Telecom Regulatory Authority of India
New Delhi the 23rd February,2004

Notification

No.414/7/99-FA.- In exercise of the powers conferred upon it under section 36 read with clause (i) of sub-section 1(b) of Section 11 of the Telecom Regulatory Authority of IndiaAct, 1997 as amended by Telecom Regulatory Authority of India (Amendment) Act, 2000, the Telecom Regulatory Authority of India, Service Providers (Maintenance of Books of Accounts and Other Documents) Rules, 2002 and the order/notification issued there under, the Telecom Regulatory Authority of India hereby makes the following Regulation:

The Reporting System on Accounting Separation Regulation, 2004 (4 of 2004)

Section I

1. **Short title, extent and commencement**: - (1) This Regulation shall be called "The Reporting System on Accounting Separation Regulation, 2004".

(2) This Regulation shall apply to every service provider, which is engaged in any one or more of the following telecommunication activities, namely: -

(i) Basic Telephone Service;
(ii) National Long Distance Service;
(iii) International Long Distance Service;
(iv) Cellular Mobile Telephone Service;
(v) Very Small Aperture Terminal Service (VSAT);
(vi) Radio Paging Service;
(vii) Public Mobile Radio Trunk Service;
(viii) Global Mobile Personal Communication Service; and
(ix) Internet Service.

(3) The Regulation shall come into force on the date of its publication in the Official Gazette.

Section II

2. **Definitions**: - In this Regulation, unless the context otherwise requires -

(a) "Act" means the Telecom Regulatory Authority of India Act, 1997 as amended by the Telecom Regulatory Authority of India (Amendment) Act, 2000;

(b) "Authority" means the Telecom Regulatory Authority of India established under sub-section (1) of section 3 of the Act;

(c) "Cost centre" means the support function or department of a company or a network element for which costs are incurred;

(d) "Historical Cost Accounting" means a system of accounting where assets, liabilities, costs and revenues are recorded at the value when the transactions were incurred and where assets are valued and depreciated according to their cost at the time of purchase;

(e) "Holding gain or loss" means gain or loss when the replacement cost of an asset changes while the asset is still being held at the Historical Cost.

Mathematically,
Holding Gain or Loss= $NBV_{t-1}X(GRC_t/HCA) - NBV_{t-1}X(GRC_{t-1}/HCA)$

Where, NBV_{t-1} = Written down value of an asset at historical cost at the beginning of year t,
GRC_t = Gross replacement cost of an asset at the end of year t,
HCA = Cost of an asset at the time of its purchase;

(f) "Financial capital maintenance" is a methodology of recognising profit after taking account of holding gain or loss arising as a result of replacement cost accounting;

(g) "Geographical area" is service area, which is to be treated as separate segment for purpose of preparing Reports under regulation 4. Geographical areas are mentioned in the column (3) of Schedule – I for services mentioned in column (2) of that Schedule;

(h) "Intra circle call" means long distance call within boundaries of one telecom circle;

(i) "Intra-circle network" means network to carry long distance traffic within boundaries of one Telecom Circle;

(j) "Local call" means calls originating and terminating within the same local area and charged at local call rates;

(k) "Long distance call" means a call terminating in a local area other than in which it is originated;

(l) "Modern equivalent asset" means value of currently available asset with the same level of capacity and functionality as that of original asset;

(m) "Product" means a sub-service within a service which is treated as separate accounting segment and profit and loss statement is to be prepared for each of the product mentioned in the column (4) of the Schedule I for services mentioned in column (2) of that schedule;

(n) "Profit Centre" means a service or a product offered by a service provider to which revenues and cost can be traced so that profits can be ascribed to that activity;

(o) "Related party" means parties who are considered to be related if at any time during the reporting period one party has the ability to control the other part or exercise significant influence over the other party in making financial and /or operating decisions;

(p) "Related party transaction" means a transfer of resources or obligations between related parties whether or not a price is charged;

(q) "Regulation" means The Reporting System on Accounting Separation Regulation, 2004;

(r) "Replacement cost accounting" means assets are carried in the financial statement at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset were acquired currently;

(s) "Reports" mean Accounting Separation statement, both financial and non-financial, prepared by service providers under the provision laid down in regulation 4;

(t) "Rules" mean the Telecom Regulatory Authority of India, Service Provider (Maintenance of Books of Accounts and Other Documents) Rules, 2002;

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(u) "Service Provider" has the meaning assigned to it in clause (j) of Section 2 of the Act;

(v) "Supplementary depreciation" means depreciation for an asset under replacement cost accounting less its depreciation under historical cost accounting;

(w) "Toll Quality Service" or "Below Toll Quality Service" have the same meaning as laid down in the Regulation on Quality of Service for VOIP based International Long Distance Services, 2002;

(x) "Wholesale" means product for which revenue is received from other service providers for terminating calls; and

(y) Words and expressions used in this Regulation and not defined but defined in the Act and/or the Rules and regulations made there under shall have the same meanings respectively assigned to them in the act and/or the rules and regulations made there under.

3. **Manual** - (1) In order to execute and implement the accounting and reporting practices prescribed in the Rules and/or the Regulation, service providers shall prepare a manual containing comprehensive and complete documentation of policies, principles, methodologies and procedures for accounting and cost allocation.

(2) In particular, and without prejudice to the generality of the regulation 3(1), such manual may provide for following details, namely: -

(a) An overview of the service provider's organisational structure;
(b) A list of the entities in the telecom sector with in the group. Relationship of the Service Provider with other group companies/related parties in terms of interconnection, common resources etc.;
(c) An overview of the financial accounting system which may include policies relating to capitalisation, depreciation, advance receipts of revenue, security deposits, provision for bad and doubtful debts etc.;
(d) Description of the treatment of related party transactions, allocation of shared services and allocation of jointly used assets;
(e) Products, Services, Network Elements and Geographical Areas which shall be treated as separate segments for preparing Accounting Separation Statements;
(f) Description of Accounting policies for allocation and apportionment of revenue, cost, assets and liabilities;
(g) Accounting System followed for recording and generation of the accounting separation information and reports which may include list of cost and profit centres, linkages of financial heads to cost and profit centres;
(h) Description of studies, surveys and model employed in cost apportionment and allocation process;
(i) Definition of terms used in the manual; and
(j) Procedure for maintenance and updating manual.

(3) The copy of the manual shall be filed with the Authority within three months from the date of publication of this regulation.

(4) All subsequent changes in the manual, together with the reasons thereof shall be submitted to Authority.

4. Reports - (1) Based on the information available in the books of accounts and other documents specified in the Rules and the order/notification issued there under, service provider shall prepare geographical area-wise following financial and non-financial reports: -

Financial Reports

Profit and Loss Statements

(i) Profit and loss statement of the products mentioned in column (4) against services rendered by the service providers specified in column (2) of the Schedule I. The statement shall be prepared in the Proforma "A" of Schedule III;
(ii) Separate Profit and Loss statement for each of the service rendered by the service provider and specified in regulation 1(2). The statement shall be prepared in the Proforma "B" of Schedule III;

Product Cost Statement

(iii) Product wise Cost Sheet in the Proforma "C" of Schedule III;

Network Element Cost Statements

(iv) Network Element wise Cost Sheet shall be prepared which clearly indicates cost and its allocation to various products. An indicative list of Network elements of services for which these cost sheets shall be prepared is at Schedule II. However, the list of network elements shall depend on network architecture used by the service provider. The Network Element Cost Statements shall be prepared in the Proforma "D" of Schedule III;

(v) A summary sheet showing network element wise total cost, cost driver and cost per unit of usage. The statement shall be prepared in Proforma "E" of Schedule III;

(vi) A summary sheet indicating network element wise cost allocated to various products. The statement shall be prepared in Proforma "F" of Schedule III;

Capital Employed Statements

(vii) Capital Employed Statement for each of the service rendered by the service provider and specified in regulation 1(2). The statement shall be prepared in Proforma "G" of Schedule III;

(viii) A statement showing allocation of capital employed for a service to the network elements. The statement shall be prepared in Proforma "H" of Schedule III;

Fixed Asset Statement

(ix) Statement showing category wise fixed assets and depreciation in the Proforma "I" of Schedule III'; and

Non-Financial Report

(x) A statement of operational data relating to network architecture, network usage, network capacity, product, services volumes, tariffs, etc. Reports for services mentioned in Regulation 1(2) shall be prepared in Proformae "L" to "T" of Schedule III.

(2) The service providers shall prepare Reports mentioned in Regulation 4 (1) every year on the basis of historical cost accounting and every second year on the basis of replacement cost accounting:

Provided that if less than three years have elapsed since issue of the license to provide a particular service, the financial statements based on Replacement Cost Accounting may not be prepared for that service.

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(3) The profit and loss statement and capital employed statement mentioned under Regulation 4(1) of this regulation prepared on the basis of the Historical cost Accounting shall be reconciled with the Annual Financial Statement of the service provider prepared under Section 211 of the Companies Act, 1956. The reconciliation statements shall be prepared in Proformae J and K of Schedule III.

(4) The service providers shall prepare financial reports mentioned in regulation 4(1) on the basis of replacement cost accounting, by-

(i) following financial capital maintenance methodology;
(ii) limiting cost adjustment to the fixed assets;
(iii) ignoring replacement cost adjustment for assets having life of less than 3 years;
(iv) taking cost of modern equivalent asset when existing asset is not available due to change in technology. Whenever, old asset is replaced by modern equivalent asset, change in operational expenditure as a result of such replacement shall also be accounted for; and
(v) clearly indicating holding gain or loss, supplementary depreciation and change in the operational cost due to replacement of old asset by modern equivalent asset.

5. **Periodicity of submission of report –** (1) The service providers shall submit audited reports based on the historical cost accounting every year within six months of the end of accounting year to the Authority.

(2) The service provider shall also submit reports based on the replacement cost accounting every second year within six months of the end of accounting year to the Authority.

(3) The reporting period shall be same as followed by the company for preparation of the annual financial accounts under sub section (4) of section 210 of the Companies Act, 1956.

Provided that, if reporting period exceeds fifteen calendar months, the accounting separation statements shall be divided into 12 months and the balance period.

6. **Audit -** (1) Every service provider, to which these regulations apply, shall appoint an auditor who is qualified for appointment as an auditor under section 224 or 233-B of The Companies Act, 1956.

(2) The auditor shall audit the reports so prepared.

