

Independent Auditor's Report

To the Members of Bharti Airtel Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Bharti Airtel Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an

opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2015, its profit, and its cash flows for the year ended on that date.

Emphasis of Matters

We draw attention to Note 26(ii)(g)(vii) to the standalone financial statements which, describes the uncertainties related to the legal outcome of Department of Telecommunications' demand with respect to One Time Spectrum Charge. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of section 164 (2) of the Act;

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- (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 26(ii) and Note 53(b) to the standalone financial statements;
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 51 to the standalone financial statements;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W

per Nilangshu Katriar
 Partner
 Membership No: 58814

Place: New Delhi
 Date: April 28, 2015

Annexure 1

Annexure referred to in paragraph 1 of 'Report on other Legal and Regulatory Requirements'

Re: BHARTI AIRTEL LIMITED ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars with respect to most of its fixed assets, however, is in the process of updating quantitative and situation details with respect to certain fixed assets in the records maintained by the Company.
- (b) The capitalised fixed assets are physically verified by the management according to a regular programme designed to cover all the items over a period of three years. Pursuant to the programme, a portion of fixed assets and capital work in progress has been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. The Company is in the process of reconciling the quantitative and situation details of the physical verification results with the records maintained by the Company and as informed to us, the impact is not expected to be material.
- (ii) (a) The Inventory (other than inventory with third parties) has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the Company has neither granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, Clause 3(iii) of the Order is not applicable to the Company for the current year and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of proprietary nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have neither observed nor have been informed of any major weakness or continuing failure to correct any major weaknesses in the aforesaid internal control system.
- (v) The Company has not accepted any deposits from the public.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of records with a view to determine whether they are accurate or complete.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, duty of customs, value added tax, cess

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and other material statutory dues applicable to it. The provisions relating to duty of excise are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state

insurance, income-tax, sales-tax wealth-tax, service tax, duty of customs, value added tax, cess and other material undisputed statutory dues were outstanding as at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, duty of customs, value added tax and cess on account of any dispute, are as follows:

Name of Statutes	Nature of the Dues	Amount Disputed (in ₹ Mn)	Period to which it relates	Forum where the dispute is pending
Andhra Pradesh VAT Act	Sales Tax	41	2005-10	Tribunal
Andhra Pradesh VAT Act	Sales Tax	46	2010-13	Deputy Commissioner, Commercial Taxes, Punjagutta
Bihar Value Added Sales Tax Act	Sales Tax	34	2007-08	Assistant Commissioner
Bihar Value Added Sales Tax Act	Sales Tax	31	2006-13	Joint Commissioner, Appeal
Bihar Value Added Sales Tax Act	Sales Tax	29	2005-08	Tribunal
Gujarat Sales Tax Act	Sales Tax	1	2006-07	Assistant Commissioner
Himachal Pradesh Value Added Tax Act	Sales Tax	1	1999-02	Additional Commissioner
J&K General Sales Tax	Sales Tax	34	2004-07	High Court, Jammu & Kashmir
Karnataka Sales Tax Act	Sales Tax	291	2005-06	Assistant Commissioner
Karnataka Sales Tax Act	Sales Tax	1	2001-06	Commercial tax Officer
Kerala Sales Tax Act	Sales Tax	1	2011-12	Commercial tax Officer
Kerala Sales Tax Act	Sales Tax	1	2005-13	Commercial tax Officer
Kerala Sales Tax Act	Sales Tax	11	2005-06	Deputy Commissioner, Appeal
Kerala Sales Tax Act	Sales Tax	0	2009-13	Intelligence Officer Squad
Kerala Sales Tax Act	Sales Tax	2	2002-05	Tribunal
Kerala Value Added Tax Act	Sales Tax	5	2005-06	Deputy Commissioner, Appeal
Kerala Value Added Tax Act	Sales Tax	71	2006-07	High Court of Kerala
Kerala Value Added Tax Act	Sales Tax	20	2007-09	Assistant Commissioner, Spl Circle III, Ernakulam
Madhya Pradesh Commercial Sales Tax Act	Sales Tax	24	2007-12	Appellate authority
Madhya Pradesh Commercial Sales Tax Act	Sales Tax	0	2005-07	Assistant Commissioner
Madhya Pradesh Commercial Sales Tax Act	Sales Tax	0	2004-08	Commercial tax Officer
Madhya Pradesh Commercial Sales Tax Act	Sales Tax	2	2008-13	Deputy Commissioner
Madhya Pradesh Commercial Sales Tax Act	Sales Tax	22	1997-04	Deputy Commissioner, Appeal
Maharashtra Sales Tax Act	Sales Tax	9	2003-04	High Court, Mumbai
Maharashtra Sales Tax Act	Sales Tax	0	2003-04	Joint Commissioner, Appeal
Orissa Value Added Tax Act	Sales Tax	1	2006-07	Additional Commissioner
Punjab Sales Tax Act	Sales Tax	0	2009-10	Commissioner
Punjab Sales Tax Act	Sales Tax	30	2003-04	High Court
Punjab Sales Tax Act	Sales Tax	1	2002-03	Jt. Director(Enforcement)
Punjab Sales Tax Act	Sales Tax	1	2008-10	Tribunal
UP VAT Act	Sales Tax	21	2002-12	Assessing officer
UP VAT Act	Sales Tax	21	2002-05	Assistant Commissioner
UP VAT Act	Sales Tax	2	2005-10	Commercial tax Officer
UP VAT Act	Sales Tax	6	2008-11	High court
UP VAT Act	Sales Tax	1	2003-04	Joint Commissioner Appeal
UP VAT Act	Sales Tax	12	2005-07	Tribunal
West Bengal Sales Tax Act	Sales Tax	0	1996-97	The Deputy Commissioner of Commercial Taxes

