321	40716653	2442999	956841
Orissa	DWL	-	-	-	55670865	3340252	1308265	127749880	7664993	3002122	8719978	523199	204919
WB	DWL	-	-	-	130966861	10477349	3077721	49707110	3976569	1168117	12032212	962577	282757
	TOTAL DWL	-	-	-	454382605	29882294	11943166	785023313	48572591	21710724	248018325	15475269	7596706
TN	AL	45890432	3671235	1996234	-	-	-	-	-	-	-	-	-
	TOTAL AL	45890432	3671235	1996234	-	-	-	-	-	-	-	-	-
	TOTAL UASL	45890432	3671235	1996234	454382605	29882294	11943166	785023313	48572591	21710724	248018325	15475269	7596706

(₹ in crore)

Services/Company	Total amount of GR/ AGR	LF Impact	SUC Impact
DWL	148.74	9.39	4.12
AL	4.59	0.37	0.20
TOTAL UASL	153.33	9.76	4.32

**ANNEXURE-8.04 [Para 8.2.1 C]
Impact on payment of LF and SUC due to non-consideration of Free Airtime (FAT)**

(Amount in ₹)

Services/ LSA	Company	2006-07			2007-08			2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Im- pact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
HP	DWL	-	-	-	-	-	-	180320	10819	4238	407300	24438	9572
Kerala	DWL	-	-	-	-	-	-	54055	4324	1270	148153	11852	3482
UPE	DWL	-	-	-	-	-	-	-	-	-	924683	73975	21730
UPW	DWL	-	-	-	-	-	-	-	-	-	221187	17695	5198
WB	DWL	309162	24733	7265	-	-	-	-	-	-	-	-	-
	TOTAL DWL	309162	24733	7265	-	-	-	234375	15144	5508	1701323	127960	39981
AP	AL	-	-	-	-	-	-	749716	74972	17618	9084339	908434	213482
Delhi	AL	-	-	-	-	-	-	-	-	-	4153658	415366	93457
Karnataka	AL	-	-	-	-	-	-	-	-	-	2009914	200991	47233
Maharashtra	AL	-	-	-	-	-	-	-	-	-	848671	84867	19944
Mumbai	AL	-	-	-	-	-	-	-	-	-	6962863	696286	156664
TN	AL	160856193	12868495	6997244	29177723	2334218	1269231	-	-	-	55149209	5514921	2398991
	TOTAL AL	160856193	12868495	6997244	29177723	2334218	1269231	749716	74972	17618	78208654	7820865	2929771
Chennai	ACL	-	-	-	-	-	-	28304178	2830418	1202928	34029072	3402907	1446236
	TOTAL ACL	-	-	-	-	-	-	28304178	2830418	1202928	34029072	3402907	1446236
	TOTAL UASL	161165355	12893228	7004510	29177723	2334218	1269231	29288268	2920533	1226054	113939049	11351732	4415988

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
DWL	0.23	0.02	0.01
AL	26.90	2.31	1.12
ACL	6.23	0.62	0.26
TOTAL UASL	33.36	2.95	1.39

**ANNEXURE-8.05 [Para 8.2.1 D]
Impact on payment of LF and SUC due to non-consideration of Discount ER**

(Amount in ₹)

Services/LSA	Company	2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact
Karnataka	AL	12015448	1201545	282363
Maharastra	AL	2615017	261502	61453
Mumbai	AL	13534767	1353477	304532
	TOTAL UASL (AL)	28165232	2816523	648348

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
TOTAL UASL (AL)	2.82	0.28	0.06

ANNEXURE-8.06 [Para 8.2.3]
Impact on payment of LF and SUC due to non-consideration of Commission

(Amount in ₹)

Services/ LSA	Company	2006-07			2007-08			2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	DWL	26431141	1585868	700425	78195983	4691759	2619565	109255413	6555325	3660056	135533189	8131991	4540362
Bihar	DWL	128333	7700	3016	13908336	834500	326846	34929455	2095767	820842	67411195	4044672	1584163
HP	DWL	40178	2411	944	935196	56112	21977	2769349	166161	65080	9166368	549982	215410
J&K	DWL	3439078	206345	80818	17739410	1064365	416876	42251708	2535102	992915	74883456	4493007	1759761
Kerala	DWL	-	-	-	-	-	-	216690	17335	5092	16214039	1297123	381030
Kolkata	DWL	-	-	-	-	-	-	7944703	794470	178756	27541839	2754184	619691
NE	DWL	20841496	1250490	489775	52813433	3168806	1241116	76737962	4604278	1803342	111259037	6675542	2614587
Odisha	DWL	4211912	252715	98980	21937000	1316220	515520	27430567	1645834	644618	44550415	2673025	1046935
UPPE	DWL	-	-	-	-	-	-	343	27	8	11052169	884173	259726
UPW	DWL	-	-	-	-	-	-	130	10	3	12777432	1022195	300270
WB	DWL	2763842	221107	64950	16578872	1326310	389603	26591716	2127337	624905	53650736	4292059	1260792
TOTAL DWL		57855980	3526636	1438909	202108231	12458071	5531503	328128036	20541648	8795618	564039876	36817954	14582727
AP	AL	-	-	-	-	-	-	76955	7696	1808	22843210	2284321	536815
Delhi	AL	-	-	-	-	-	-	42718	4272	961	31741139	3174114	714176
Karnataka	AL	-	-	-	-	-	-	161278	16128	3790	15852350	1585235	372530
Maharashtra	AL	-	-	-	-	-	-	-	-	-	6130005	613000	144055
Mumbai	AL	-	-	-	-	-	-	-	-	-	22665122	2266512	509965
TN	AL	145965875	11677270	6349516	231908152	18552652	10088005	280470379	28047038	12200462	442167815	44216782	19234300
TOTAL AL		145965875	11677270	6349516	231908152	18552652	10088005	280751331	280751333	12207021	541399641	54139964	21511842
Chennai	ACL	68341740	6834174	2904524	97103242	9710324	4126888	100628501	10062850	4276711	107873489	10787349	4584623
TOTAL ACL		68341740	6834174	2904524	97103242	9710324	4126888	100628501	10062850	4276711	107873489	10787349	4584623
TOTAL U/ASL		272163595	22038080	10692948	531119625	40721048	19746396	709507868	58679631	25279351	1213313005	101745267	40679192