(3) The auditor in his report shall express an opinion as to whether the reports have been properly drawn in accordance with the regulation and he has received all information and explanation necessary for the purpose of audit.

7. **Confidentiality -** The Authority shall ensure the confidentiality of the financial information submitted under various provisions of the Regulation.

Provided that, where the Authority is of the opinion that it is necessary or expedient to disclose the information in public interest, it may, for reasons to be recorded in writing, do so.

Provided further that no information shall be disclosed by the Authority, except after giving the company an opportunity of making such representation in writing, as it may wish to make in that behalf and taking such representation into consideration.

8. **Interpretation -** Where any doubt arises as to the interpretation of the provisions of these regulations, the matter shall be referred to the Authority whose decision thereon shall be final.

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Section III

Explanatory Memorandum

1. An essential ingredient of effective regulatory framework is the arrangement, which enables the system to generate accounting statements for analysing costs, revenues and capital employed in major areas of an operator's business. The financial reporting at the corporate/entity level presents aggregate information, which does not provide details for regulatory purpose such as:

   (i) Measuring financial performance of products;
   (ii) Monitor return on products and services regulated with price ceilings;
   (iii) Identify cross subsidising, Investigating predatory pricing, discrimination and other anti-competitive conduct;
   (iv) Understanding the inter-operator arrangements in terms of price and cost, and
   (v) Monitoring adequacy of access deficit etc.

2. This Regulation will facilitate the availability of more detailed and disaggregated information on revenues and costs on regular basis.

3. The central government published Notification No. GSR 782(E) dated 27.11.2002 to specify books of accounts and other documents, which are to be maintained and notification/order no 7-4/2001-tariff dated 21st October 2003 in the Gazette of India dated 8.11.2003 to specify the manner in which books of Accounts and Other documents are to be maintained. These books of accounts and other documents form the underlying records for preparation of the reports prescribed in the Regulation.

4. The Reporting System on Accounting Separation can be broadly classified into the following segments:

4.1 Service-wise Reporting- For every geographical area, separate profit and loss statements are to be prepared for each of the services mentioned in clause (2) of regulation 1. The geographical area wise profit and loss statements for a particular service when aggregated at the company level will provide information on overall profitability of a that service. The authority requires profit and loss report for services to understand the profitability of each service and whether it is influenced by cross-subsidisation;

4.2 Product-wise Reporting – Geographical area wise profit and loss statements are to be prepared for each of the sub-service or product mentioned against services rendered by the service provider in Schedule I. The profit and loss statements of all products of a service when aggregated for a geographical area shall provide profit and loss statement for service in that geographical area.

4.3 Statements on Capital Employed and Cost Sheets of Network Elements- The cost sheet provide information about costs incurred on network elements. The Capital Employed statements provide input for cost sheets on Return on

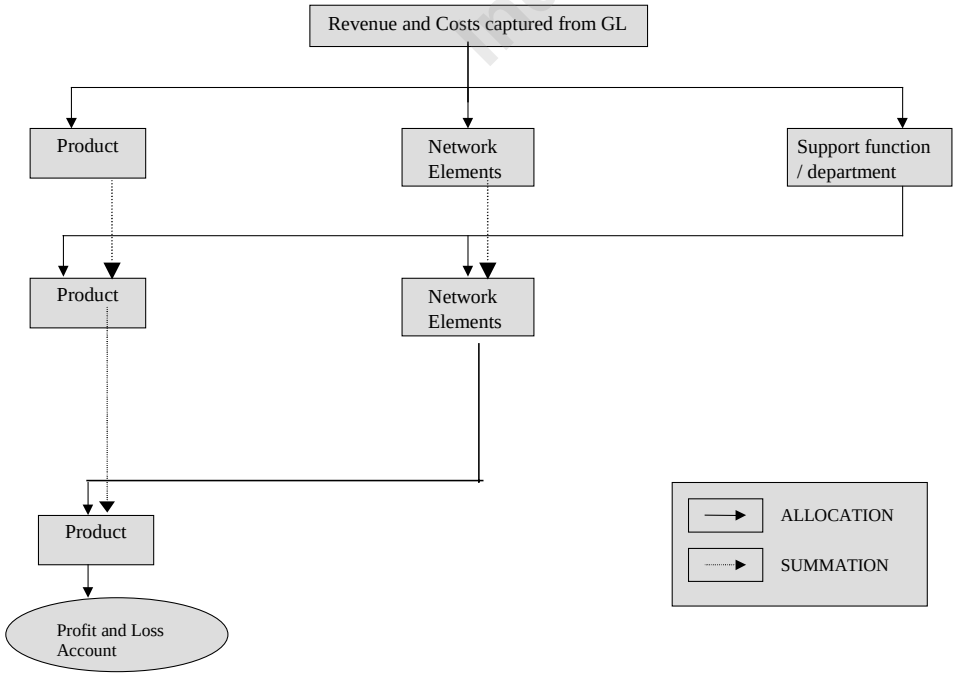
Capital Employed (RoCE) and Depreciation that is to be allocated to a particular Network Element/product. Cost Sheets of Network Elements are required to decide network element based pricing of products or interconnection usage charges; and

4.4 Non-financial statements- These statements will provide information on operational data relating to network architecture, network usage, network capacity, product and services volumes and other measures of activities. These reports help to understand the methodology adopted by service providers to apportion and allocate joint cost and for meaningful analysis of financial results.

Framework for generation of Profit and Loss Statements and Network cost sheets.

5. The generation of financial reports on Accounting Separation assume a methodology and the Authority expects service providers to follow the same methodology for preparation of reports mentioned in the Regulation. Details of this methodology are available in the "Guidelines on System on Accounting Separation" prepared by the Authority and can be accessed from TRAI's web site. The conceptual framework of this methodology can be understood using following flow diagram:

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Step 1 Capture revenue and cost from the books of account that is from general ledger and allocate them to Products, Network elements and Support Functions/Department.

Step 2

- Attribute the cost of support functions/departments to profit centres (i.e products) and other cost centres (i.e. network elements). These costs would have to be attributed using appropriate cost drivers.
- The cost of support functions would have to be allocated to the profit centres or other cost centres depending upon whether such costs are:
  - Directly attributable
  - Indirectly attributable
  - Un-attributable

Step 3

- After undertaking the above two steps, the cost for each network element would be available. The cost for each network element would include direct cost incurred for operation and maintenance of the respective network elements and also the allocated cost of support function.
- The next step is to apportion the network element cost to various products, which should also include the return on capital employed.
- The cost of each network element is to be attributed to products based on a causation effect i.e. cost is directly allocated to the products for which the network element is used, for example international gateway will be allocated directly to ILD calls, similarly SMS server cost is directly allocable to SMS charges. In case the network element is used for more than one service then the cost of network element is to be attributed to various products based on an appropriate cost driver, which primarily will be usage based such as usage in minutes, number of connections, number of circuits or bandwidth, etc.

Step 4

- This step involves aggregating costs of various services / products for preparation of profit and loss statements.

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Indu Liberhan
Principal Advisor (FA &IFA)
F. No.: 414-7/99-FA

Section IV

Schedule I

S. No.	Type of Operating License	Licensed Area	Product/Network Service
(1)	(2)	(3)	(4)
1	Basic Telephone Service	Licensed area i.e. telecom circle or metro city	**1. PSTN Access (Rental)** a) POTS b) ISDN c) Bulk (Franchisee) d) Leased Circuit e) Others **2. Other Products (PSTN)** a) Local b) Intra-circle c) NLD d) ILD e) Others **3. WLL (Limited Mobility)** a) Rental b) Local call c) Intra-circle call d) NLD call e) ILD call f) Others **4. WLL (Fixed)** a) Rental b) Local call c) Intra-circle call d) NLD call e) ILD call f) Others **5. Wholesale (Interconnection)** a) BSO to BSO b) WLL to BSO c) NLDO to BSO d) ILDO to BSO e) Leased Circuits f) Others
2	National Long Distance Service	Licensed area i.e. All India	1. Intra- circle 2. NLD 3. ILD 4. Leased circuits 5. Others

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			Note: Products/Network Services mentioned at 1, 2 and 3 provided through toll quality network and below toll quality network shall be considered as separate products/network services
3	International Long Distance Service	Licensed area i.e. All India	1. ILD - Toll Quality Service 2. ILD- Below Toll Quality Service 3. Leased circuits 4. Others
4	Cellular Mobile Telephone Service	Licensed area i.e. telecom circle or metro city	1. Following products for Pre-paid and Post-paid subscribers shall be considered separate Product/Network Services :- a Rental b. Airtime c. Roaming c SMS d GPRS e Others 2 Wholesale (Interconnection) a MSO to MSO b BSO to MSO c WLL to MSO d NLDO to MSO e ILDO to MSO f other
5	Very Small Aperture Terminal Service	Licensed area i.e. All India	1. VSAT service 2. Other (Hardware sale)
6	Radio Paging Service	Licensed area i.e. telecom circle or city	No products sub-classification.
7	Public Mobile Radio Trunk Service	Licensed area i.e. telecom circle or city	No Product Sub-classification
8	Global Mobile Personal	Licensed area i.e. All India	No product Sub classification

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	Communication Service		
9	Internet Service	Licensed area i.e. All India or telecom circle or city	1. PSTN dial up 2. ISDN dial up 3. Dedicated (a) DSL (b) Wireless (c) Leased line (d) Cable 4. Application services (a) Voice services (Internet Telephony) (b) Others (VPN, Web hosting, co-location etc.)