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Name of Statutes	Nature of the Dues	Amount Disputed (in ₹ Mn)	Period to which it relates	Forum where the dispute is pending
West Bengal Sales Tax Act	Sales Tax	0	1995-96	Commercial tax Officer
West Bengal Sales Tax Act	Sales Tax	9	2005-06	Revision Board
West Bengal Sales Tax Act	Sales Tax	3	1997-12	Tribunal
Sub Total (A)		787		
Finance Act, 1994 (Service tax provisions)	Service Tax	301	2004-08	Supreme Court
Finance Act, 1994 (Service tax provisions)	Service Tax	7	2000-07	Commissioner Adjudication
Finance Act, 1994 (Service tax provisions)	Service Tax	1	2003-06	Commissioner Appeal
Finance Act, 1994 (Service tax provisions)	Service Tax	23	2002-07	High court
Finance Act, 1994 (Service tax provisions)	Service Tax	5	1995-97	Supreme Court
Finance Act, 1994 (Service tax provisions)	Service Tax	10,230	1995-12	Tribunal
Sub Total (B)		10,566		
Income Tax Act, 1961	Income Tax	6	2002-04	Supreme Court
Income Tax Act, 1961	Income Tax	11,685	1996-97; 2001-02; 2004-10	High Court
Income Tax Act, 1961	Income Tax	17,240	2003-11	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	19,603	1995-2003; 2004-14	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	1,392	1994-95; 1996-98; 2004-15	Assessing Officer
Sub Total (C)		49,926		
Custom Act, 1962	Custom Act	4,128	2001-06	Supreme Court
Custom Act, 1962	Custom Act	126	2006-10	Tribunal
Sub Total (D)		4,254		

The above mentioned figures represent the total disputed cases without any assessment of Probable, Possible and Remote, as done in case of contingent liabilities. Of the above cases, total amount deposited in respect of sales tax is ₹ 291 Mn, Service tax is ₹ 330 Mn, Income tax is ₹ 10,115 Mn and Custom Duty is ₹ 2,138 Mn.

- d) There were no amounts which were required to be transferred to the investor education and protection fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.
- (viii) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (ix) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (x) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company.
- (xi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xii) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W

per Nilangshu Katriar
Partner
Membership No: 58814

Place: New Delhi
Date: April 28, 2015