(₹ in crore)

Service/Com- pany	Total amount of GR/AGR	LF Impact	SUC Impact
DWL	115.20	7.33	3.03
AL	120.00	11.24	5.02
ACL	37.40	3.74	1.59
TOTAL U/ASL	272.60	22.31	9.64

**ANNEXURE -8.07 [Para 8.2.4]
Impact on payment of LF and SUC due to non-consideration of Income on account of Market Stock**

(Amount in ₹)

Services/LSA	Company	2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Bihar	DWL	255861	15352	6013	-	-	-
	TOTAL DWL	255861	15352	6013	-	-	-
AP	AL	1329	133	31	595064	59506	13984
Delhi	AL	2105	211	47	880465	88046	19810
Karnataka	AL	2979	298	70	446185	44619	10485
Maharashtra	AL	-	-	-	174634	17463	4104
Mumbai	AL	-	-	-	617634	61763	13897
TN	AL	8106148	810615	352617	13095945	1309594	569674
	TOTAL AL	8112562	811256	352766	15809926	1580993	631954
Chennai	ACL	2439333	243933	103672	7340571	734057	311974
	TOTAL ACL	2439333	243933	103672	7340571	734057	311974
	TOTAL UASL	10807755	1070541	462450	23150497	2315050	943928

(₹ in crore)

Service/Company	Total amount of GR/AGR	LF Impact	SUC Impact
DWL	0.03	0.00	0.00
AL	2.39	0.24	0.10
ACL	0.98	0.10	0.04
TOTAL UASL	3.40	0.34	0.14

**ANNEXURE-8.08 [Para 8.2.5]
Impact on payment of LF and SUC due to non-consideration of Site sharing income**

(Amount in ₹)

Services/LSA	Company	2006-07			2007-08			2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	DWL	242130	14528	6416	2510618	150637	84106	8209205	492552	275008	9310694	558642	311908
Bihar	DWL	-	-	-	9788607	587316	230032	43704712	2622283	1027061	36741297	2204478	863420
HP	DWL	-	-	-	-	-	-	17327388	1039643	407194	11581800	694908	272172
J & K	DWL	-	-	-	3906106	234366	91793	18106475	1086389	425502	19855417	1191325	466602
Kerala	DWL	-	-	-	-	-	-	120	10	3	5734688	458775	134765
Kolkata	DWL	-	-	-	-	-	-	3507070	350707	78909	2398949	239895	53976
NE	DWL	-	-	-	2540704	152442	59707	6579705	394782	154623	6653435	399206	156356
Orissa	DWL	176764	10606	4154	6593286	395597	154942	30646165	1838770	720185	11439903	686394	268838
UPW	DWL	-	-	-	-	-	-	-	-	-	4199443	335955	98687
WB	DWL	-	-	-	16071710	1285737	377685	22437758	1795021	527287	12845343	1027627	301866
TOTAL DWL UASL		418894	25134	10570	41411031	2806096	998265	150518598	9620156	3615772	120760969	7797206	2928591
AP	AL	-	-	-	-	-	-	10801	1080	254	3225226	322523	75793
Delhi	AL	-	-	-	-	-	-	17108	1711	385	4451868	445187	100167
Karnataka	AL	-	-	-	-	-	-	24213	2421	569	2155546	215555	50655
Maharashtra	AL	-	-	-	-	-	-	-	-	-	7275559	727556	170976
Mumbai	AL	-	-	-	-	-	-	-	-	-	3505235	350523	78868
TN	AL	18369714	1469577	799083	61307886	4904631	2666893	65877511	6587751	2865672	61773754	6177375	2687158
TOTAL AL		18369714	1469577	799083	61307886	4904631	2666893	65929634	6592963	2866880	82387188	8238719	3163617
Chennai	ACL	26647955	2664796	1132538	32112735	3211274	1364791	35190829	3519083	1495610	36129772	3612977	1535515
TOTAL ACL		26647955	2664796	1132538	32112735	3211274	1364791	35190829	3519083	1495610	36129772	3612977	1535515
TOTAL UASL		45436563	4159506	1942191	134831652	10922000	5029950	251639061	19732203	7978262	239277929	19648902	7627723
NLD	DWL	-	-	-	-	-	-	10774	646	-	-	-	-
ILD	DWL	-	-	-	-	-	-	8938	536	-	-	-	-
ISP	DWL	-	-	-	-	-	-	6282	377	-	-	-	-
GRAND TOTAL		45436563	4159506	1942191	134831652	10922000	5029950	251665056	19733762	7978262	239277929	19648902	7627723

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
NLD	0.00	0.00	-
ILD	0.00	0.00	-
ISP	0.00	0.00	-
DWL UASL	31.31	2.03	0.76
AL UASL	22.80	2.12	0.95
ACL UASL	13.01	1.30	0.55
GRAND TOTAL	67.12	5.45	2.26

**ANNEXURE-8.09 [Para 8.2.6]
Impact on payment of LF and SUC due to non-consideration of Forex gain income**

(Amount in ₹)