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Schedule II
Network Elements of Various Services

Network	Network elements
Basic Telephone Service	
PSTN Access	**Copper loop** (This would include Drop wire or internal wiring, Distribution point, Pillar, Cabinet, Transmission –cables, and Main distribution frame)
	ISDN (This would include Terminal adapters, Network termination device, Line termination equipment and Exchange termination equipment)
	POTS (This would include customer premises apparatus PCO terminal, Exchange line card / RLU, other non traffic sensitive equipment and Remote Switching Unit (RSU), Digital Loop Carrier (DLC) etc.)
	Bulk subscribers (including DID trunk)
	VPT equipment (This would include Micro wave equipment, MARR equipment, Satellite base equipment)
Short distance charging area (SDCA) network	**Switches** • Local exchange (except line card) • SDCC transit switch / Local cum transit switch
	Transmission media and equipment • RSU to Local Exchange Transmission Link • Local exchange to local exchange link • Exchange to transit switch. • Interconnection link
Intra-circle long distance network	**Switches** • Trunk automated exchange level two (TAX 2)
	Transmission media and equipment • Transit switch to Transit switch link • Transit switch to TAX II link • TAX II to TAX II link • TAX II to TAX I link • Interconnection link

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Network	Network elements
National Long Distance Service	
SDCA to LDCA	• Transmission media (This would include Optical fibre, radio systems etc.) • Transmission equipment • Other assets
LDCA to LDCA	• Switching equipment (Tax level 1) • Switching equipment – other • Transmission media (This would include optical fibre, co axial cable, micro wave etc) • Transmission equipment • Other assets
International Long Distance Service	
Transmission	Transmission – domestic
	Transmission – International (This would include transmission equipment, satellite linkage, submarine cable etc.), region wise.
Switching	• Circuit Switching
	• Others (including Server, Router etc.)
Cellular Mobile Telephone Service	
Core network	**Radio network** (This should include elements from subscriber to MSC i.e. Base Switching Centre, Base Transceiver Station, Transmission Links – BSC – MSC, BTS – BSC) **Rest of network** (This should include MSC, MSC- MSC links, MSO to NLDO links, MSO to BSO links and MSO to ILDO links)
Dedicated network	▪ SMS server • GPRS Networking • Others
VSAT	
Space segment	Transponder

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Network	Network elements
Ground segment	• TDMA • Hub • Antenna • Others
	• DAMA • Hub • Antenna • Others
Internet Service	
Central Network	• International gateway • Shared Network Resources
Node	• Joint node network elements • Dedicated node network elements
Access Connectivity	• DEL /E1R2 (PSTN) connectivity • Local loop leased line • ISDN connectivity • DSL connectivity • Cable connectivity • Wireless network • Others

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Schedule III
Proforma A

Profit and Loss Statement- Product

Name of The Company- _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

Name of Service - _

Licensed Area - _

Name of Product/Network Services- _ _ _ _ _ _ _ _ _ _ _ _ _

Period: _

							Rs Lakhs
		Product Type ***(refer note 2)***					
	Particulars	**A**	**B**	**C**	**D**	**E**	**Total**
	REVENUE (Net of Service TAX) *(refer note 1)*						

	Others						
	Total						
	Less: Pass through						
	Less: License fee						
	Less: License fee penalty, if any						
	Net revenue						
	<u>COST</u>						
	Product direct cost						
	Network cost						
	Support functions/ department cost						
	- Directly attributable						
	- Indirectly attributable						
	- Unattributable						
	Total cost						
	Profit/(Loss)						
	Add Back : Return on Capital Employed charged on network elements						
	Net Profit/(Loss)						
	Replacement Cost Adjustment *(refer note 4)*						
	Holding gain/Loss						
	Supplementary Depreciation						
	Change in Operating Cost due to replacement of assets						
	Total adjustment						
	Profit/Loss before interest and tax						
	Total capital employed						
	Net Profit/(Loss) as % of capital employed.						
	Return on turnover(%)						

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Note : 1 Each source of revenue of a products/network services should be separately shown. For example for product Access, Rental, Installation charges/connection, etc should be shown separately.

2. POTS, ISDN, Bulk, Leased Circuits are product types of Access. Details of Product types are given in Schedule I.
3. Adjustments in revenue and cost may be clearly shown in the statement. For example notional revenue adjustment on account of free calls may be shown.
4. Relevant for reporting on the basis of Replacement Cost Accounting.

Proforma B
Profit and Loss Statement- Service

Name of Company- _

Name of Service - _

Licensed Area - _

Period: _

(Rs. Lakhs)

	Particulars	**Current year**	**Previous year**
	REVENUE (Net of service tax)		
	REVENUE ***(refer note 1)***		

	Total		
	Less : Pass through		
	Less : License fees		
	Less : License fee penalty if any		
	Net revenue		
	COST		
	Employee cost		
	Salaries and wages		
	Contribution to provident fund and other funds		
	Staff welfare		
	Training and recruitment		
	Others		
	Sub-total		
	Administration cost		
	Rent		
	Rates and taxes		
	Insurance charges		
	Communication costs		
	Electricity		
	Travel and conveyance expenses		
	Legal and professional charges		
	Printing and stationery		
	Audit fees		
	Others		
	Sub-total		
	Sales and marketing cost		
	Advertisement and business promotion expenses		
	Sales commission		
	Provision for bad and doubtful debts		
	Bad debts write off		
	Others		
	Sub-total		
	Maintenance cost		
	Annual maintenance charges		
	Repairs and maintenance		
	Buildings		
	Plant and machinery		
	Others		
	Others		
	Sub-total		

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			(Rs. Lakhs)
	Particulars	**Current year**	**Previous year**
	Government charges		
	Communication charges		
	Expenses on amortization (license fee etc.)		
	WPC charges-DOT		
	Others		
	Sub-total		
	Network operating Cost		
	Leased circuits		
	Royalty for technical know how fees		
	Power and fuel		
	Interconnection		
	Port charges		
	Others		
	Others		
	Sub-total		
	Depreciation		
	Buildings		
	Plant and machinery		
	Others		
	Sub-total		
	Leased rentals		
	Equipment		
	Real estate		
	Others		
	Sub-total		
	Other cost		
	Loss on sale of fixed assets(net)		
	Common cost		
	Corporate office expenses		
	Others		
	Sub-total		
	Finance charges		
	Bank charges		
	Others		
	Sub-total		
	Total cost		
	Profit/ (Loss) before Interest & Tax		
	Replacement Cost Adjustment *(refer note 2)*		
	Holding gain/Loss		
	Supplementary Depreciation		
	Change in Operating Cost due to replacement of assets		
	Total adjustment		
	Profit/Loss before interest and tax		
	Total capital employed		
	Return on capital employed (%)		
	Return on turnover (%)		

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Note : 1 Each source of revenue of products should be separately shown. For example Rental, Installation charges/connection, call charges, leased lines, Port charges, interconnection charges etc.

2 Relevant for reporting on the basis of the Replacement Cost Accounting.

Proforma C
Cost Sheet- Product

Name of Company- _ _ _ _ _ _ _ _ _ _ _ _ _

Name of Service- _ _ _ _ _ _ _ _ _ _ _ _ _ _

Name of Product - _ _ _ _ _ _ _ _ _ _ _ _ _ _

Name of licensed Area- _ _ _ _ _ _ _ _ _

Period- _

(Rs Lakhs)

		Product Type (*refer note 1*)					
		A	**B**	**C**	**D**	**Others**	**Total**
	DIRECT COST (I)						
	Employee cost						
	Salaries and wages						
	Contribution to provident fund and other funds						
	Staff welfare						
	Training and recruitment						
	Others						
	Sub total						
	Administration cost						
	Rent						
	Rates and taxes						
	Insurance charges						
	Communication costs						
	Electricity						
	Travel and conveyance expenses						
	Legal and professional charges						
	Printing and stationery						
	Audit fees						
	Others						
	Sales and marketing cost						
	Advertisement and business promotion expenses						
	Sales commission						
	Provision for bad and doubtful debts						
	Bad debts write off						
	Outsourcing						
	Others						
	Sub total						
	Maintenance cost						
	Annual maintenance charges						
	Repairs and maintenance						
	Buildings						
	Plant and machinery						
	Others						
	Installation charges						
	Others						
	Sub total						
	Depreciation						
	Buildings						
	Plant and machinery						
	Others						
	Sub total						

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							(Rs Lakhs)
		Product Type (*refer note 1*)					
		A	**B**	**C**	**D**	**Others**	**Total**
	Leased rentals						
	Equipment						
	Real estate						
	Others						
	Sub total						
	Replacement Cost Accounting Adjustment *(refer note 2)*						
	Holding gain/Loss						
	Supplementary Depreciation						
	Change in Operating Cost due to replacement of assets						
	Total adjustment						
	Total direct cost (I)						
	NET WORK COST / Network Replacement Cost *(refer note 2 below)*						

	Total Network Cost (II)						
	SUPPORT FUNCTION / DEPARTMENT COST or REPLACEMENT COST OF SUPPORT FUNCTIONS *(refer note 2 below)*						

	Total support function / department cost (III)						
	Grand total (I) + (II) +(III)						

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Note : (1) POTS, ISDN, BULK, LEASED Circuits, VPT, are product types of Access for Fixed Basic Telephone Service. Details of Products/Network services are given in Schedule I. List of products for which cost sheets is to be made should be clearly brought out in the manual.

(2) Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.

Proforma D

Cost Sheet – Network Elements

Name of Company- _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

Name of Service: _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

Name of Network Element: _ _ _ _ _ _ _ _ __

Name of licensed Area- _ _ _ _ _ _ _ _ _ _ _ _

Period- _

Rs Lakhs

		Direct cost	Directly attributable cost	Indirectly attributable cost	Un-attributable cost	Total
	NETWORK DIRECT COST					
	Employee cost					
	Salaries and wages					
	Contribution to provident fund and other funds					
	Staff welfare					
	Training and recruitment					
	Others					
	Sub total					
	Administration and other cost					
	Rent					
	Rates and taxes					
	Insurance charges					
	Communication costs					
	Electricity					
	Travel and conveyance expenses					
	Printing and stationery					
	Audit fees					
	Others					
	Sub total					
	Maintenance cost					
	Annual maintenance charges					
	Repairs and maintenance					
	Buildings					
	Plant and machinery					
	Others					
	Installation charges					
	Others					
	Sub total					
	Government charges					
	Communication charges					
	Expenses on amortization (license fee etc.)					
	WPC charges-DOT					
	Others					
	Sub total					
	Network operating cost					
	Leased circuits					
	Royalty for technical know how fees					
	Power and fuel					
	Interconnection charges					
	- Port charges					
	- Other charges					
	Others					
	Sub total					
	Depreciation					

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						Rs Lakhs
	Buildings					
	Plant and machinery					
	Others					
	Sub total					
	Leased rentals					
	Equipment					
	Real estate					
	Others					
	Sub Total					
	Replacement Cost Adjustment *(refer note iv)*					
	Holding gain/Loss					
	Supplementary Depreciation					
	Change in Operating Cost due to replacement of assets					
	Total adjustment					
	Total direct cost (I)					
	COST TRANSFERRED FROM SUPPORT FUNCTIONS/ REPLACEMENT COST TRANSFERRED FROM SUPPOORT FUNCTIONS (refer note iv below)					
	Administration					
	Billing					
	Branch office					
	Corporate office					
	Customer care					
	Finance and accounts					
	HR					
	Insurance					
	IT/EDP					
	Legal / regulatory					
	Maintenance					
	Marketing & sales					
	Planning and development					
	Quality					
	Stores / logistics					
	Sub Total (II)					
	COST OF CAPITAL EMPLOYED (III)					
	Total Cost (I+II+III)					

Apportionment of Cost to Products

	Products	Usage (No. of subscribers/ usage minutes etc.)	Cost allocated to product
	Main Product I		
	▪ Sub product A		
	▪ Sub Product B		
	▪		
	▪ Others		
	Main Product II		
	▪ Sub Product a		
	▪ Sub Product b		
	▪		
	Total		

Note: (i) Illustrative list of network elements is at Schedule II. This list is based on a network architecture which may not be relevant for all service providers. The list should be suitably modified and clearly indicated in the manual.

