

## CHAPTER – VI

### Revenue Shared by Reliance Jio Infocomm Limited (RJIL)

#### 6.1 Introduction

Reliance Jio Infocomm Limited (RJIL), a subsidiary of Reliance Industries Limited (RIL), was initially incorporated as Infotel Broadband Services Private Limited (IBSPL) on 15 February 2007. In July 2010, the name was changed to Infotel Broadband Services Limited (IBSL) and again (January 2013) to Reliance Jio Infocomm Limited (RJIL). RJIL had two wholly owned subsidiaries viz. Infotel Telecom Services Limited and Rancore Technologies Private Limited. Both the subsidiaries were amalgamated with RJIL in April 2013 as per the scheme of Amalgamation approved by the Bombay High Court. As on date, RJIL has four<sup>1</sup> subsidiaries.

#### 6.1.1 Licences granted to RJIL

Following are the details of licenses granted to RJIL (formerly IBSL) by DoT.

**Table 6.1**

Sl. No.	Type of licence	Service Area	Effective date	Remarks
1	ISP-IT	Pan India	15 November 2007	Licence obtained by IBSPL. License stands cancelled from 21 October 2013 post migration to Unified Licence by RJIL.
2	IP-1 Registration	Pan India	23 June 2011	Licence obtained by IBSL.
3	NLD	Pan India	14 February 2012	Licence obtained by Infotel Telecom Limited, a subsidiary of RJIL. Consequent to merger with RJIL, license stands cancelled.
4	ILD			
5	Unified Licence	Pan India	21 October 2013	All services except GMPCS <sup>2</sup> service.

#### 6.1.2 Spectrum allotted to RJIL

Following are the details of spectrum allotted to RJIL (formerly IBSL) as of March 2015:

<sup>1</sup> Reliance Jio InfocommPteLimited, Reliance Jio Infocomm USA Inc., Reliance Jio Infocomm UK Limited and Reliance Jio Global Resources LLC.

<sup>2</sup> Global Mobile Personal Communication by Satellite.



Table 6.2

SI No	Licensed Service Area	Main Radio Spectrum (MHz)	Broadband Wireless Access Spectrum (BWA) (MHz)	MW Access Spectrum (MHz) <sup>3</sup>
1	Andhra Pradesh	11.60	20	224
2	Assam	10.80	20	168
3	Bihar	-	20	168
4	Delhi	10.80	20	224
5	Gujarat	12.00	20	224
6	Haryana	-	20	168
7	Himachal Pradesh	-	20	168
8	Jammu & Kashmir	-	20	168
9	Karnataka	10.00	20	224
10	Kerala	10.00	20	168
11	Kolkata	10.00	20	224
12	Madhya Pradesh	12.80	20	168
13	Maharashtra	10.00	20	224
14	Mumbai	13.20	20	224
15	North East	12.80	20	168
16	Orissa	10.00	20	168
17	Punjab	-	20	168
18	Rajasthan	-	20	168
19	Tamil Nadu (including Chennai)	12.40	20	224
20	Uttar Pradesh (East)	-	20	168
21	Uttar Pradesh (West)	-	20	168
22	West Bengal	11.20	20	168

### 6.1.3 Revenue Reported and Revenue Share paid by RJIL

Following are the details of the GR, Deductions and AGR of RJIL for their ISP, NLD and Access Services for the years 2012-13 to 2014-15.

Table 6.3

Year	GR	Deduction	AGR	(₹ in crore)	
				Percentage of AGR to GR	Revenue share (LF + SUC)
2012-13	0.37	0.05	0.32	85.61	0.02*
2013-14	3.07	0.02	3.04	99.23	0.24*
2014-15	8.79	0.01	8.78	99.85	16.86

\*This includes only licence fee since the Company got access spectrum in 2014.

<sup>3</sup> One carrier=56 MHz

RJIL had not started its commercial services relating to Access Services during 2012-15 and hence, there were no subscribers.

## 6.2 Audit Observation

### 6.2.1 Non consideration of Forex Gain in GR/ AGR for payment of LF and SUC

Scrutiny of the Annual financial statements and Revenue Reconciliation statements furnished by RJIL along with AGR statements for the years from 2012-13 to 2014-15 revealed that Realised Foreign Exchange Gain amounting to ₹ 63.77 crore (2012-13 – ₹ 1.29 crore, 2013-14 – ₹ 41.67 crore and 2014-15 – ₹ 20.81 crore) was not included in the AGR for the purpose of revenue share which resulted in short payment of licence fee.

Management stated that DoT had also raised a demand for payment of licence fee on the foreign exchange gains (both realised and unrealised). It was further added that the Company had filed a petition before the TDSAT challenging the demand notices and the TDSAT in their order had set aside (December 2015) the impugned demands for payment of additional Licence Fee on account of gains arising from foreign exchange fluctuations.

The reply of the Management is not convincing as:

- Audit has considered only realized gains;
- 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 since Forex gain is accounted as income in P&L account;
- While the matter is sub-judice, audit view is that, in terms of license agreements, realized gain arising from foreign exchange fluctuations should be included in GR/AGR for computation of revenue share.

Thus, non-inclusion of Forex gain in GR/AGR was in violation of the licence conditions and resulted in under-statement of AGR by ₹ 63.77 crore with consequent understatement of LF by ₹ 5.10 crore. (**Annexure 6.01**)

### 6.2.2 Interest on Short/ Non Payment of LF and SUC

The licence conditions provide for levy of interest @ 2 per cent above the prime lending rate of State Bank of India existing at the beginning of the financial year in respect of delay in payment of licence fee pertaining to the said financial year. Since the licensee paid revenue share in short by ₹ 5.10 crore for the years

2012-13, 2013-14 and 2014-15, the interest leviable on delayed payment worked out to ₹ 1.68 crore upto 31 March 2016 (**Annexure 6.01**).

### **6.3 Response of DoT/RJIL to the Audit Observations**

Audit observations on the revenue share payable by M/s RJIL were communicated to DoT and RJIL during February 2017 for their further comments. RJIL had reiterated once again (March 2017) most of their submissions made in reply to audit observations issued during the course of premises audit. The response of DoT is awaited.

New Delhi  
Dated :

(P K Tiwari)  
Director General of Audit  
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**Countersigned**

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Dated :

(Shashi Kant Sharma)  
Comptroller and Auditor General of India