Services/LSA	Company	2006-07			2007-08			2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	DWL	-	-	-	105325	6319	3528	30901	1854	1035	30409	1825	1019
Bihar	DWL	-	-	-	20810	1249	489	10850	651	255	15904	954	374
HP	DWL	-	-	-	1958	117	46	910	55	21	2056	123	48
J & K	DWL	-	-	-	147900	8874	3476	11555	693	272	18217	1093	428
Kerala	DWL	-	-	-	-	-	-	53	4	1	24321	1946	572
Kolkata	DWL	-	-	-	5	-	-	113183	11318	2547	1018079	101808	22907
NE	DWL	-	-	-	66941	4016	1573	20041	1202	471	22851	1371	537
Orissa	DWL	-	-	-	30447	1827	716	8188	491	192	10475	628	246
UPE	DWL	-	-	-	-	-	-	-	-	-	49683004	3974640	1167551
UPW	DWL	-	-	-	-	-	-	38648	3092	908	42752136	3420171	1004675
WB	DWL	-	-	-	22097	1768	519	7865	629	185	12466	997	293
TOTAL DWL					395483	24171	10347	242194	19990	5887	93589918	7505557	2198649
AP	AL	-	-	-	-	-	-	409	41	10	271143	27114	6372
Delhi	AL	-	-	-	-	-	-	647	65	15	9393223	939322	211348
Karnataka	AL	-	-	-	-	-	-	916	92	22	203306	20331	4778
Maharashtra	AL	-	-	-	-	-	-	-	-	-	79573	7957	1870
Mumbai	AL	-	-	-	-	-	-	-	-	-	14457724	1445772	325299
TN	AL	-	-	-	-	-	-	1639678	163968	71326	5967217	596722	259574
TOTAL AL								1641649	164165	71372	30372186	3037219	809240
Chennai	ACL	-	-	-	-	-	-	-	-	-	31100	3110	1322
TOTAL ACL											31100	3110	1322
TOTAL UASL					395483	24171	10347	1883843	184155	77259	123993203	10545885	3009211
NLD	DWL	-	-	-	1023	61	-	4734	284	-	4992434	299546	-
ILD	DWL	-	-	-	-	-	-	2355542	141333	-	3200626	192038	-
ISP	DWL	7840	7840	-	14154879	849293	-	85973	5158	-	86018	5161	-
GRAND TOTAL		130662	7840	-	14551385	873525	10347	4330093	330930	77259	132272281	11042630	3009211

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
NLD	0.50	0.03	-
ILD	0.56	0.03	-
ISP	1.45	0.09	-
DWL UASL	9.42	0.76	0.22
AL UASL	3.20	0.32	0.09
ACL UASL	0.00	0.00	0.00
GRAND TOTAL	15.13	1.23	0.31

**ANNEXURE-8.10 [Para 8.2.7]
Impact on payment of LF and SUC due to non-consideration of Interest on deposits**

(Amount in ₹)

Services/LSA	Company	2006-07			2007-08			2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	DWL	189637824	11378269	5025402	88325461	5299528	2958903	34151237	2049074	1144066	4195468	251728	140548
Bihar	DWL	917345	55041	21558	17451356	1047081	410107	11990813	719449	281784	2194273	131656	51565
HP	DWL	761520	45691	17896	1642198	98532	38592	1005925	60356	23639	348650	20919	8193
J&K	DWL	31781616	1906897	746868	21024782	1261487	494082	12770389	766223	300104	2756056	165363	64767
Kerala	DWL	-	-	-	0	0	0	58081	4647	1365	493413	39473	11595
Kolkatta	DWL	-	-	-	3960	396	89	2968710	296871	66796	964551	96455	21702
NE	DWL	128985285	7739117	3031154	56136737	3368204	1319213	22148951	1328937	520500	3191539	191492	75001
Orissa	DWL	32242825	1934570	757706	28377933	1702676	666881	9049465	542968	212662	1708239	102494	40144
UPE	DWL	-	-	-	-	-	-	98	8	2	324763	25981	7632
UPW	DWL	-	-	-	-	-	-	71	6	2	377221	30178	8865
WB	DWL	20132399	1610592	473111	18586709	1486937	436788	8691984	695359	204262	1817009	145361	42700
TOTAL DWL		404458814	24670177	10073696	231549137	14264841	6324655	102835724	6463897	2755183	18371182	1201101	472713
AP	AL	-	-	-	-	-	-	1828	183	43	5352837	535284	125792
Delhi	AL	-	-	-	-	-	-	2896	290	65	8342426	834243	187705
Karnataka	AL	-	-	-	-	-	-	4098	410	96	4013618	401362	94320
Maharashtra	AL	-	-	-	-	-	-	-	-	-	1570902	157090	36916
Mumbai	AL	-	-	-	-	-	-	-	-	-	5556633	555663	125024
TN	AL	-	-	-	-	-	-	11150083	1115008	485029	118287822	11828782	5145520
TOTAL AL		-	-	-	-	-	-	11158905	1115891	485233	143124239	14312424	5715277
Chennai	ACL	-	-	-	-	-	-	2185479	218548	92883	15541312	1554131	660506
TOTAL ACL		-	-	-	-	-	-	2185479	218548	92883	15541312	1554131	660506
TOTAL UASL		404458814	24670177	10073696	231549137	14264841	6324655	116180108	7798335	3333299	177036733	17067656	6848496
NLD	DWL	-	-	-	865824	51949	-	5232119	313927	-	2770787	166247	-
ILD	DWL	-	-	-	-	-	-	4340790	260447	-	2478245	148695	-
ISP	DWL	32469640	1948178	-	8122773	487366	-	3050938	183056	-	323823	19429	-
GRAND TO-TAL		436928454	26618355	10073696	240537734	14804157	6324655	128803955	8555766	3333299	182609588	17402027	6848496

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
NLD	0.89	-	0.05
ILD	0.68	-	0.04
ISP	4.40	-	0.27
DWL UASL	75.72	4.66	1.96
AL UASL	15.43	1.54	0.62
ACL UASL	1.77	0.18	0.08
GRAND TOTAL	98.89	6.74	2.66

**ANNEXURE-8.11 [Para 8.2.8]
Impact on payment of LF and SUC due to non-consideration of Interest on Investments**

(Amount in ₹)

Services/LSA	Company	2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
AP	AL	2336	234	55	2640869	264087	62060
Delhi	AL	3700	370	83	3907470	390747	87918
Karnataka	AL	5236	524	123	1980154	198015	46534
Maharashtra	AL	-	-	-	775018	77502	18213
Mumbai	AL	-	-	-	2741035	274104	61673
TN	AL	14245996	1424600	619701	58119306	5811931	2528190
	TOTAL AL	14257267	1425727	619962	70163853	7016385	2804588
Chennai	ACL	-	-	-	5676401	567640	241247
	TOTAL ACL	-	-	-	5676401	567640	241247
	TOTAL UASL	14257267	1425727	619962	75840254	7584025	3045835

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
AL	8.44	0.84	0.34
ACL	0.57	0.06	0.03
TOTAL UASL	9.01	0.90	0.37

ANNEXURE-8.12 [Para 8.2.9 (i)]