(ii) Separate cost sheet to be generated for each of the Network Element.

(iii) List of products/network services is at Schedule I. POTS, VPT, ISDN, Leased Lines, Bulk are product types of Access.

(iv) Replacement Cost Adjustment is relevant for reports prepared under Replacement Cost Accounting.

(v) Statement of computation of pre-tax WACC should be attached.

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Proforma E
Statement of Network Element Cost Summary Sheet

Name of Company- _

Name of Service - _

Licensed Area - _

Period- _

Rs lakhs

Network elements	Network Cost (Historical Cost Basis)				Replacement Cost Adjustment (Refer note 2 below)			Cost drivers	Cost Per driver (Rs.)
	O&M	Depreciation	RoCE	Total cost	Replacement Cost Adjustment	RoCE Adjustment	Total Cost Based on Replacement cost		

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Note: (1) In the 'Statement of Total Capital Employed' and the 'Network Cost Sheet', the RoCE represents the weighted average cost of capital employed multiplied by average capital employed.

(2) Replacement Cost Columns to be added for reports prepared on the basis of Replacement Cost Accounting.

Proforma F

Statement of Allocation of Network Cost Transferred to Products/ Network Services

Name of Company- _

Name of Service - _

Name of Product- _

Licensed Area - _

Accounting Base (refer note 3)- Historical Cost or Replacement Cost

Period - _

Rs. In lakhs

		Product Type ***(refer note 1)***										
Network Elements ***(refer note 2)***	**Rate/ unit (Rs.)**	**A**		**B**		**C**		**D**		**E**		**Total**
		Units	**Cost A**	**Unit**	**Cost B**	**Units**	**Cost C**	**Units**	**Cost D**	**Units**	**Cost E**	**Cost (A+B+C+D+E)**

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Note :

1. POTS, ISDN, Bulk, Leased Circuits are product types of Access. Details of Product types are give in Schedule I.
2. The illustrative network elements defined in Schedule II assume certain network design. Therefore these network elements may not be fully relevant or applicable to all operators. Keeping in view of the principles followed, each service provider shall work out the specific network elements as relevant to its architecture.
3. Forms shall clearly indicate whether the report is prepared on the basis of Historical Cost Accounting or the Replacement Cost Accounting.

Proforma G

Statement of Capital Employed

Name of Company- __ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
Name of Service - _ _ _ _ _ _ _ __ _ _ _ _ _ _ _ _ _ _ _ _
Licensed Area - _ _ _ _ _ _ _ _ _ _ ___ _ _ _ _ _ _ _ _ _ _
Period-_ _

Rs Lakhs

	Current Year				Previous year			
FIXED ASSETS – (GROSS BOOK VALUE)	**Network Elements (Historical cost)**	**Other** *(refer note 1)*	**Adjustment for replacement cost of Assets** *(refer note 4)*	**Total/ Net Replacement Cost** *(refer note 4)*	**Network Elements (Historical cost)**	**Other**	**Adjustment for replacement /Revaluation of Assets** *(refer note 4)*	**Total/ Net replacement cost** *(refer note 4)*
Tangible Assets								
Land								
Building								
Plant and machinery								
Computers								
Office equipment								
Furniture and fixtures								
Vehicles								
Intangible Assets								
License								
Patents / technical know how								
Total fixed assets								
Less : Accumulated depreciation								
NET BOOK VALUE (I)								
Capital Work in Progress (II)								
CURRENT ASSETS								
Inventories								
Cash and bank balance								
Debtors								
Loans and advances								
Others								
Sub total								
CURRENT LIABILITIES								
Sundry creditors								
Provisions, etc.								
Security deposit								
Advance rentals								
Sub total								
NET WORKING CAPITAL (III)								

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TOTAL CAPITAL EMPLOYED (I+II+III)								
RETURN ON CAPITAL EMPLOYED (WACC x Average Capital employed)								

Note : 1 Others would include all items other than network Elements.

2. WACC –s Pre-tax Weighted average cost of capital.

3. Average Capital Employed is the average of capital employed at the beginning and closing of the Accounting period.

4. Replacement cost Adjustment and Net Replacement Cost is relevant for reports prepared on the basis of Replacement Cost Accounting.

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Proforma H

Allocation of Capital Employed

Name of Company- _

Name of Service - _

Licensed Area - _

Period - _____ _

Rs Lakhs

Network Elements	**Historical cost of Fixed assets – Net Book Value/** **Replacement Cost of fixed assets-Net Book Value** *(Refer Note below)*	**Allocation of capital employed in the ratio of fixed assets**

Total		

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Note: Replacement Cost of fixed assets is relevant for reports prepared on the basis of Replacement Cost Accounting.

Proforma I

Format for Fixed Asset/ Depreciation Statement

Name of Company: _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

Name of Service- _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

Licensed Area- _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

Accounting Base (refer note 2)- Historical Cost or Replacement Cost

Period- _

Gross Block/Depreciation/Net Block

(Rs lakhs)

	Land	**Building**	**Plant and machinery**	**Comp uters**	**Office equipment**	**Furniture and fixtures**	**Vehicles**	**License**	**Patents / Technical know how**	**Total**
NETWORK ELEMENTS										

Sub Total (A)										
PRODUCTS										

Subtotal (B)										
SUPPORT FUNCTION/ DEPARTMENT										
Administration										
Billing										
Branch office										
Corporate office										
Customer care										
Finance and accounts										
HR										
Insurance										
IT/EDP										
Legal / regulatory										
Maintenance										
Marketing and sales										
Planning and development										
Quality										
Stores / logistics										
Sub Total (c)										
Total (a+b+c)										

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Note: (1) Separate Forms for Fixed Asset (Gross Block/ Net Block) and Depreciation.

(2) Form shall be specifically mention whether it is prepared on Historical cost basis or replacement cost

Proforma J

Reconciliation Statement – Profit and Loss Statement

(Rs. lackhs)			
RECONCILIATION STATEMENT – PROFIT & LOSS ACCOUNT			
Item	**Revenue**	**Cost**	**Net Profit /loss**
Service 1			
Geographical area 1			
Geographical area 2			

Sub total			
Service 2			
Geographical area 1			
Geographical area 2			

Sub total			
Service 3			
Geographical area 1			
Geographical area 2			

Sub total			
Service 4			
Geographical area 1			
Geographical area 2			

Sub total			
Total			XXX
Adjustments			
Return on capital employed on network elements			
Non regulated business			
Elimination of inter business transactions			
Non relevant items			
– Return on investments			
– Non operating income			
– Interest costs			
– Corporate Tax			
– Other taxes (if any)			
– Amortisation of goodwill			
– Extra- ordinary items – such as abnormal loss due to fire/ theft etc.			
– Others			
Unallocated items			
Any other items (specify the details)			
Sub total			
Total as per audited accounts			

Note: Return on capital employed considered in network cost is eliminated to reconcile the profit / loss with book profit / loss

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Proforma K

Reconciliation Statement – Statement of Capital Employed

Rs Lakhs

Item	Capital employed
Service 1	
Geographical area 1	
Geographical area 2	

Sub total	
Service 2	
Geographical area 1	
Geographical area 2	

Sub total	
Service 3	
Geographical area 1	
Geographical area 2	

Sub total	
Service 4	
Geographical area 1	
Geographical area 2	

Sub total	
Total	
Adjustments	
For non regulated business	
Elimination of inter business assets / liabilities	
Non relevant items	
– Investments	
– Deposits - Inter corporate, etc.	
– Goodwill	
– Provision for tax	
– Proposed dividend	
– Long term borrowings	
– Others	
Unallocated items	
Any other items (specify the details)	
Sub total	
Total as per audited accounts	

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Proforma L

Non-Financial Information for Basic Telephone Service

I . Basic Information Sheet

Information as of (date)

1.1 List of services/products provided including Value added services
1.2 License No.
1.3 License Date
1.4 Service Area licensed
1.5 License Period
1.6 Date of Commencement of service
1.7 Company incorporation details
1.8 Related companies in the telecom sector

In case there is a change in information as compared to previous year, please highlight the same.

II . Tariff / Revenue

2.1 Details of tariff schemes applicable during the year

2.1.1 Please provide a copy of the tariff schemes detailing tariff elements including new connection charges, deposits, rentals, advance rentals, installation costs, call charges, Leased circuit charges, etc.
2.1.2 Also, mention the duration of the above scheme.
2.1.3 Please provide details of the discounting policies/promotional Scheme.
2.1.4 Minutes of Usage under each of the tariff plan

2.2 Details of DELs

2.2.1 Total Capacity of DELs
2.2.2 Number of subscribers
2.2.3 Total number of working lines and capacity utilisation (in %)
2.2.4 No. of DELs with STD facility
2.2.5 No. of DELs with STD/ISD facility
2.2.6 STD PCOs
2.2.7 Local PCOs
2.2.8 VPT

2.3 Average revenue per subscriber

Average Revenue Details (including call charges and rentals)	*Current year*	*Previous Year*
Revenue in Rs. per month	*No. of lines*	*No. of lines*
Upto 100		
101 – 250		
251 – 500		
501 – 1000		

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1001 – 2000		
2001 – 5000		
Above 5000		

2.4 Total calls from Local and STD/ISD PCOs separately (in terms of revenue and minutes of calls)

2.5 Average holding time per subscribe

- **Intra SDCA calls**
- **Intra-circle long distance calls**
  - **Upto 50 kms**
  - **50-200 kms**
  - **200-500 kms**
  - **Above 500 kms**
- **Inter circle long distance call**
  - **Upto 50 kms**
  - **50-200 kms**
  - **200-500 kms**
  - **Above 500 kms**
- **ILD calls**
- **CMTS calls in same circle**
- **CMTS calls in other circle**

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2.6 Break up of Revenue into Urban and Rural areas

(Rs in lacs)

Particulars	Urban	Rural	Total
Subscribers (Nos.)			
Revenue:			
Rentals			
Product 1			
Product2			
--			
Total			

III. Network Information

3.1 Network overview chart

Describe the overall network architecture on a geographical map of the service area with a brief written description. The map should indicate all the network locations with appropriate symbols describing exchange, transmission, and interconnection with other operators etc.