Impact on payment of LF and SUC due to non-consideration of Corporate income (Composite contract/
Software services/Project management income)

(Amount in ₹)

Services/ LSA	Company	2006-07			2008-09		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	DWL	406195115	24371707	10764171	221803	13308	7430
Bihar	DWL	1964555	117873	46167	77908	4675	1831
HP	DWL	1580999	94860	37153	6524	391	153
J & K	DWL	67880050	4072803	1595181	82932	4976	1949
Kerala	DWL	-	-	-	375	30	9
Kolkata	DWL	-	-	-	19271	1927	434
Orissa	DWL	69068138	4144088	1623101	58787	3527	1382
WB	DWL	43061173	3444894	1011938	56463	4517	1327
NE	DWL	276207065	16572424	6490866	143819	8629	3380
	TOTAL DWL UASL	865957093	52818649	21568577	667882	41981	17894
NLD	DWL	-	-	-	33968	2038	-
ILD	DWL	-	-	-	28194	1692	-
ISP	DWL	69545244	4172715	-	19796	1188	-
	GRAND TOTAL	935502337	56991364	21568577	749840	46898	17894

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
DWL UASL	86.67	5.29	2.16
NLD	0.00	0.00	-
ILD	0.00	0.00	-
ISP	6.96	0.41	-
TOTAL UASL	93.63	5.70	2.16

ANNEXURE-8.13 [Para 8.2.9(ii)]
Impact on payment of LF and SUC due to non-consideration of Notice Pay

Services/ LSA	Company	2006-07			2007-08			2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Kerala	DWL	-	-	-	-	-	-	58761	4701	1381	698341	55867	16411
Assam	DWL	366979	22019	9725	310798	18648	10412	2469932	148196	82743	452145	27129	15147
Bihar	DWL	31348	1881	737	508103	30486	11940	2321268	139276	54550	236937	14216	5568
HP	DWL	8366	502	197	147786	8867	3473	289787	17387	6810	578088	34685	13585
J&K	DWL	150175	9011	3529	242925	14576	5709	1481766	88906	34822	1113517	66811	26168
Kolkata	DWL	86321	8632	0	218535	21853	4917	1896161	189616	42664	3920932	392093	88221
NE	DWL	197198	11832	4634	174550	10473	4102	1445352	86721	33966	339609	20377	7981
Orissa	DWL	170228	10214	4000	344617	20677	8098	1650699	99042	38791	1616018	96961	37976
UPE	DWL	-	-	-	-	-	-	193624	15490	4550	1410582	112847	33149
UPW	DWL	-	-	-	-	-	-	40309	3225	947	40763	3261	958
WB	DWL	230557	18445	5418	580255	46420	13636	1736938	138955	40818	1634955	130796	38421
	TOTAL DWL UASL	1241173	82534	28240	2527568	172001	62287	13584597	931515	342041	12041886	955043	283585
AP	AL	-	-	-	-	-	-	33560	3356	789	628133	62813	14761
Delhi	AL	-	-	-	-	-	-	24614	2461	554	1433143	143314	32246
Karnataka	AL	-	-	-	-	-	-	178542	17854	4196	2005074	200507	47119
Maharashtra	AL	-	-	-	-	-	-	-	-	-	263712	26371	6197
Mumbai	AL	-	-	-	-	-	-	266246	26625	5991	1798996	179900	40477
TN	AL	676619	67662	29433	1190200	119020	51774	2043577	204358	88896	2280790	228079	99214
	TOTAL AL	676619	67662	29433	1190200	119020	51774	2546540	254654	100424	8409849	840985	240015
Chennai	ACL	180704	18070	7680	850790	85079	36159	840768	84077	35733	1867081	186708	79351
	TOTAL ACL	180704	18070	7680	850790	85079	36159	840768	84077	35733	1867081	186708	79351
	TOTAL UASL	2098496	168267	65353	4568558	376100	150220	16971905	1270246	478198	22318816	1982736	602951
NLD	DWL	-	-	-	1215	73	-	269238	16154	-	298596	17916	-
ILD	DWL	-	-	-	-	-	-	223375	13403	-	267085	16025	-
ISP	DWL	452036	27122	-	688739	41324	-	1001530	60092	-	649863	38992	-
	GRAND TOTAL	2550532	195389	65353	5258511	417497	150220	18466048	1359894	478198	23534360	20555669	602951

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
NLD	0.06	0.00	-
ILD	0.05	0.00	-
ISP	0.28	0.02	-
DWL UASL	2.94	0.21	0.07
AL UASL	1.28	0.13	0.04
ACL UASL	0.37	0.04	0.02
GRAND TOTAL	4.98	0.40	0.13

**ANNEXURE-8.14 [Para 8.2.9(iii)]
Impact on payment of LF and SUC due to non-consideration of Other Income**

(Amount in ₹)

Services/LSA	Company	2006-07			2007-08			2008-09			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	DWL	-	-	-	-	-	-	-	-	-	2229144	133749	74676
Bihar	DWL	-	-	-	-	-	-	-	-	-	1165865	69952	27398
HP	DWL	-	-	-	-	-	-	-	-	-	150727	9044	3542
J&K	DWL	92001	5520	2162	-	-	-	-	-	-	2850999	171060	66998
Kerala	DWL	-	-	-	1031	82	5	-	-	-	1402210	112177	32952
Kolkatta	DWL	-	-	-	-	-	-	-	-	-	497191	49719	11187
NE	DWL	22014	1321	517	-	-	-	-	-	-	1675154	100509	39366
Orissa	DWL	914	55	21	-	-	-	-	-	-	767876	46073	18045
UPE	DWL	-	-	-	-	-	-	-	-	-	172554	13804	4055
UPW	DWL	-	-	-	-	-	-	-	-	-	200426	16034	4710
WB	DWL	3175	254	75	-	-	-	-	-	-	365315	29225	8585
TOTAL DWL UASL		118104	7150	2775	1031	82	5	-	-	-	11477462	751345	291515
AP	AL	-	-	-	-	-	-	-	-	-	12490	1249	294
Delhi	AL	-	-	-	-	-	-	-	-	-	18480	1848	416
Karnataka	AL	-	-	-	-	-	-	-	-	-	9365	937	220
Maharashtra	AL	-	-	-	-	-	-	-	-	-	3665	367	86
Mumbai	AL	-	-	-	-	-	-	-	-	-	12963	1296	292
TN	AL	-	-	-	-	-	-	-	-	-	274869	27487	11957
TOTAL AL		-	-	-	-	-	-	-	-	-	331832	33183	13264
Chennai		-	-	-	-	-	-	-	-	-	928578	92858	39465
TOTAL ACL		-	-	-	-	-	-	-	-	-	928578	92858	39465
TOTAL UASL		118104	7150	2775	1031	82	5	-	-	-	11809294	784529	304779
NLD	DWL	-	-	-	897	54	-	-	-	-	1472180	88331	-
ILD	DWL	-	-	-	-	-	-	-	-	-	833424	50005	-
ISP	DWL	-	-	-	-	-	-	-	-	-	743295	44598	-
GRAND TOTAL		118104	7150	2775	1928	136	5	-	-	-	14858193	967463	304779

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
NLD	0.15	0.01	-
ILD	0.08	0.01	-
ISP	0.08	0.00	-
DWL UASL	1.16	0.08	0.03
AL UASL	0.03	0.00	0.00
ACL UASL	0.09	0.01	0.00
GRAND TOTAL	1.59	0.11	0.03

ANNEXURE -8.15 [Para 8.2.10]
Statement showing the Profit on Sale of Assets Netted off with Loss on sale of assets-
Dishnet Wireless Ltd -2007-2008

(Amount in ₹)

GL Account	Name of the Account	Amount (Credit amount/Gain)	Amount (Debit amount/Loss)
4900022	Profit on Sale of Plant & Machinery	6800	
4900023	Profit on Sale of Office Equipment	43498	
4900024	Profit on Sale of Computer System & software	1573407	
4900025	Profit on Sale of Furniture and Fittings	121917	
4900026	Profit on Sale of Vehicles	368136	
4900028	Profit on Sale of Bandwidth	98225000	
4900029	Profit on Sale of Low VSAT	31300	
3350209	Loss on Sale of Plant & Machinery		203365
3350210	Loss on Sale of Office Equipment		69834
3350211	Loss on Sale of Computer System & Software		6977
3350210	Loss on Sale of Furniture and Fittings		556345
	Gross figure	100370058	836521
	Net Amount as per Financial Statement	99533537	

Say ₹ 10.04 crore

ANNEXURE -8.16 [Para 8.2.10]

Statement showing the Profit on Sale of Assets Netted off with Loss on sale of assets-Aircel Ltd -2009-2010

(Amount in ₹)

Period	GL Account and Name of the Account	GL Balance Amount	Amount as per TB/SAP	Gross Revenue of Profit on sale of assets	Amount included in the AGR	Amount not considered in the AGR
2006-07	GL-4900026-Profit on sale of Vehicles	335189	335189	335189	335189	-
2007-08	GL-4900026-Profit on sale of Vehicles	2201771	2201771	2201771	2201771	-
2008-09	GL-4900026-Profit on sale of VehicleS	-	-	-	-	-
2009-10	GL-3303009-R&M Others	236468441**	236468441**	238775552***	-	238775552
2009-10	GL-3350209-Loss on sale of P&M	2005987*	2005987*	-	-	-
	As per Financial statement (Sch-12) -Other income (Net amount was booked.)	234462454##				
					TOTAL	238775552

Say ₹ 23.88 crore

*Represents debit balance/loss .

Represents ** minus *

** This is after netting off the debit balances of ₹ 2307112 (under the Business Areas of Karnataka- ₹ 63600 Andhra Pradesh- ₹ 220476 Delhi- ₹ 2020466 and Rest of Maharashtra- ₹ 2570) which has been added back to arrive at Gross Revenue.

*** Includes ₹ 2307112 being the debit balances added back.

ANNEXURE -8.17 [Para 8.2.10]
Statement showing the Profit on Sale of Assets Netted off with Loss on sale of assets
M/s Aircel Cellular Ltd -2007-2008 and 2009-10

(Amount in ₹)

Period	GL Account and Name of the Account	GL Balance as per TB	Amount as per Finance Statement	Gross revenue of Profit on sale of assets	Amount included in the AGR	Amount not considered in the AGR
2006-07	GL-4900022- Profit on sale of Plant & Machinery	-	-	-	-	-
2007-08	GL-4900022- Profit on sale of Plant & Machinery	220835	220835	220835	75800	145035
2008-09	GL-4900022-Profit on sale of Plant and Machinery	322981	322428*	322981	322981	-
2009-10	GL-3303009-Repairs & Maintenance –Others	72404196	72404196	72404196	-	72404196
	Total					72549231

Say ₹ 7.25 crore

*The loss on Sale of Furniture and Fittings (Account Head 3350212) – ₹ 553 has been adjusted.

**ANNEXURE- 8.18 [Para 8.2.10]
Impact on payment of LF and SUC due to non-consideration of Profit on Sale of Assets**

(Amount in ₹)

Services/LSA	Company	2007-08			2009-10		
		Amount of GR/AGR	LF Impact	SUC Impact	Amount of GR/AGR	LF Impact	SUC Impact
Assam	DWL	797789	47867	26726	-	-	-
Bihar	DWL	157627	9458	3704	-	-	-
HP	DWL	14833	890	349	-	-	-
J&K	DWL	188608	11316	4432	-	-	-
Kolkata	DWL	36	4	-	-	-	-
NE	DWL	507048	30423	11916	-	-	-
Orissa	DWL	230626	13838	5420	-	-	-
WB	DWL	167376	13390	3933	-	-	-
	TOTAL DWL UASL	2063943	127186	56481	-	-	-
AP	AL	-	-	-	645645	64565	15173
Delhi	AL	-	-	-	955306	95531	21494
Karnataka	AL	-	-	-	484112	48411	11377
Maharashtra	AL	-	-	-	189478	18948	4453
Mumbai	AL	-	-	-	2926703	292670	65851
TN	AL	-	-	-	233574308	23357431	10160482
	TOTAL AL	-	-	-	238775552	23877555	10278830
Chennai		145035	14503	6164	72404196	7240420	3077178
	TOTAL ACL	145035	14503	6164	72404196	7240420	3077178
	TOTAL UASL	2208977	141689	62644	311179748	31117975	13356008
NLD	DWL	98232747	5893965	-	-	-	-
ISP	DWL	73368	4402	-	-	-	-
	GRAND TOTAL	100515093	6040056	62644	311179748	31117975	13356008