SWITCHES

3.2 Number of exchanges

3.2.1 Provide full list of exchanges indicating location, SDCA, LDCA, type of exchange, make and model, capacity, signaling protocol and other details

3.2.2 Provide details as above for SDCC transit/tandem switches in circle

3.2.3 Provide list of intra-circle (Level I and II trunk automatic) exchanges indicating type of exchange, make and model, capacity, signaling protocol and other details

3.3 Number of SDCA Exchanges

3.3.1 Urban Exchanges
3.3.2 Rural Exchanges
3.3.3 Total

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ACCESS

3.4 Number of subscribers for each type of access

3.4.1 PSTN
3.4.2 WLL-F
3.4.3 ISDN
3.4.4 Bulk (Franchisees)
3.4.5 WLL-M
3.4.6 VPT

Note: One subscriber should figure in one type of access only. E.g. VPT figures should not be part of PSTN.

TRANSMISSION

3.5 Intra-SDCA level (for each type such as) consolidated at circle level

3.5.1 Copper Cable (Indicate total route kilometres for each capacity separately)
3.5.2 OFC Systems (Indicate total route kilometres for each capacity separately)
3.5.3 Microwave (Indicate total route kilometres for each capacity separately)
3.5.4 Others

3.6 Inter SDCA Intra-circle level (for each type such as) consolidated at circle level

3.6.1 Copper Cable (Indicate total route kilometers for each capacity separately)

3.6.2 OFC Systems (Indicate total route kilometers for each capacity separately)
3.6.3 Microwave (Indicate total route kilometers for each capacity separately)
3.6.4 Others

INTERCONNECTION

3.7 Details of POIs with other operators at

3.7.1 SDCA
3.7.2 Intra-circle level II TAXs
3.7.3 Intra-circle level I TAXs

3.8 Interconnection infrastructure/ Number of ports at

SDCA for Interconnection with other
3.8.1 BSOs
3.8.2 MSOs
3.8.3 NLDOs
3.8.4 ILDOs
3.8.5 Specify, if any other

Level II LDCAs for Interconnection with other

3.8.6 BSO
3.8.7 MSO
3.8.8 NLDO
3.8.9 ILDO
3.8.10 Specify, if any other

Level I LDCAs for Interconnection with other

3.8.11 BSOs
3.8.12 MSOs
3.8.13 NLDOs
3.8.14 ILDOs
3.8.15 Specify, if any other

NETWORK ROLLOUT PLAN FOR NEXT ONE YEAR

SDCA Network as consolidated at circle level

3.9 No. of new switches planned

3.10 New access lines planned

3.10.1 PSTN
3.10.2 WLL-F
3.10.3 ISDN

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3.10.4 Bulk (Franchisees)
3.10.5 WLL-M
3.10.6 VPT

3.11 Transmission planned (Indicate total route kilometers for each capacity separately)

3.11.1 Copper Cable (ckm)
3.11.2 OFC Systems
- Route kms
- System kms

3.11.3 Microwave
3.11.4 Others

3.12 New POIs planned

3.13 New VPTs and PCOs planned

Inter-SDCA Intra-circle long distance network as consolidated at circle level

3.14 No. of new Switches planned

3.15 Transmission planned (Indicate total route kilometers for each capacity separately)

3.15.1 OFC Systems
- Route kms
- System kms

3.15.2 Microwave
3.15.3 Others

3.16 New POIs planned

IV . Traffic Details

SWITCHING

4.1 Traffic handling capacity for Intra-SDCA and Inter-SDCC Intra-circle Network (in Erlangs) as consolidated at circle level

4.2 Capacity utilisation of traffic handling (in %) for Intra-SDCA and Inter-SDCA Intra circle network as consolidated at circle level

TRANSMISSION

4.3 Capacity detail

4.3.1 Total owned capacity (route kilometers for each bandwidth capacity)
4.3.2 Leased Transmission (route kilometers for each bandwidth capacity)
4.3.3 Capacity Leased out (route kilometers for each bandwidth capacity)

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USAGE MINUTES

4.4 Number of metered units (MCUs) consolidated at circle level covering all exchanges for the following distance slabs

Distance Slab	Own Network	To other BSOs	To NLDOs	To ILDOs
Local Calls				
Upto 50 kms				
51-200 kms				
201-500 kms				
Above 500 kms				

4.5 Traffic in erlangs consolidated at circle level covering all exchange for the following distance slabs

Distance Slab	Own Network	To other BSOs	To NLDOs	To ILDOs
Local Calls				
Upto 50 kms				
51-200 kms				
201-500 kms				
Above 500 kms				

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4.6 **Minutes of usage (outgoing) consolidated at circle level from all exchanges in the circle**

Distance Slab	Own Network	To other BSOs	To NLDOs	To ILDOs
Local Calls				
Upto 50 kms				
51-200 kms				
201-500 kms				
Above 500 kms				

4.7 **Minutes of usage (incoming) consolidated at circle level from all exchanges in the circle**

4.7.1 Own Network
4.7.2 From other BSOs
4.7.3 From NLDOs
4.7.4 From ILDOs

4.8 **Minutes of usage for each product under WLL limited mobility**

4.8.1 Local Call
4.8.2 WLL to WLL

4.8.3 Intra circle *
4.8.4 National long distance*
4.8.5 International long distance
4.8.6 Wholesale
4.8.7 Others

* Minutes break-up covering applicable distance slab to be given.

4.9 On a sample basis , number of metered call units, traffic in Erlangs and Minutes of Usage for each hour within a 24 hour period for each day of a week selected for this purpose

4.10 Average duration per call (in minutes)

4.11 Average number of metered call units (MCU) per DEL

4.12 Average number of Minutes of Usage per Del

- **Local Calls**
- **Intra-circle Long Distance Calls**
- **Inter-circle Long Distance calls**
- **International Long Distance calls**

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INTERCONNECTION

4.13 Minutes of usage (outgoing/incoming traffic) as consolidated at Circle level for all intra-SDCA calls to other

	Outgoing	**Incoming**
BSOs		
MSOs		
NLDOs		
ILDOs		
Others		

4.14 Minutes of usage (outgoing/incoming traffic) as consolidated at Circle level for interconnection at Level II TAX from other

	Outgoing	**Incoming**
BSOs		
MSOs		
NLDOs		
ILDOs		
Others		

Proforma M

Non-Financial Statement for National long Distance Service

I . Basic information Sheet

Information as of (date)

1.1 List of services/products
1.2 License No.
1.3 License Date
1.4 Service Area licensed
1.5 License Period
1.6 Date of Commencement of service
1.7 Company incorporation details
1.8 Related companies in the telecom sector

In case there is a change in information as compared to previous year, please highlight the same.

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II . Tariff / Revenue

2.1 Details of tariff schemes

2.1.1 Please provide a copy of the tariff schemes detailing tariff elements including new connection charges, deposits, rentals, advance rentals, installation charges etc.

2.1.2 Also, mention the duration of the above scheme.

2.1.3 Please provide details of the details of the discounting policies, if any.

2.2 No. of subscribers (if any for direct billing by NLDO).

III. Network Information

3.1 Network overview chart

Describe the overall network architecture on a geographical map of the service area with a brief description. The map should indicate all the network locations with appropriate symbols describing exchange, transmission, interconnection with other operators etc.

SWITCHES

3.2 Number of exchanges

3.2.1 (Please provide list of exchanges indicating type of exchange, make and model, capacity, signaling protocol and other details)

TRANSMISSION

3.3 Media (for each type such as)

3.3.1 OFC Systems (Indicate total route kilometers for each capacity separately)
3.3.2 Microwave (Indicate total route kilometers for each capacity separately)
3.3.3 Others

INTERCONNECTION

3.4 Details of POIs with other operators

3.5 Interconnection infrastructure/ Number of ports for Interconnection with

3.5.1 BSOs
3.5.2 MSOs
3.5.3 NLDOs, others if any
3.5.4 ILDOs
3.5.5 Specify, if any other

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NETWORK ROLLOUT PLAN FOR NEXT ONE YEAR

3.6 No. of new switches planned

3.7 Transmission planned (Indicate total route kilometers for each capacity separately)

3.7.1 OFC Systems
3.7.2 Microwave
3.7.3 Others

3.17 New POIs planned.

IV . Traffic Details

SWITCHING

4.15 Traffic handling capacity (in Erlangs)
4.16 Capacity utilisation in traffic handling (in %)

TRANSMISSION

4.17 Capacity details

4.17.1 Total owned capacity (route kilometers for each bandwidth capacity)
4.17.2 Leased Transmission (route kilometers for each bandwidth capacity)
4.17.3 Capacity Leased out (route kilometers for each bandwidth capacity)

USAGE MINUTES

4.18 Distribution of domestic long distance metered call according to different STD distance categories at half-hourly intervals throughout the day.

4.19 Minutes of usage for each product – separately for Incoming and outgoing traffic

Carriage covering Distance Slabs	To NLDOs, if any	To BSOs	To MSOs	To ILDOs	From NLDos, if any	From BSOs	From MSOs	From ILDOs	Leased
Upto 50 kms									
51-200 kms									
201-500 kms									
Above 500 kms									

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Proforma N

Non-Financial Statement for International Long Distance Service

I. Basic Information Sheet

Information as of (date)

1.1 List of services/products provided including Value added services
1.2 License No.
1.3 License Date
1.4 Service Area licensed
1.5 License Period
1.6 Date of Commencement of service
1.7 Company incorporation details
1.8 Related companies in the telecom sector

In case there is a change in information as compared to previous year, please highlight the same.

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II . Tariff / Revenue

2.1 Details of tariff schemes applicable during the year

2.1.1 Please provide a copy of the tariff schemes detailing tariff elements including new connection charges, deposits, rentals, advance rentals, installation costs, call charges, Leased circuit charges, etc.
2.1.2 Also, mention the duration of the above scheme.
2.1.3 Please provide details of the discounting policies, if any.

III . Network Information

3.1 Network overview chart

Describe the overall network architecture on a geographical map of the service area with a brief written description. The map should indicate all the network locations with appropriate symbols describing exchange, transmission, interconnection with other operators etc.

SWITCHES

3.2 Number of exchanges

3.2.1 Please provide list of exchanges indicating type of exchange, capacity, signaling protocol and other details

TRANSMISSION

3.3 Transmission international

3.3.1 Region wise bandwidth details for each type of transmission media (including satellite linkage, submarine cable etc.)
3.3.2 Regions should be same as mentioned in main formats

3.4 Transmission Domestic

3.4.1 Copper Cable (Indicate total route kilometres for each capacity separately)
3.4.2 OFC Systems (Indicate total route kilometers for each capacity separately)
3.4.3 Microwave (Indicate total route kilometers for each capacity separately)
3.4.4 Others

INTERCONNECTION

3.5 Details of POIs with other operators
3.6 Interconnection infrastructure/ Number of ports for Interconnection with
3.6.1 BSO
3.6.2 MSO
3.6.3 NLDO
3.6.4 ILDO
3.6.5 Specify, if any other

3.7 Network rollout plan for next one year
3.8 No. of new switches planned
3.9 Domestic transmission planned

3.9.1 OFC systems
3.9.2 Microwave
3.9.3 Others

3.10 International transmission planned
3.10.1 Region wise new bandwidth planned (Mention sattellite and submarine cable separately)

3.11 New POIs planned.

IV . Traffic Details

SWITCHING

4.1 Traffic handling capacity (in Erlangs)

4.2 Capacity utilisation for traffic handling (in %)

TRANSMISSION

4.3 Capacity details

4.3.1 Total capacity (in bandwidth)
4.3.2 Capacity leased

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4.3.3 Capacity used

USAGE MINUTES

4.4 Details of incoming and outgoing number of minutes of ISD calls separately for each country category.

4.5 For each half an hour of the day, number of minutes of calls made to each country category, and number of minutes of calls received from each country category.

4.6 For each half an hour of the day, number of minutes of calls to all TAXs covered under each of the Level I TAXs stations:

- Outgoing
- Incoming

4.7 Minutes of Usage

Carriage covering Distance Slabs	**To ILDO, if any**	**To BSOs**	**To MSOs**	**To NLDOs**	**From BSOs**	**From MSOs**	**From NLDOs**	**From ILDOs**
Upto 50 kms								
51-200 kms								
201-500 kms								
Above 500 kms								
Total								

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Proforma O

Non-Financial Statement for Cellular Mobile Telephone Service

I . Basic Information Sheet

Information as of (date)

1.1 List of services/products provided including Value added services
1.2 License No.
1.3 License Date
1.4 Service Area licensed
1.5 License Period
1.6 Date of Commencement of service
1.7 Company incorporation details
1.8 Related companies in the telecom sector

In case there is a change in information as compared to previous year, please highlight the same.

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II . Tariff / Revenue

2.1 Details of tariff schemes applicable during the year

2.1.1 Please provide a copy of the tariff schemes detailing tariff elements including new connection charges, deposits, rentals, advance rentals, installation costs, call charges, leased line charges, etc.
2.1.2 Also, mention the duration of the above scheme.
2.1.3 Please provide details of the discounting policies, if any.
2.1.4 Minutes of Usage under each of the tariff plan

2.2 Number of subscribers (Please mention opening, closing and average number of subscribers for the year)

2.2.1 Pre Paid
2.2.2 Post Paid
2.2.3 Total Subscribers
2.2.4 Roaming subscribers

2.2 Please mention rural and urban SDCA's separately in which one or more BTS are located

2.3 Average retail revenue per subscriber

Average Revenue Details (including Airtime charges and rentals for both Prepaid and Postpaid)	*Current year*	*Previous Year*
Revenue in Rs per month	*No. of subscribers*	*No. of subscribers*
Upto 400		

401 – 600		
601 – 800		
801 – 1000		
1001 – 1500		
1501 – 2000		
2001 – 5000		
Above 5000		

2.4 Average revenue per user (for post paid and pre paid subscribers separately)

2.5 Wholesale Interconnection total revenue for MSO (operator wise details)

III . Network Information

3.1 Network overview chart

Describe the overall network architecture on a geographical map of the service area with a brief written description. The map should indicate all the network locations with appropriate symbols describing switches, transmission, interconnection with other operators etc.

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NETWORK CAPACITY (in erlangs)

3.2 Opening capacity
3.3 Closing capacity

SWITCHES / TRANSMITTER STATIONS

3.4 **Number of MSCs, BSCs and BTS** (Provide locationwise list of MSCs, BSCs and BTSs indicating type of MSC, make and Model, capacity, frequency and other details)

TRANSMISSION

3.5 Media including terminal equipment for each type such as

3.5.1 Copper Cable (Indicate total route kilometers for each capacity separately)
3.5.2 OFC Systems (Indicate total route kilometers for each capacity separately)
3.5.3 Microwave (Indicate total route kilometers for each capacity separately)
3.5.4 Others

3.6 WPC details

3.6.1 Existing Frequency
3.6.2 Spot Frequency
3.6.3 Frequency Allocated
3.6.4 Number Of Users

INTERCONNECTION

3.7 Details of POIs with other operators

3.8 Interconnection infrastructure/ Number of ports (operator wise details) for Interconnection with

3.8.1 BSOs
3.8.2 MSOs (other)
3.8.3 NLDOs
3.8.4 ILDOs
3.8.5 Specify, any other

NETWORK ROLLOUT PLAN FOR NEXT ONE YEAR

3.9 No. of new switches planned (including Type ,Location , DOC, Make, Model &Version, Technology Used, Capacity, Cost, Number of Cities covered, Distance in Kilometers (Highway Route) along with map)

3.10 Transmission

3.10.1 Terminal Equipment / Regenerator (Type, cost, (fixed) etc.)
3.10.2 Backbone Media (Type, cost (variable)
3.10.3 Route Name
3.10.4 Type of Backbone
3.10.5 Route Length
3.10.6 DOC
3.10.7 Capacity
- 3.10.7.1 Installed
- 3.10.7.2 Utilized
- 3.10.7.3 Spare
- 3.10.7.4 Ultimate

3.11 Network roll out-network management control centres (NMCC)

3.11.1 Existing
3.11.2 Number of NMCC Introduced
3.11.3 Percent of Network brought on TMN
3.11.4 Number of digital cross connects and Intelligent MUXes
3.11.5 Number of managed leased line networks.

3.12 Network roll out – interconnection (POI wise details)

3.12.1 Distance of MSC from POI
3.12.2 Name / Id of Switching Center
3.12.3 DOC

Connected with

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3.12.4 Type of Exchange (Local/Tandem/Tax)
3.12.5 Service Provider
3.12.6 Capacity of connection (Number of Junctions)
3.12.7 Media
3.12.8 Average busy hour Traffic (Erlangs)
3.12.9 Cost.

IV . Traffic Details

SWITCHING

4.1 Traffic handling capacity (in Erlangs)
4.2 Capacity utilisation in traffic handling (in %)

USAGE MINUTES

4.3 Average duration per call (in minutes)
4.4 Average number of calls per subscriber
4.5 Minutes of usage for each product for the year –for originating/terminating traffic

Billed		**Duration**	
Own	Other Operator	Own	Other Operator

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4.5.1 <u>Pre paid</u> **<u>Own</u>** **<u>Others</u>**

4.5.1.1 Mobile to PSTN
4.5.1.2 Mobile to Mobile
(within circle same operator)
4.5.1.3 Mobile to Mobile
(within circle other operator)
4.5.1.4 Mobile to Mobile
(other circle)
4.5.1.5 MSO to NLDODistance Slab
- Upto 50 kms
- 51-200 kms
- 201-500 kms
- Above 500 kms

4.5.1.6 MSO to ILDO
Distance Slab
- Upto 50 kms
- 51-200 kms
- 201-500 kms

- Above 500 kms

4.5.1.7 Roaming
4.5.1.8 SMS
4.5.1.9 Others, if any

4.5.2 Post paid

4.5.2.1 Mobile to PSTN
4.5.2.2 Mobile to Mobile (within circle same operator)
4.5.2.3 Mobile to Mobile (within circle other operator)
4.5.2.4 Mobile to Mobile (other circle)
4.5.2.5 MSO to NLDO
Distance Slab
- Upto 50 kms
- 51-200 kms
- 201-500 kms
- Above 500 kms

4.5.2.6 MSO to ILDO
Distance Slab
- Upto 50 kms
- 51-200 kms
- 201-500 kms
- Above 500 kms

4.5.2.7 Roaming
4.5.2.8 SMS
4.5.2.9 Others, if any

4.5.3 GPRS

4.5.4 Others

* As Usage minute of SMS cannot be captured directly, they should be approximated using appropriate engineering studies.

4.6 Minutes of usage for each product for the year –for wholesale (Interconnection) traffic

4.6.1 From BSO to MSO
4.6.2 From NLDO to MSO
4.6.3 From ILDO to MSO.

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Proforma P

Non-Financial Statement for VSAT Service

I . Basic Information Sheet

Information as of (date)

1.1 List of services/products provided including Value added services
1.2 License No.
1.3 License Date
1.4 Service Area licensed
1.5 License Period
1.6 Date of Commencement of service
1.7 Company incorporation details
1.8 Related companies in the telecom sector

In case there is a change in information as compared to previous year, please highlight the same.

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II . Tariff / Revenue

2.1 Details of tariff Schemes applicable during the year

2.1.1 Please provide a copy of the tariff schemes detailing tariff elements including new connection charges, deposits, rentals, advance rentals, installation costs, Leased circuit charges, etc.
2.1.2 Also, mention the duration of the above scheme.
2.1.3 Please provide details of the discounting policies, if any.

2.2 No. of subscribers

2.1.4 Number of closed user groups

2.3 Coverage

2.1.5 Urban
2.1.6 Rural

III . Network Information

3.1 Network overview chart

Describe the overall network architecture on a geographical map of the service area with a brief written description. The map should indicate all the network locations with appropriate symbols.