(₹ in crore)

Services/Company	Total amount of GR/AGR	LF Impact	SUC Impact
NLD	9.82	0.59	-
ISP	0.01	0.00	-
DWL UASL	0.21	0.01	0.01
AL UASL	23.88	2.39	1.03
ACL UASL	7.25	0.73	0.30
GRAND TOTAL	41.17	3.72	1.34

**ANNEXURE-8.19 [Para 8.3.2]
Impact on payment of LF due to non-consideration of excess deduction claimed on account of Internet services**

Company	GL Code	Description	(Amount in ₹)						
			2006-07	2007-08	2008-09	2009-2010	Total		
DWL (ISP)	4004119	INCOME FROM LEASE LINE REGISTRATION INTER CO	-	-	-	150360	150360		
	4004120	INCOME FROM LEASE LINE RENTAL INTER CO	-	-	-	27380836	27380836		
	4006003	INCOME FROM LEASE LINE-MONTHLT RENTAL	124231455	182449487	269994150	245862893	822537985		
	4006004	INCOME FROM LEASE LINE-REGISTRATION CHARGES	1887747	6566635	12340193	16007890	36802465		
	4008001	INCOME FROM WIFI	1750661	789574	462145	292718	3295098		
	4006900	INCOME FROM INTER DIVISIONAL SERVICES (Amount relates to Port Charges only)	3685943	2733369	7571520	9735763	23726595		
		Total	131555806	192539065	290368008	299430460	913893340		
		As PER AGR	136344898	210442383	301266527	317149012	965202820		
		Amount excess claimed as deduction	4789092	17903318	10898519	17718552	51309480		
		LF Amount	287346	1074199	653911	1063113	3078569		

(₹ in crore)	
Amount of GR/AGR	LF Impact (@6%)
5.13	0.31

**ANNEXURE 9.01 [Para 9.2.7]
Disallowance of deduction claim in spite of availability of proof**

Name of the TSP	Deduction disallowed by CCA (₹ in crore)	Audit Observation	Response of CsCA
BAL	7.85	Deduction claim disallowed despite availability of required document	Out of 4 LSAs, in 3 LSAs CCA accepted audit observation and reply awaited from one LSA
VODAFONE	378.33	Deduction claim disallowed despite availability of required document by 8 CsCA	CsCA Gujarat, Haryana and Mumbai replied that the cases would be considered during re-verification. CCA Kerala informed that bank statements were not available and CCA Punjab replied that invoices not available while in both the cases relevant document were available. Reply from other CsCA were awaited.
RCL	128.17	CCA Kolkata and CCA Bhopal disallowed the deduction claims of PSTN charges despite availability of proof documents	CCA Kolkata replied that the amount was inadvertently disallowed by arithmetical mistake. Replies from CCA Bhopal was awaited
IDEA	23.78	(i) Deduction claim of ₹ 11.69 crore in respect of PSTN charges, (ii) ₹ 14.50 crore national / international roaming charges	(i) CCA Bangalore accepted the contention of audit and stated that fact will be intimated to DoT hqrs. CCA Punjab replied that claim was disallowed inadvertently (ii) CCA Delhi replied that invoices have been raised by MACH and payment was also paid to MACH and hence deduction was not allowed. However DoT specifically stated that Roaming settlement of account authenticated by operator may be considered. In respect of inter-circle roaming, Pr. CCA Delhi accepted audit contention
TTSL /TTML	85.76	Deduction on IUC disallowed despite availability of auditor certificate and proof of payment	CCAs replied that (i) the matter would be replied on request from licensee (ii) the claimed amount was not reflected in the auditor's certificate

NNEXURE 9.02 [Para 9.2.9(f)]

Delay in submission of verification report by CsCA and re-verification

(A) Delay in submission of verification report by CsCA

Year	No. of LSAs	No. of LSAs where details of delay available	No. of LSAs that submitted verification reports on or before due date	No. of LSAs that did not submit verification reports on or before due date	Delay ranging from (in months)
2006-07	116	13	Nil	13	3 to 30
2007-08	117	16	Nil	16	4 to 68
2008-09	220	20	Nil	20	7 to 53
2009-10	220	18	Nil	18	8 to 50

(B) Delay in re-verification

Year	No. of LSAs	No. of LSAs where re-verification completed	No. of LSAs where re-verification pending
2007-08	17	4	13
2008-09	20	3	17
2009-10	20	3	17

ANNEXURE 10.01[Para 10.2.1]

Under assessment of LF due to omission of revenues during assessment by DoT

S. No	Year	Name of Company	Disclosed In	Nature of Income	Amount (in ₹)	Remarks
1	2006-07	VIL	RECO	Recovery of Bad Debts Written Off	6428126	
2	2006-07	VIL	SCH-12	Forex Gain Net	23100000	
3	2006-07	VWL	RECO	Bad Debts written off	857458	
4	2008-09	VEL	AGR STT	Bad Debts written off	102151052	
5	2009-10	VEL	SCH-13	Misc. Income	28300000	
6	2009-10	VEL	SCH-16	Net of recovery on account of sharing of infrastructure	12600000	
7	2009-10	VWL	SCH-11	Misc. Income	106100000	Balance amount between Sch-11 and AGR(15.66 crore -5.05 crore) of ₹ 10.61 crore in respect of Misc. Income shown in Sch-11 of P&L Account was not considered for assessment during 2009-10 resulted in short assessment of AGR by ₹ 10.61 crore.
8	2009-10	VIL	RECO	Profit on Sale of Fixed Assets	1522370	
9	2009-10	VSL	RECO	Interest Income	2156255	
10	2009-10	VSL	RECO	Forex Gain Net	39746821	
11	2009-10	VSL	RECO	Profit on Sale of Fixed Assets	71553233	
12	2009-10	VSL	RECO	Interest Income	2046977	
13	2009-10	VSL	RECO	Profit on Sale of Fixed Assets	4182018	
14	2009-10	VSL	RECO	Interest Income	1648310	
15	2009-10	VSL	RECO	Forex Gain Net	9046438	
16	2009-10	VSL	RECO	Interest Income	616551	
17	2009-10	VSL	RECO	Forex Gain Net	54334299	
18	2009-10	VSL	RECO	Profit on Sale of Fixed Assets	829849	
19	2009-10	VSL	RECO	Interest Income	1538191	
20	2009-10	VSL	RECO	Forex Gain Net	24157126	
21	2009-10	VSL	RECO	Profit on Sale of Fixed Assets	6841955	
22	2009-10	VSL	RECO	Interest Income	1833599	
23	2009-10	VSL	RECO	Forex Gain Net	35727387	
24	2009-10	VSL	RECO	IRU Income	459012756	
25	2009-10	VSL	RECO	Profit on Sale of Fixed Assets	67172073	

26	2009-10	VSL	SCH-13	Net of recovery on account of sharing of infrastructure	84100000	
27	2009-10	VCL	RECO	Interest Income	16505826	
28	2009-10	VCL	RECO	Forex Gain Net	69816932	
29	2009-10	VCL	RECO	Profit on Sale of Fixed Assets	3052541	
30	2009-10	VCL	SCH-12	Net of recovery on account of sharing of infrastructure	74400000	
31	2009-10	VSPL	RECO	Interest Income	1124590	
32	2009-10	VSPL	RECO	Forex Gain Net	3996073	
33	2009-10	VSPL	RECO	Forex Gain Net	3831597	
34	2009-10	VSPL	RECO	Forex Gain Net	47658128	
35	2009-10	VSPL	RECO	Forex Gain Net	16040392	
36	2009-10	VSPL	RECO	Forex Gain Net	5051665	
37	2009-10	VSPL	RECO	Profit on Sale of Fixed Assets	29217221	
38	2009-10	VSPL	RECO	Insurance	1996254	
39	2009-10	VSPL	SCH-12	Net of recovery on account of sharing of infrastructure	80500000	
	Total				1500794063	

Say ₹ 150.08 crore

ANNEXURE 10.02[Para 10.2.2]
Statement showing short assessment of SUC in Gujarat Circle for the year 2009-10 (₹ 4.15 crore)
Calculation of proportionate deductions disallowed

PSTN DEDUCTIONS CLAIMED BY OPERATOR (Actually paid to other PSPs)	Amount	LF AGR Ref	Deductions disallowed by CCA	Proportionate deductions disallowed by CCA (worked out by audit *)	
				Percentage	Amount
A) WIRELINE SERVICES	129329740	Sl. B(1)(a)(i)	1674648792	5.66	94733827
B) WLL SERVICES	1334813881	Sl. B(1)(b) + Sl. B(1)(d)		58.38	977749024
C) CDMA BASED MOBILE SERVICES					
D) GSM BASED MOBILE SERVICES	822071347	Sl. B(1)(c)		35.96	602165941
Total	2286214968		1674648792	100	1674648792

(*) The proportionate deductions were worked out on the basis of service wise deductions claimed by the PSP

Calculation of short payment of SUC

Nature of services	AGR worked out by DoT without considering deduction	Proportionate deduction disallowed by CCA	Revised AGR after including inadmissible deductions	Short payment of SUC	
				SUC Rate (%)	Amount (₹) (col 3x5)
CDMA	2652685610	977749024	3630434634	2.70%	26399224
GSM	541738901	602165941	1143904842	2.50%	15054149
			Total		41453372

**ANNEXURE – 10.03 [Para 10.2.4]
Statement showing delay in submission of documents by RCL**

(in days)

Sl. No.	Name of the LSA	2006-07	2007-08	2008-09	2009-10
1	Odisha	34-215	117-223	-	90
2	Delhi	676-936	658-917	643-901	456-622
3	Patna		600-810	720-1110	720-870
4	Bangalore	480	1470	1230	1020
5	U.P. West	443-701	1513-1772	1148-1406	783-1041
6	U.P. East	789-1047	158-682	51-1296	1002-1260
7	Kerala	31-289	283-542	1310-1568	663-921

Glossary of Terms and abbreviations

1	Access Service	Access Services is the collection, carriage, transmission and delivery of voice and/or non-voice messages over Licensee's network by deploying circuit and/or packet switched equipment
2	AGR	Adjusted Gross Revenue - AGR is Gross revenue reduced by permissible deductions (i.e. PSTN related call charges paid to other telecom service providers for carriage of calls (IUC)/Roaming and service/sales tax actually paid to the Government, as per the license agreement
3	Basic Services	A Service Provider must offer customers the ability to place and receive voicegrade calls over all distances utilizing the public switched telephone network or successor network
4	BSOs	Basic Service Operators - They were permitted to offer "limited-mobility" services over Wireless Local Loop (WLL (M)) using CDMA technology in their coverage areas
5	BWA	Broadband wireless access
6	CAG	Comptroller and Auditor General of India
7	Call Charges	Call charges are variable and are used to pay for the cost of the equipment to route a call from the caller's exchange to the recipient's exchange.
8	CAPEX	Capital Expenditure
9	Carrier Service	Provision of wired or wireless facilities to originate, terminate or transit calls, charging for interconnection, settlement or termination of domestic or international calls, charging for jointly used facilities including pole attachments, charging for the exclusive use of circuits, a leased circuit or a dedicated link including a speech circuit, data circuit or a telegraph circuit
10	CCA	Controller of Communication Accounts
11	CDMA	Code Division Multiple Access (CDMA) is a technology for providing wireless services.
12	CMTS	Cellular Mobile Telephone Service - It is a type of short-wave analog or digital telecommunication service in which a subscriber has a wireless connection from a mobile phone to a relatively nearby transmitter. The transmitter's span of coverage is called a cell. As the cellular telephone user moves from one cell or area of coverage to another, the telephone is effectively passed on to the local cell transmitter.
13	Data Service	Provision of access to wired or wireless facilities and services specifically designed for efficient transmission of data
14	DoT	Department of Telecommunications
15	Entry fee	One time non-refundable Entry Fee fixed by DoT has to be paid by the Licensee prior to signing of the License agreement.
16	FAT	Free Air Time
17	Fixed license fee regime	During the National Telecom Policy-1994 regime, licensees were selected through a bidding process and were to pay to the Government a fixed amount of annual license fee, agreed during the bidding process.
18	FOC	Free of Cost
19	FTT	Full talk time
20	GR	GR - The Gross Revenue shall be inclusive of installation charges, late fees, sale proceeds of handsets (or any other terminal equipment etc.), revenue on account of interest, dividend, value added services, supplementary services, access or interconnection charges, roaming charges, revenue from permissible sharing of infrastructure and any other miscellaneous revenue, without any set-off for related item of expense, etc.