CAPACITY

		Available	**Spare Capacity**
3.2	**Space segment – capacity (MHZ)**		
3.2.1	C Band – INSAT		
3.2.2	KU Band – INSAT		
3.2.3	KU Band - Foreign satellite		
3.3	**Location of earth stations**		
3.4	**Total number of VSAT installed and capacity**		
3.4.1	C Band		
3.4.2	KU Band – INSAT		
3.4.3	KU Band - Foreign satellite		
3.5	**WPC details**		
3.5.1	Frequency band allocated		
3.6	**Availability of network in Percentage (%)**		
3.6.1	MTBF/MTTR		
3.7	**System Description**		
3.7.1	Satellite Constellation and Orbital Characteristics		
3.7.2	Earth Stations		
3.7.3	User Terminal(s)		
3.8	**Roll out plan/upgradation plan for next one year.**		

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Proforma Q

Non-Financial Statement for Radio Paging Service

I . Basic Information Sheet

Information as of (date)

1.1 List of services/products provided including Value added services
1.2 License No.
1.3 License Date
1.4 Service Area licensed
1.5 License Period
1.6 Date of Commencement of service
1.7 Company incorporation details
1.8 Related companies in the telecom sector

In case there is a change in information as compared to previous year, please highlight the same.

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II . Tariff / Revenue

2.1 Details Of Tariff Schemes applicable during the year

2.1.1 Please provide a copy of the tariff schemes detailing tariff elements including new connection charges, deposits, rentals, advance rentals, installation costs, etc.

2.1.2 Also, mention the duration of the above scheme.

2.1.3 Please provide details of the discounting policies, if any.

2.2 Price for Pager Instrument used for Radio paging service

2.2.1 Alphanumeric Pager
- 2.2.1.1 Single Line Pager
- 2.2.1.2 2 Line Pager
- 2.2.1.3 4 Line Pager

2.2.1 Numeric Pager
- 2.2.1.1 Single Line Pager
- 2.2.1.2 2 Line Pager
- 2.2.1.3 4 Line Pager

2.3 Number of Subscribers	**Standard**	**Alternative Package**
2.3.1 Circle		

2.2.1.1 Alphanumeric
2.2.1.2 Numeric

2.3.2 City

2.2.2.1 Alphanumeric
2.2.2.2 Numeric

2.3.3 Total

2.4 Number of Subscribers

2.3.1 Individual
2.3.2 Closed Users
2.3.3 Corporate Clients

III . Network Information

3.1 Network overview chart

Describe the overall network architecture on a geographical map of the service area with a brief written description. The map should indicate all the network locations with appropriate symbols describing Paging Control Terminals, Transmission sites etc.

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3.2 WPC details

3.2.1 Frequency Band Applied For
3.2.2 Frequency Allocated
3.2.3 Royalty Fee
3.2.4 License Fee
3.2.5 Number of Users
3.2.6 Constraints

3.3 Equipment Wise Details including Type, Location, Date of Commissioning (DOC), Make, Model & Version, Technology Used (Digital / Analog), Total Capacity, Capacity Utilized

3.3.1 Tx sites etc.
3.3.2 Paging Control Terminals
3.3.3 EPABX/Automatic Call Device
3.3.4 Headsets /Seats
3.3.5 Others

3.4 Roll out/ upgradation plan.

Proforma R

Non-Financial Statement for PMRTS

I . Basic Information Sheet

Information as of (date)

1.1 List of services/products provided including Value added services
1.2 License No.
1.3 License Date
1.4 Service Area licensed
1.5 License Period
1.6 Date of Commencement of service
1.7 Company incorporation details
1.8 Related companies in the telecom sector

In case there is a change in information as compared to previous year, please highlight the same.

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II . Tariff / Revenue

All the information is to be provided for Current Year and Previous Year

2.1 Details of tariff Schemes applicable during the year

2.1.1 Please provide a copy of the tariff schemes detailing tariff elements including new connection charges, deposits, rentals, advance rentals, installation costs etc.

2.1.2 Also, mention the duration of the above schemes.

2.1.3 Please provide details of the discounting policies, if any.

2.2 Please provide details of price of PMRTS Instruments / Equipments

2.3 No. of closed user groups.

III . Network Information

All the information is to be provided for Current Year and Previous Year.

3.1 Network overview chart

Describe the overall network architecture on a geographical map of the service area with a brief written description. The map should indicate all the network locations with appropriate symbols describing Transmitter sites, PSR positions etc..

3.2 WPC details

3.2.1 Allocated frequency

3.3 Equipment wise details including Type, Location, Date of Commissioning (DOC), Make, Model & Version, Technology Used (Digital / Analog), Total Capacity , Capacity Utilized

(Provide Separately for Flex 1600 bps, Flex 3200 bps, Flex 6400 bps)

3.3.1 Transmission sites
3.3.2 PSR positions
3.3.3 PCM link OAP
3.3.4 PCM link Auto

3.4 Upgradation details

3.4.1 Transmitter Power
3.4.2 Details on Leased Lines
3.4.3 UHF Levels
3.4.4 Call Collection Network
3.4.5 Others
3.4.6 POCSAG
3.4.7 FLEX

3.5 Interconnection if any

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Proforma S

Non-Financial Statement for GMPCS

I . Basic Information Sheet

Information as of (date)

1.1 List of services/products provided including Value added services
1.2 License No.
1.3 License Date
1.4 Service Area licensed
1.5 License Period
1.6 Date of Commencement of service
1.7 Company incorporation details
1.8 Related companies in the telecom sector

In case there is a change in information as compared to previous year, please highlight the same.

II . Tariff / Revenue

2.1 Details of tariff Schemes applicable during the year

2.1.1 Please provide a copy of the tariff schemes detailing tariff elements including new connection charges, deposits, rentals, advance rentals, installation costs etc.
2.1.2 Also, mention the duration of the above schemes.
2.1.3 Please provide details of the discounting policies, if any.

2.2 Please provide details of price of GMPCS Instruments / Equipments

2.3 No. of subscribers.

III . Network Information

3.1 Network overview chart

Describe the overall network architecture on a geographical map of the service area with a brief written description. The map should indicate all the network locations with appropriate symbols.

3.2 WPC details

3.2.1 Allocated frequency

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3.3 **Equipment wise details** including Type, Location, Date of Commissioning (DOC), Make, Model & Version, Technology Used (Digital / Analog), Total Capacity , Capacity Utilized

3.4 **Interconnection if any**

3.5 **Rollout plan / upgradation plans.**

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Proforma T

Non-Financial Statement for Internet Service

I . Basic Information Sheet

Information as of (date)

1.1 List of services/products provided including Value added services
1.2 License No.
1.3 License Date
1.4 Service Area licensed
1.5 License Period
1.6 Date of Commencement of service
1.7 Company incorporation details
1.8 Related companies in the telecom sector

In case there is a change in information as compared to previous year, please highlight the same.

II . Tariff / Revenue

2.1 Details of tariff schemes applicable during the year

2.1.1 Please provide a copy of the tariff schemes detailing tariff elements including new connection charges, deposits, rentals, advance rentals, installation costs, call charges, Leased Circuit charges, etc.

2.1.2 Please Also, mention the duration of the above scheme.

2.1.3 provide details of the discounting policies, if any.

2.2 Service wise number of subscribers

2.2.1 PSTN Dial Up
2.2.2 ISDN Dial Up
2.2.3 DSL
2.2.4 Cable
2.2.5 Wireless
2.2.6 Leased Circuit Copper
2.2.7 Leased Circuit Fiber
2.2.8 Cyber Cafes
2.2.9 Others

2.3 Income through Cyber Cafes:

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III . Network Information

3.1 Network overview chart

Describe the overall network architecture on a geographical map of the service area with a brief written description. The map should indicate all the network locations with appropriate symbols describing International Gateways, ISP nodes, transmission, interconnection with other operators etc.

3.2 Number of ISP nodes as on date

3.3 Details of international gateways (Please specify type of gateway, whether Owned /Leased, No. of landing stations /satellite gateways and Allocated frequency band for Satellite gateways)

3.4 Bandwidth details

- 3.4.1 International Bandwidth (Uplink/downlink)
- 3.4.2 Domestic Bandwidth (Uplink/downlink)
- 3.4.3 Total Bandwidth (Uplink/downlink)

3.5 Total bandwidth (domestic and International combined) allocation (type of service)

- 3.5.1 PSTN Dial Up
- 3.5.2 ISDN Dial Up
- 3.5.3 DSL
- 3.5.4 Cable
- 3.5.5 Wireless
- 3.5.6 Leased Circuit Copper
- 3.5.7 Leased Circuit Fiber
- 3.5.8 Others
- 3.5.9 Balance Bandwidth (if any)

3.6 Nodewise allocation of total bandwidth

3.7 Network expansion plans
- 3.7.1 International Gateway
- 3.7.2 New Cities/ Nodes
- 3.7.3 New types of Access

INTERCONNECTIONS

3.8 Details of POIs with other ISP operators.

3.9 Whether connected to NIXI

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Telecom Regulatory Authority of India

Notification

New Delhi, the 24th May 2004

No.: 414-7/99 – FA

In exercise of the powers conferred upon it under Section 36 read with clause (i) of sub-section 1(b) of Section 11 of the Telecom Regulatory Authority of India Act, 1997 as amended by Telecom Regulatory Authority of India (Amendment) Act, 2000, the Telecom Regulatory Authority of India, Service Providers (Maintenance of Books of Accounts and Other Documents) Rules, 2002 and the order/notification issued there-under, the Telecom Regulatory Authority of India hereby makes the following Regulation:

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The Reporting System on Accounting Separation (First Amendment) Regulation, 2004 (8 of 2004)

Section I

1. **Short title, extent and commencement**: - (1) This Regulation shall be called "The Reporting System on Accounting Separation (First Amendment) Regulation, 2004".

(2) The Regulation shall come into force on the date of its publication in the Official Gazette.

Section II

Telecom Regulatory Authority of India
Notification
New Delhi, the 30th September 2004

No.: 414-7/99 – FA

In exercise of the powers conferred upon it under Section 36 read with para (i) of clause (b) sub-section (1) of Section 11 of the Telecom Regulatory Authority of India Act, 1997, the Telecom Regulatory Authority of India Service Providers (Maintenance of Books of Accounts and Other Documents) Rules, 2002 and the order/notification issued thereunder, the Telecom Regulatory Authority of India hereby makes the following Regulation namely:

1. **Short title, extent and commencement**: -

   I. This Regulation shall be called "The Reporting System on Accounting Separation (Second Amendment) Regulation, 2004 (12 of 2004)".