21	GSM	Global System for Mobile communication is a technology for providing wireless services.
22	ILD	International Long Distance - The ILD Service is basically a network carriage service (also called Bearer) providing International connectivity to the Network operated by foreign carriers.
23	Installation charges	Charges for installation of customer terminal equipment
24	Interconnection charges	A 'charge' levied by network operators on other service providers to recover the costs of the interconnection facilities (including the hardware and software for routing, signaling, and other basic service functions) provided by the network operators.
25	Internet Services	Internet services provides for accessing, using, or participating in the Internet
26	Internet Telephony	Internet telephony offers digital telecommunications services based on Voice over Internet Protocol (VoIP) that are provisioned via the Internet
27	IOT	Inter Operator traffic
28	IP-I	Infrastructure provider category- I -No license is issued for IP-I. Companies registered as IP-I can provide assets such as Dark Fibre, Right of Way, Duct space and Tower.
29	IP-II	Infrastructure provider category- II - An IP-II license can lease / rent out /sell end to end bandwidth i.e. digital transmission capacity capable to carry a message. Issuance of IP-II License has been discontinued w.e.f. 14.12.05.
30	ISP	Internet Service Provider
31	ISP (IT)	Internet Service Provider (including Internet Telephony)
32	IUC	Interconnection Usage Charges as defined at serial 24.
33	License Fee	The Licensee shall pay Licence Fee as a percentage of Adjusted Gross Revenue (AGR) for providing telecom services on basis of licenses granted by DoT.
34	LSAs	Licensed Service Areas (Circle)
35	Microwave Access	Microwave (MW) Access is normally in the frequency band 10 GHz and beyond for GSM and CDMA based telecom service providers
36	Microwave Backbone	Microwave (MW) Backbone networks are generally below 10 GHz frequency band for GSM and CDMA based telecom service providers
37	MoC&IT	Ministry of Communications and IT
38	NLD	National Long Distance - National Long Distance (NLD) service refers to the carriage of switched-bearer telecommunications services over a long distance network i.e., a network connecting different short distance charging areas (SDCAs)
39	NTP-94	National Telecom Policy-1994
40	NTP-99	New Telecom Policy-1999
41	OPEX	Operating Expenditure
42	PSPs	Private Service Providers
43	PSTN charges	Public Switched Telecom Network charges
44	Revenue sharing regime	New Telecom Policy - 99 introduced the 'Revenue Share Regime' in which telecom service providers, in place of the fixed license fee were required to pay a percentage of their Adjusted Gross Revenue (AGR) as licence fee
45	Roaming charges	Roaming is the ability for a cellular customer to automatically make & receive voice calls, send & receive data, or access other services when traveling outside the geographical coverage area of the home network, by means of using a visited network. The charges for this facility is Roaming charges

46	Sales Tax	Sales tax is a consumption tax imposed by the government on the sale of goods and services
47	Service Tax	Service tax is a tax levied by the government on service providers on certain service transactions, but is actually borne by the customers. It is categorized under Indirect Tax and came into existence under the Finance Act, 1994
48	SUC	Spectrum Usage Charges - In addition to License Fee, wireless service providers are required to pay Spectrum Usage Charges as a percentage of AGR.
49	Supplementary services	GSM offers three basic types of services: Telephony services or teleservices, Data services or bearer services & Supplementary services. Supplementary services are additional services that are provided in addition to teleservices and bearer services. These services include caller identification, call forwarding, call hold, call waiting, conferencing, number identification, closed user group and barring of outgoing (international) calls
50	TB	Trial Balance
51	TDSAT	Telecom Disputes Settlement and Appellate Tribunal
52	Terminal equipment	A device that constitutes a point of termination of a communications circuit or channel. Terminal equipment includes all customer premises equipment (CPE), including voice terminal equipment and data terminal equipment (DTE)
53	TRAI	Telecom Regulatory Authority of India
54	UASL	Unified Access Services License - The UASL services cover collection, carriage, transmission and delivery of voice and/or non-voice messages over licensee's network in the designated service area and include provision of all types of access services. Access Service Provider can also provide Internet Telephony, Internet Services and Broadband Services. If required, access service provider can use the network of NLD/ILD service licensee. The access service includes but not limited to wireline and / or wireless and fixed wireless access.
55	UL	Unified License - The Licensee may establish, operate and maintain Telecommunication Networks and telecommunication services using any technology as per prescribed standards in the service area as per scope of services authorized under this License. In case, the Licensee obtains Access Spectrum, the terms and conditions of the allotment of spectrum regarding use of technology shall be applicable.
56	USO	Universal Service Obligation - NTP'99 provided that the resources for meeting the USO would be raised through a 'Universal Access Levy (UAL)', which would be a percentage of the revenue earned by the operators under various licenses.
57	Value added services	Value-added service (VAS) is a popular telecommunications industry term for non-core services, or in short, all services beyond standard voice calls and fax transmissions. In the telecommunication industry, on a conceptual level, value-added services add value to the standard service.
58	VSAT	Very Small Aperture Terminal - VSAT License is to establish, install, operate and maintain VSAT Closed Users Group Domestic Data Network service via INSAT Satellite System on non- exclusive basis within territorial boundary of India.
59	WFD	Wireless Finance Division of DoT
60	WLL (M)	Wireless in Local Loop (Mobile)
61	WPC Charges	Charges levied by the Wireless Planning & Coordination Wing of DoT

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