   II. The Regulation shall come into force on the date of its publication in the Official Gazette.

2. In sub-regulation (1) of regulation 5 of the Reporting System on Accounting Separation Regulation, 2004 (4 of 2004), the following proviso shall be inserted namely;

   "Provided that during the first year from coming in the force of the Reporting System on Accounting Separation Regulation, 2004 (4 of 2004) the service providers shall submit audited reports within nine months of the end of accounting year to the Authority."

3. **Explanatory Memorandum**

   This Regulation contains at Annexure A, an Explanatory Memorandum that explains the background and reasons for issuance of this regulation.

BY ORDER

[INDU LIBERHAN]
Principal Advisor (FA&IFA)

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Annexure A

EXPLANATORY MEMORANDUM

1. The Reporting System on Accounting Separation Regulation, 2004 issued on 23rd February 2004 had initially envisaged the submission of Accounting Separation Reports with the Authority within six months of the end of accounting year.

2. The Authority received several representations from various service providers expressing their inability to submit the Accounting Separation Reports by the above stipulated time and sought an extension of the same.

3. The Authority considered the representations of the service providers and decided that the time period be extended by 3 months during the first year of the Regulation. Accounting Separation reports shall, therefore, be submitted to the Authority within nine months of the end of accounting year. From the next year submission period shall continue to be six months from the end of the accounting year.

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Telecom Regulatory Authority of India
A-2/14, Safdurjang Enclave,
New Delhi-110029

Notification

No. 16-6/2005-FA March 4, 2005

In exercise of the powers conferred by section 36 read with para (i) of clause (b) of sub-section (1) of section 11 of the Telecom Regulatory Authority of India Act, 1997 and the Telecom Regulatory Authority of India, Service Providers (Maintenance of books of Accounts and Other Documents) Rules, 2002, and the order/ notification issued there under, the Telecom Regulatory Authority hereby makes the following regulation, namely-

1. Short title extent and commencement: -

(i) This Regulation may be called "The Reporting System on Accounting Separation (Third Amendment) Regulation, 2005 " (6 of 2005).

(ii) It shall come into force on the date of its publication in the Official Gazette.

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Deletion of Regulation 7

2. Regulation 7 and the entries relating thereto of the Reporting System on Accounting Separation Regulation, 2004, dealing with confidentiality, are hereby deleted.

Explanatory Memorandum

3. This Regulation contains at Annexure an Explanatory Memorandum that explains the background and reasons for issuance this regulation.

By order

(Harsha Vardhana Singh)
Secretary cum Principal Advisor

Annexure

Explanatory Memorandum

Telecom Regulatory Authority of India has made a comprehensive Regulation on confidentiality of information provided to it, as such there is no necessity of having similar provisions in the Reporting System on Accounting Separation regulation, 2004, and therefore the relevant provision has been deleted.

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Telecom Regulatory Authority of India

Notification

New Delhi, the 27th March 2006

No.: 16-31/2004-FA: In exercise of the powers conferred upon it under Section 36 read with para (i) of clause (b), sub-section (1) of Section 11 of the Telecom Regulatory Authority of India Act, 1997, the Telecom Regulatory Authority of India, Service Providers (Maintenance of Books of Accounts and Other Documents) Rules, 2002 and the order/notification issued thereunder, the Telecom Regulatory Authority of India hereby makes the following Regulation namely:

1. Short title, extent and commencement: -

(i). This Regulation shall be called "The Reporting System on Accounting Separation (Forth Amendment) Regulation, 2006 (4 of 2006)".

(ii) The Regulation shall come into force on the date of its publication in the Official Gazette.

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2. In regulation 1 under Section I of the Reporting System on Accounting Separation Regulation, 2004, for clause (2) and contents thereof, the following shall be substituted, namely:

"(2) This Regulation shall apply to every service provider, which is engaged in any one or more of the following telecommunication activities, namely: -

(i) Basic Telephone Service;
(ii) National Long Distance Service;
(iii) International Long Distance Service;
(iv) Cellular Mobile Telephone Service;
(v) Very Small Aperture Terminal Service (VSAT);
(vi) Radio Paging Service;
(vii) Public Mobile Radio Trunk Service;
(viii) Global Mobile Personal Communication Service; and
*(ix) Internet Service_*

and having an aggregate turnover of Rupees twenty five crore or more, made from the sale or supply of all its products or activities during the preceding financial year."

3. In regulation 4 under Section II of the Reporting System on Accounting Separation Regulation, 2004, for clause (2) the following shall be substituted, namely:

"(2) (a) The service providers to whom this Regulation applies shall every year prepare Reports mentioned in Regulation 4 (1) on the basis of historical cost accounting.

(b) The service providers to whom this Regulation applies shall also prepare reports every second year on the basis of replacement cost accounting if they are providing any one or more of the following services, namely:-

(i) Basic Telephone Service;
(ii) National Long Distance Service;
(iii) International Long Distance Service; and
(iv) Cellular Mobile Telephone Service.

Provided that if less than three years have elapsed since issue of the license to a service provider to provide a particular service from amongst the services mentioned above, the financial reports based on replacement cost accounting may not be prepared for that service."

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4. In regulation 5 under Section II of the Reporting System on Accounting Separation Regulation, 2004, for clause (2), the following shall be substituted, namely:

"(2) The service providers who are required to prepare reports on the basis of replacement cost accounting in accordance with the provisions of sub-clause (b) of clause (2) of regulation 4 shall also submit reports based on the replacement cost accounting every second year within six months of the end of the accounting year to the Authority."

5. This Regulation contains an explanatory memorandum to provide clarity to matters covered under the Regulation.

(Indu Liberhan)
Principal Advisor (FA&IFA)
F.No 16-31/2005-FA

Explanatory Memorandum

1. The Reporting System on Accounting Separation Regulations, 2004 is applicable to all service providers providing any of the nine specified telecom services in the existing regulation (1). Every year these service providers are required to prepare accounting separation reports on the basis historical cost accounting and every second year on the basis of replacement cost accounting.

Applicability of the Regulation

2. This year many service providers, mainly ISPs with a small subscriber base, PMRTS operators, Radio Paging Operators failed to file accounting separation reports with the Authority. The Authority had issued show cause notices to all service providers who failed to submit accounting separation reports in time and therefore comply with the requirements of the regulation. The service providers like PMRTS have written in their replies to the show cause notice that PMRTS operators have small turnovers and therefore Accounting Separation Regulation is a burden on the PMRTS industry. Moreover most PMRTS operators are standalone operators providing single products and therefore accounting separation of their accounts may not serve any useful purpose. On the other hand most Radio Paging Operators have surrendered license. Many small ISPs have also written about their inability to prepare accounting separation reports. The Authority has very carefully examined various responses to the show cause notices and is of the view that accounting separation may be causing undue burden on service providers having small turnovers and decided that the accounting separation shall be applicable to only those companies which had a turnover of a minimum of Rs 25 crores for the preceding financial year.

3. The Authority also recalled that the main objectives of the Accounting Separation Regulation was to examine and check anti-competitive practices like cross subsidy, predatory pricing etc. Telecom companies having low turnovers are generally not in a position to practice such anti competitive behaviour and therefore found it fit to exempt all telecom service providers having turnover of Rs 25 crores or below from preparing and filing accounting separation reports.

4. The other main objective of the Accounting separation reports was to provide audited cost figures for tariff setting. Since, most service providers with turnover of Rs 25 crores or below are providing service like PMRTS, Internet, Radio paging etc and for which tariffs are forborne, their accounting separation reports may not be required. Moreover low turnover generally represents under utilization of network or smaller

nature of the operation itself. The cost figures for such companies may not be very useful for tariff setting

5. While deciding limits for exemption on applicability of the accounting separation regulation, Authority considered various options. The Authority also took note that the Cost Accounting Telecom Rules notified by the Ministry of Finance has a similar provisions on applicability of the Rules for only those companies having a minimum turnover of Rs 10 crores or less for the previous year. Fixation of a higher ceiling of around Rs 100 crores would have exempted many standalone operators having significant market shares in services like VSAT. A lower ceiling of around Rs 10 crores may have resulted in applicability of the regulation on operators providing standalone service like PMRTS or on standalone operators having insignificant market share when compared to its competitors. The Authority therefore found that a ceiling of Rs 25 crores turnover is appropriate for exempting service providers from the applicability of the Accounting Separation Regulation.

6. The Authority while considering applicability of the Accounting Separation Regulation also considered other option of exempting all standalone service providers, providing single service. The Authority noted that many standalone operators are dominant and have captured major market share in areas or markets in which they are operating. Such operators are in a position to take advantage of their market leadership and scuttle competition. The Authority has therefore decided against exempting all standalone telecom operators from accounting separation.

Exemption from filing Accounting Separation reports on the basis of Replacement Cost Accounting.

7. As per the Accounting Separation Regulation, every second year, the replacement cost accounting separation reports are to be prepared and filed with the Authority. The financial year, 2004-05 was the second year of implementation of the Regulation and therefore many service providers were required to file the replacement cost accounting separation reports with the Authority. Many service providers especially ISPs, PMRTS operators expressed inabilities to prepare reports on the basis of the replacement costs and stated that preparation of such reports are burden on small operators. The Internet Service Provider Association also requested to exempt ISPs from preparation of the replacement cost accounting separation reports.

8. In the telecom sector technological changes and declining costs are common. The costing of services based on historical accounts at times give very different results from those based on the current costs. The costing of interconnection usage, Ports etc based on replacement/current costs by various telecom regulators is common. The Authority also had framed Accounting Separation Regulation keeping in mind the importance of the replacement cost in costing of telecom services. However, over these years competition in many areas have matured and the Authority has stopped regulating tariffs for most of the services. The Authority is presently regulating only IUC and few tariffs like IPLC and DLC. The Authority, therefore, considers that replacement cost accounts for many services may not be needed in the near future and therefore decided that except Access Providers, NLDOs and ILDOs, others may be exempted from the requirement of preparing replacement cost reports. However shall the need arise, the Authority may review the applicability of replacement cost accounting on other service providers.

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